Capital Market Update

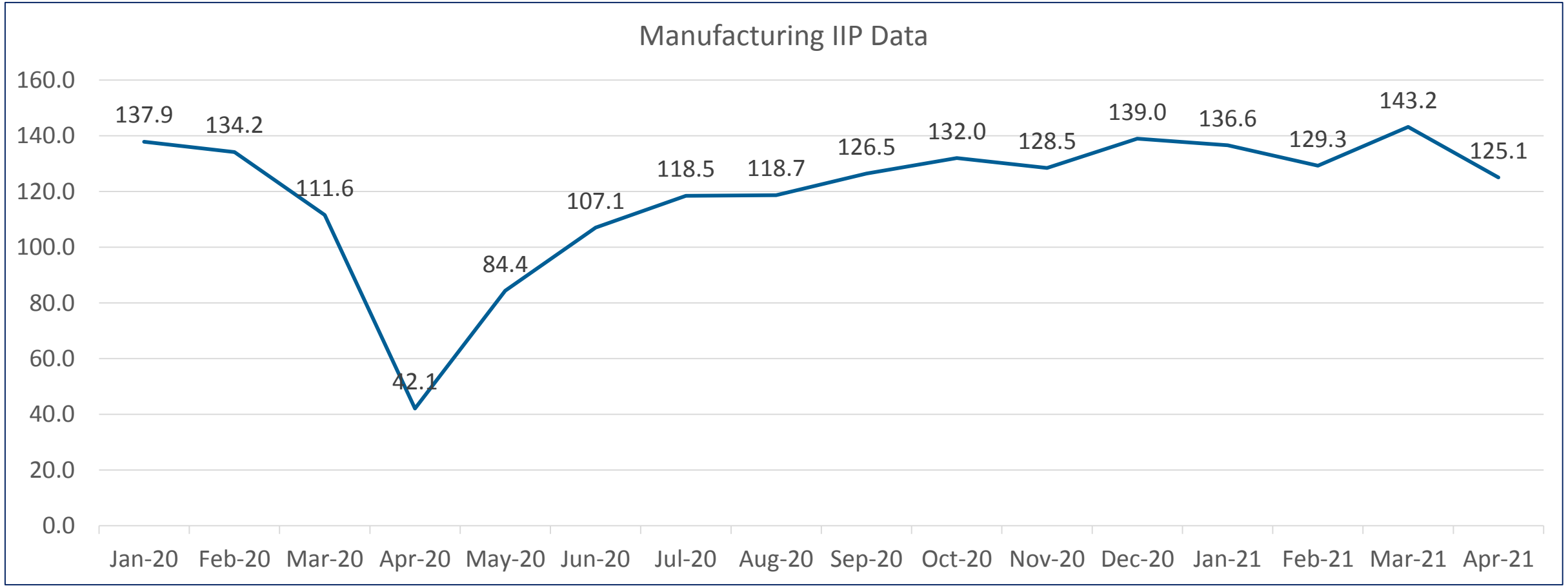
June 2021

Karan Vora

Table of Contents

Impact of Covid-19 2nd wave 1/2

Covid-19 2nd wave hit India in April. IIP (Index of Industrial Production) data of April released by Ministry of Statistics and Programme Implementation can help in understanding impact of Covid-19 2nd wave on Economy.



Impact of Covid-19 2nd wave 2/2

Manufacturing IIP Data:

- Manufacturing IIP fell from 143.2 in March to 125.1 in April 21, a drop of around 12.6%. However as far as historical numbers are concerned, the index of April 21 (125.1) was not far from that of April 19 (126.2) or April 18 (123.1) showing resilience of Indian businesses to the 2nd Covid wave.
- Mining index contracted from 138.7 to 108.0 in April, a drop of 22.1% whereas the Electricity index remained stable from 180 to 174, a drop of 3.3%.
- With regard to index of end use of goods in April, primary goods index fell by 12.6% while intermediated goods and consumer non-durable goods fell by 11% each.

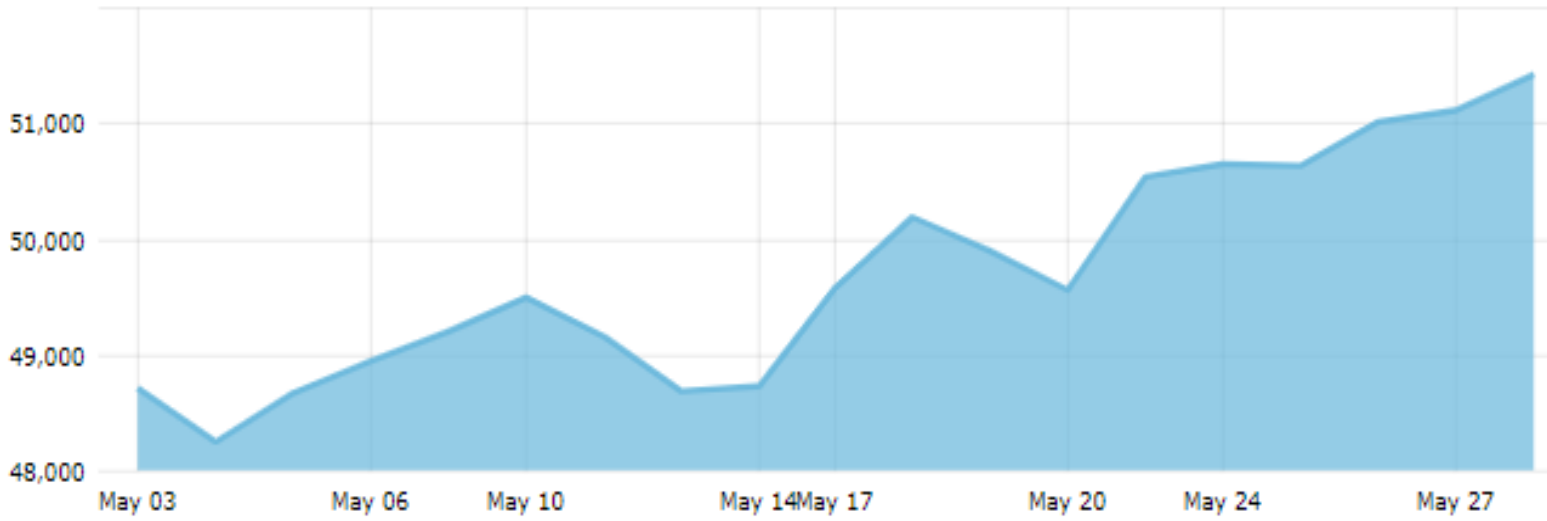
Other developments:

- Goods and services tax (GST) collections saw a drop in May compared to April, but still remained above 1 lakh Crore mark.
- Monetary Policy Committee (MPC) decided to keep the policy repo rate unchanged at 4.0 per cent and continue with the accommodative stance.
- With receding of Covid-19 cases, relaxations in the lockdowns and pent up demand in the economy, the businesses activity is likely to pick pace again in coming months.

MARKET UPDATE

Trends in Secondary Markets

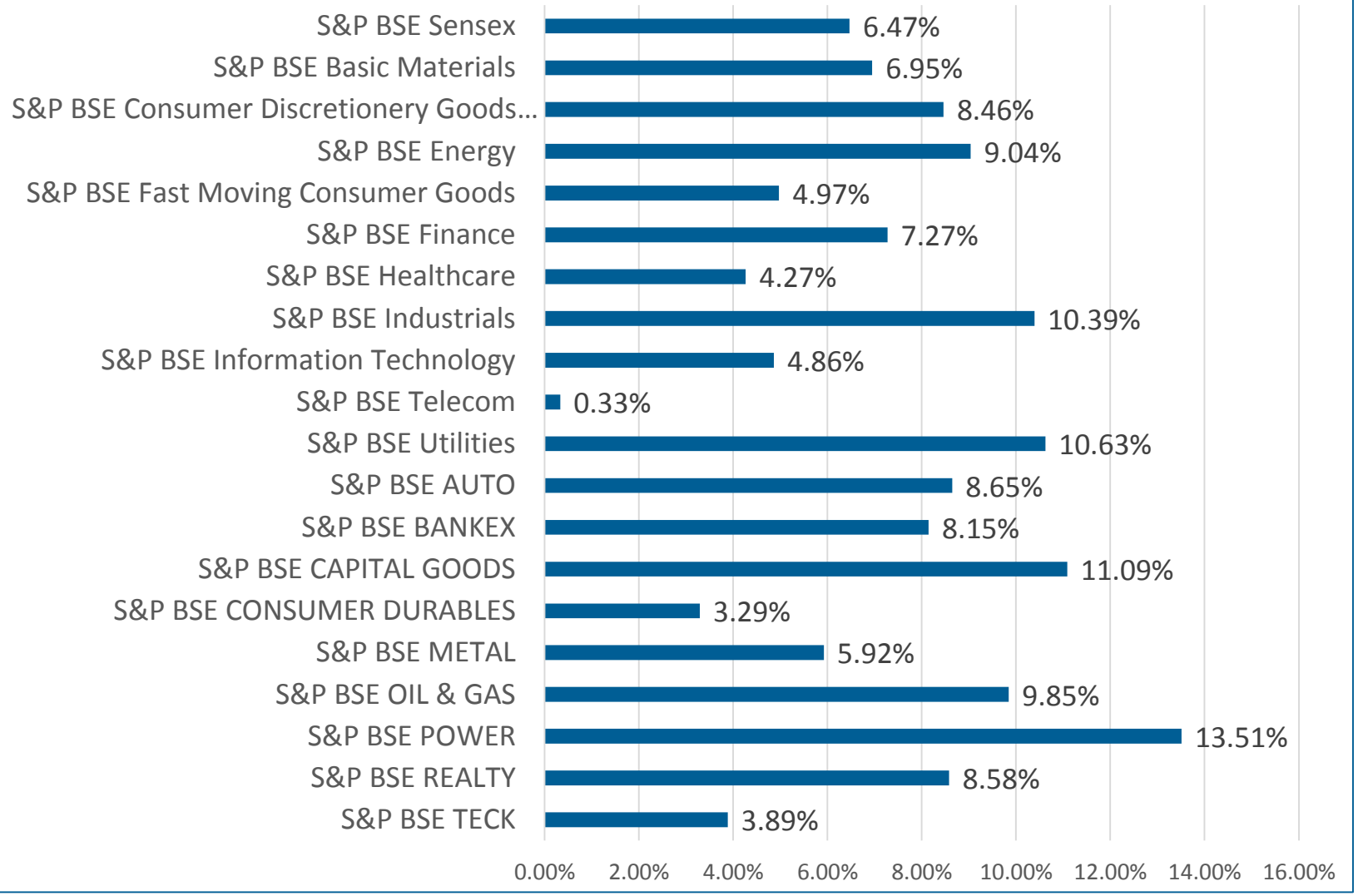
- BSE Sensex went up by 6.47% to close at 51,937 in May 2021. Nifty 50 closed at 15,583 higher by 6.50% from 14,631 in April closing.
- On 24 May 2021, the combined market value of companies listed on the Bombay Stock Exchange (BSE) crossed the US $3 trillion mark for the first time. It has been one of the best performing global markets in FY 21.
- The markets are shooting up as the sentiment is boosted by the steady fall in covid cases and expectations of easing of lockdown. The rise is in spite of Foreign Portfolio Investors (FPIs) divesting Rs. 2,954 Crore from the Indian equity markets in the month of May.



Equity Markets	Apr-21	May-21	Change%
Sensex	48,782	51,937	6.47%
Nifty 50	14,631	15,583	6.50%
BSE 500	19,690	21,055	6.94%
BSE Bankex	37,305	40,345	8.15%
BSE Consumer Durables	32,325	33,389	3.29%
BSE Healthcare	23,531	24,535	4.27%
BSE FMCG	12,509	13,131	4.97%

Performance of BSE sectoral Indices in % in May 2021

- All indices were positive in the month of May.
- Amongst the BSE sectoral indices Power (13.51%), Capital Goods (11.09%), Industrial (10.39%) and Utilities (10.63%) performed very well while Telecom (0.33%) showed the lowest increase.



Primary market Update

- There was no main board IPO in May as against two main board IPOs of Macrotech Developers Limited and Barbeque Nation Hospitality Limited in April 2021.
- There was no SME IPO in May as against three SME IPOs of Jetmall Spices and Masala Limited, Rajeshwari Cans Limited and EKI Energy Services Limited in April 2021.
- While IPO activity slowed down in May, number of IPOs are lined up for July.

Funds Mobilisation by Corporates (₹ in Crore)

Particulars	Feb-21	Mar-21
I. Equity Issue	**14,517**	**20,127**
a. IPOs (i+ii)	3,658	6,352
i. Main Board	3,655	6,255
ii. SME Platform	3	97
b. FPOs	-	30
c. Equity Rights Issue	2,999	72
d. QIP/IPP	2,645	10,775
e. Preferential Allotment	5,216	2,898
II. Debt Issue	**45,902**	**95,230**
a. Debt Public Issue	216	900
b. Private Placement of Debt	45,685	94,330
Total Funds Mobilised (I+II)	**60,419**	**1,15,356**

MERGERS & ACQUISITIONS KEY DEALS

M&A: Aceto acquires majority stake in Finar Limited 1/2

Transaction:

- Aceto global, provider of specialty materials for life sciences and advanced technology end markets, announced the acquisition of a majority stake in Ahmedabad based Finar Limited. The deal value was not revealed.

Aceto:

- Founded in 1947, Aceto is a global provider of differentiated specialty materials in life sciences and advanced technology end markets. It is headquartered in Port Washington, New York.
- Aceto's majority stake is held by New Mountain Capital (NWC), New York from April 2019.
- Aceto has business operations in nine countries and significant staff in India, Europe and North America.
- Aceto distributes over 1,100 chemical compounds used principally by the pharmaceutical, nutraceutical, agricultural, and specialty chemical industries.

Finar Limited:

- Finar is an Ahmedabad based manufacturer of pharmaceutical excipients, lab chemicals, aquaculture inputs, and food grade additives headed by Amit Maheshwari.
- Beginning as a manufacturer of Laboratory Chemicals, the company has since increased offerings to over 1,000 products and serves more than 10,000 customers across 50 countries.

M&A: Aceto acquires majority stake in Finar Limited 2/2

Rationale:

- New Mountain Capital (NWC), which owns majority stake in Aceto, has a strategy of investing in defensive growth industries.
- Defensive industries are industries that are relatively stable in economic fluctuation like high growth period or recession. Specialty chemicals being one such industry.
- This cross border acquisition expands Aceto's global footprint. CEO of Aceto, Gilles Cottier remarked that bringing together Finar and Aceto will give customers of both companies more solutions to support their supply chain globally.
- Aceto has also acquired Syntor, A&C and IsleChem recently as part of growth strategy.
- Aceto will support Finar's manufacturing facilities and offices in India.

M&A: Adani Green Energy acquires SB Energy's renewable power portfolio – 1/2

Transaction:

- Adani Green Energy Limited (AGEL) signed share purchase agreements for the acquisition of 100% interest in SB Energy Holdings Limited (SBEHL) from SoftBank Group (80%) and Bharti Group (20%).
- The transaction is for a fully completed enterprise value of USD 3.5 billion (~INR 26,000 Crore) which makes it largest renewable M&A transaction of India.

Adani Green Energy Limited (AGEL):

- AGEL, a part of India-based Adani Group, has renewable portfolio with 19.3 GW of operating, under-construction and awarded projects, and locked-in growth projects catering to investment-grade counterparties.
- The company develops, builds, owns, operates and maintains utility-scale grid-connected solar and wind farm projects with customers like NTPC, SECI and various state discoms.

SB Energy Holdings Limited:

- SBEHL is a private Company limited by shares, incorporated in the UK, with investment from SoftBank group and Bharti group.

M&A: Adani Green Energy acquires SB Energy's renewable power portfolio – 2/2

- SBEHL and its wholly owned subsidiaries hold renewable portfolio of 4,954 MW spread across Rajasthan, Andhra Pradesh, Karnataka and Madhya Pradesh in India which includes 84% solar, 9% wind-solar hybrid and 7% wind capacity. Out of 4,954 MW of total portfolio, 1,400 MW are operational and the balance 3,554 MW are under construction.
- Entire portfolio of SBEHL is under 25 years' power purchase agreements with sovereign rated counterparties which include Solar Energy Corporation of India Ltd. (SECI), NTPC Limited and NHPC Limited. SBEHL had turnover of Rs. 1,015 Crore in FY21.

Rationale:

- This acquisition will enable AGEL to achieve its target renewable portfolio of 25 GW four years ahead of the target timeline. AGEL has also made renewable energy acquisitions recently from Sterling and Wilson and SkyPower global to build up capacity. AGEL plans to be largest renewable energy player globally.
- Adani Green's stock price was up following the announcement of transaction.
- As we covered in our Feb 21 update, Total, French oil and gas giant has acquired minority stake of 20% in AGEL. Total has target of building 35GW of renewable energy capacity globally by 2025, as there is growing pressure on oil and gas companies to go green.

PRIVATE EQUITY KEY DEALS

PE: Pine Labs raises $285 million – 1/2

Transaction:

- Pine Labs, a merchant commerce platform, announced that is has completed a new round of financing by raising $285 million. Company was valued at $3 billion as per various reports.
- This round saw both primary funding and secondary funding transactions for founder, employees and early shareholders.

Pine Labs Pvt. Ltd.:

- Pine Labs Pvt. Ltd. is a payment platform that offers payment solutions including EMI, discounts, cash back programs, pay by points, loyalty, targeted promotions, and dynamic currency conversion.
- The company is headquartered in Noida, India and has 17 offices across 3 countries.
- The company's cloud-based platform offers enterprise automation systems such as inventory management and customer relationship management as well.
- The company’s cloud-based platform powers over 330,000 point-of-sale terminals. Over 550 million digital transactions are processed over Pine Labs’ platforms every year, helping more than 100 million retail customers.

PE: Pine Labs raises $285 million – 2/2

Investors:

- This round involved public market cross-over investors including Baron Capital Group, Duro Capital, Marshall Wace, Moore Strategic Ventures and Ward Ferry Management. Existing investors Temasek, Lone Pine Capital and Sunley House Capital also participated in this significantly oversubscribed funding round.
- Pine Labs' key investors include Sequoia India, Actis Capital, Temasek, PayPal and Mastercard.

Rationale:

- CEO Amrish Rau, Pine Labs remarked that while Pine labs excels in enterprise merchant payments, it wants to scale in the online space as well and at the same time continue to power the credit and commerce needs of its offline merchant partners.
- Pine labs also said that it’s a well-financed company with a strong balance sheet and has been EBITDA profitable from several years now, justifying the secondary transactions.
- Last year, Pine Labs raised funding from US-based investment firm Lone Pine Capital in a round that took its valuation to more than $2 billion. Earlier company has acquired QwikCilver and Fave. Fave provides payments and loyalty cashbacks.

THANKS

Acknowledgements:

RBI Bulletin (www.bulletin.rbi.org.in), SEBI (www.sebi.gov.in), NSE (www.nseindia.com), BSE (www.bseindia.com)