



# **Capital Market Update**

## **February 2021**

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- Monetary Policy Committee (MPC) met in 1st week of February, 2021 and voted unanimously to leave the policy repo rate unchanged at 4 per cent.
- CPI inflation went down at 4.06% in January 2021 from 4.59% in December 2020. Index of Industrial Production (IIP) in December 2020 grew 1% as compared to 1.9% in November 2020.
- RBI declared on 15th January that it will drain Rs.2 trillion worth of liquidity from the market via 14-day reverse repo auction at rate of 3.55%. The announcement came after the RBI governor Shashikant Das said earlier that week that the stretched valuations of financial assets pose risk to financial stability. RBI wants to reduce the liquidity in the market as the markets are still very bullish.

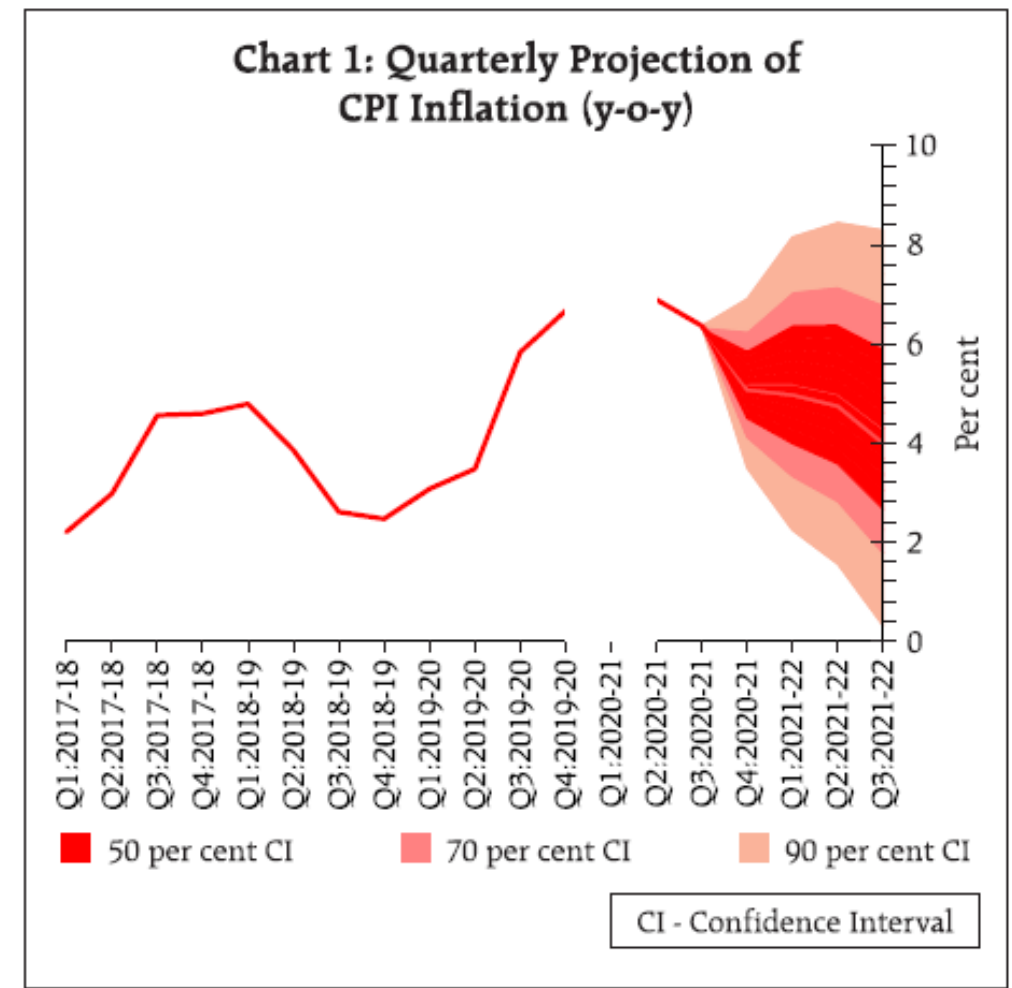


Table 8: Sector-Wise Corporate Performance

Select Sectors	Net Sales Growth (Y-o-Y, per cent)				Operating Profit Growth (Y-o-Y, per cent)				Net Profit Growth (Y-o-Y, per cent)			
	Mar-20	Jun-20	Sep-20	Dec-20	Mar-20	Jun-20	Sep-20	Dec-20	Mar-20	Jun-20	Sep-20	Dec-20
IT	7.4	4.3	4.5	6.0	20.2	12.5	19.0	24.1	15.4	6.3	12.5	18.4
Refining	-5.0	-49.2	-25.2	-17.4	-170.8	-37.8	65.2	27.5	-143.5	-6.1	85.5	29.2
FMCG	0.2	-6.4	7.5	6.9	-16.7	-13.1	16.2	12.7	-20.2	-2.1	7.4	8.1
Pharmaceuticals	5.5	5.5	9.8	10.2	2.1	28.0	38.8	45.1	9.8	16.2	33.9	63.7
Steel	-18.7	-39.1	10.5	16.8	-28.9	-401.3	n.m.	n.m.	46.3	-604.3	34.2	n.m.
Auto & Auto Ancillaries	-17.2	-65.2	3.4	20.3	-55.0	-198.0	8.5	56.7	-37.5	-157.6	-11.3	50.8
Cement	-11.8	-33.4	4.6	11.2	5.3	-44.8	83.9	107.4	12.7	-36.9	70.6	111.7

**Note:** Excludes extraordinary items. n.m. is not meaningful.

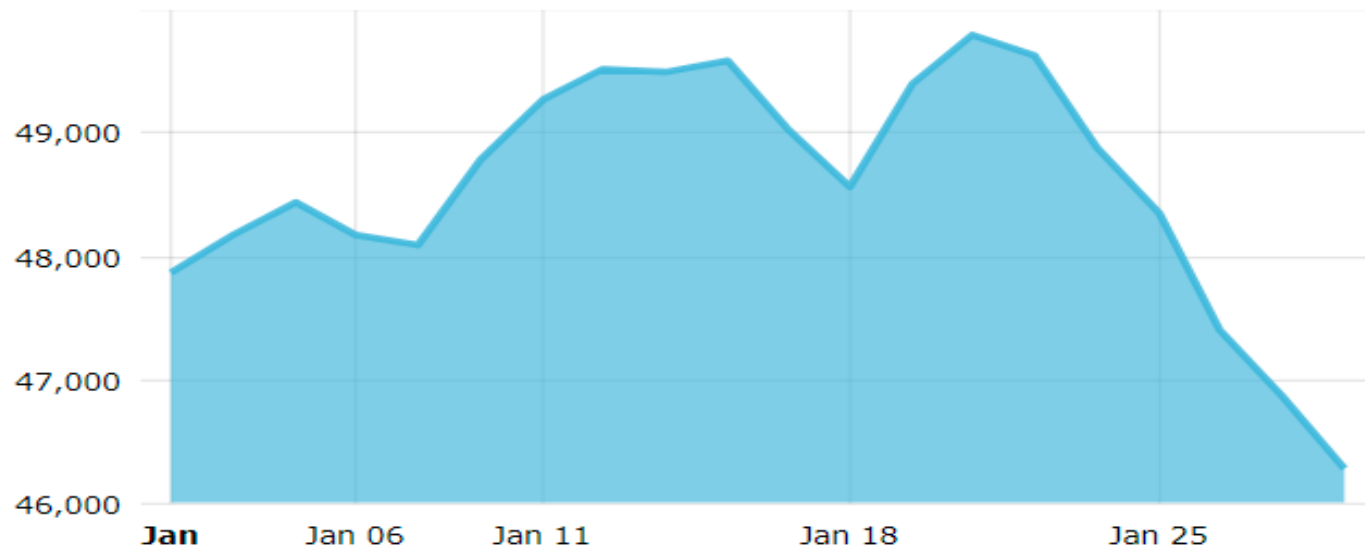
**Sources:** Prowess; and RBI staff calculations.

In the non-financial sector, auto, steel and cement have seen a positive performance during Q3:2020-21. Further, during the same period, companies in the information technology (IT) sector have recorded the best quarterly performance of past few years. FMCG and Pharma sectors have also recorded growth in operating margins during Q2 as well as Q3:2020-21.

- Finance Minister Nirmala Sitharaman presented the Economic Survey 2020-21, authored by Chief Economic Adviser Krishnamurthy Subramanian and dedicated to Covid warriors, in the Parliament.
- Indian strategy of saving lives by an early intense lockdown in the Covid-19 crisis has paid off.
- Indian economy has shown a V-shaped recovery, as seen in 7.5% decline in GDP in Q2 and recovery across all key economic indicators vis-à-vis the 23.9% GDP contraction in Q1.
- India's real GDP expected to record a 11.0% growth in FY2021-22 and nominal GDP to grow by 15.4% – the highest since independence.
- India's Sovereign Credit Rating of BBB- should be higher considering the forex reserves, low foreign currency denominated debt and zero sovereign default history.

- As long as economy is growing, debt sustainability should not be a problem.
- Accommodative monetary policy has been adopted by RBI and systematic liquidity has been kept in abundance in FY21 by open market operations, LTRO and TLTRO.
- Renewed focus on Indian healthcare sector; health infra should be agile, public healthcare should be increased from 1% to 2.5-3% of GDP and a regulator should be considered for reducing information asymmetry.
- India's private sector needs to significantly ramp up investments in R&D to boost India's innovations.
- India over-regulates its economy, resulting in ineffective regulations. Solution is to simplify regulations, invest in greater supervision and increase transparency.

- BSE Sensex went down by -3.07% in January 2021 to close at 46,286. Nifty 50 closed at 13,635, lower by -2.48% from 13,982 in December closing.
- The uncertainty ahead of the Union Budget put pressure on the markets. Also, the stimulus package from the US was in the stage of discussion but was delayed for some reason and the effect of the same has been seen on the markets globally.
- Foreign Portfolio Investors (FPI) infused Rs. 19,473 Crore in Indian equity markets in the month of January. FPI's were net buyers in January.

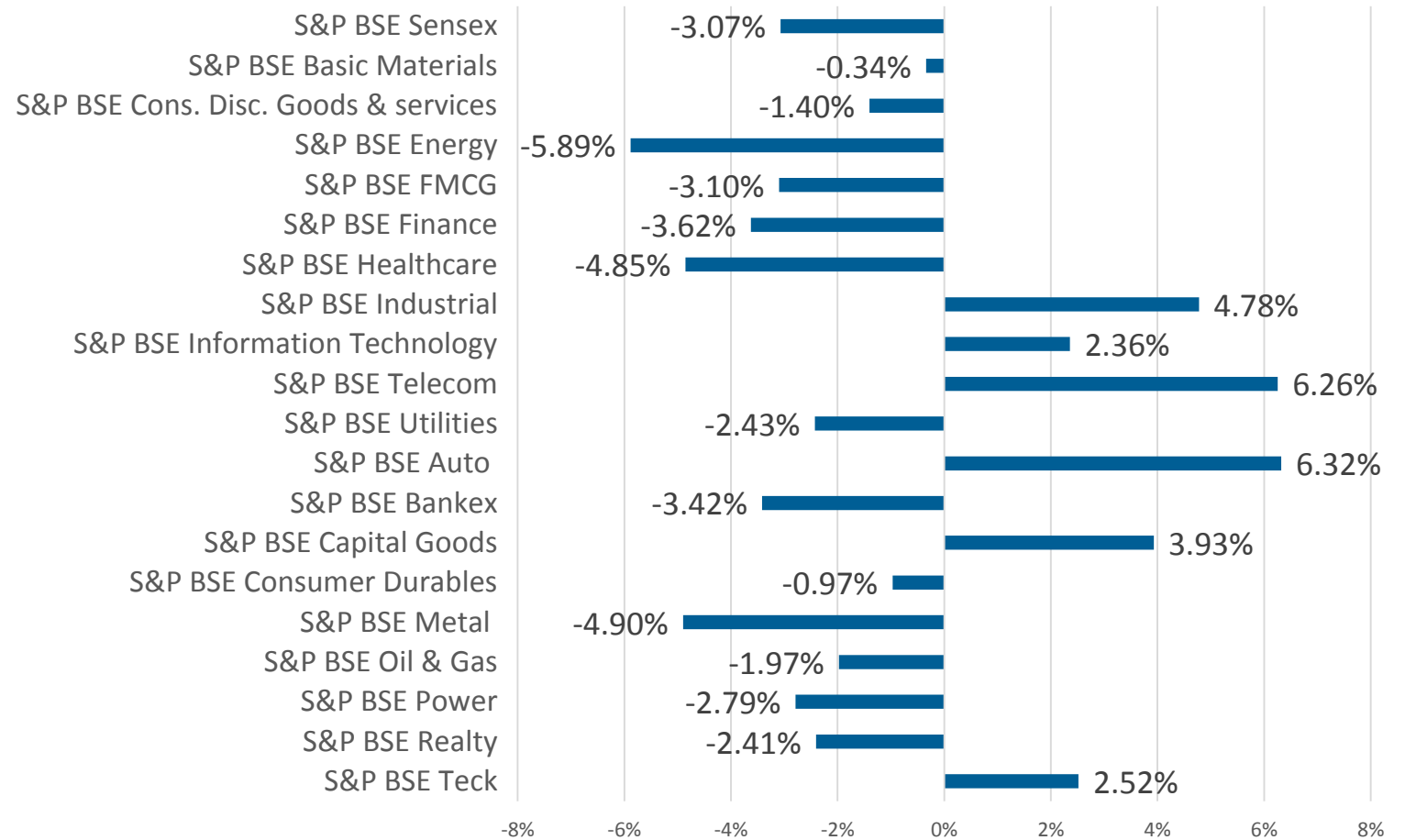


Equity Markets	Dec-20	Jan-21	Change%
<b>Sensex</b>	47,751	46,286	-3.07%
<b>Nifty 50</b>	13,982	13,635	-2.48%
<b>BSE 500</b>	18,300	17,975	-1.78%
<b>BSE Bankex</b>	35,888	34,663	-3.42%
<b>BSE Consumer Durables</b>	30,394	30,099	-0.97%
<b>BSE Healthcare</b>	21,681	20,629	-4.85%
<b>BSE FMCG</b>	12,609	12,218	-3.10%

Auto (6.32%), Telecom (6.26%), Industrial (4.78%), Capital Goods (3.93%), Teck (2.52%) and Information Technology (2.36%) were the best performing indices.

Energy (-5.89%), Metal (-4.90%) and Healthcare (-4.85%) were among the worst performers.

## Performance of BSE Indices in % in January 2021





- There were two main board IPOs of Antony Waste Handling Cell Limited and Indian Railway Finance Corporation in the month of January 2021.
- There was no SME board IPO in January 2021.

## Funds Mobilisation by Corporates (₹ in Crore)

Particulars	Nov-20	Dec-20
<b>A. Funds Mobilisation through Public Issue (I+II)</b>	<b>7,212.6</b>	<b>1,652.4</b>
I. Equity Public Issue	7,070.0	1,652.4
a. IPOs (i+ii)	6,998.7	1,353.2
i. Main Board	6,997.1	1,350.5
ii. SME Platform	1.6	2.7
b. FPOs	-	-
c. Equity Right Issue	71.3	299.2
II. Debt Public Issue	142.5	-
<b>B. Funds Mobilisation through Private Placement</b>	<b>52,803.8</b>	<b>97,334.7</b>
1. QIP/IPP	250.0	7,423.2
2. Preferential Allotment	7,008.8	1,781.6
3. Private Placement of Debt	45,545.0	88,129.9
<b>Total Funds Mobilised (A+B)</b>	<b>60,016.3</b>	<b>98,987.1</b>

### Antony Waste Handling Cell Limited:

- Antony Waste Handling Cell Limited is part of 'Antony' group and provides full spectrum of MSW services which includes solid waste collection, transportation, processing and disposal services across the country, primarily catering to Indian municipalities.
- The price band of IPO was Rs.313-315 per share and the share is valued at a P/E multiple of 26.1x at higher end of price band. Amount raised from the IPO is Rs.300 Crores.
- IPO of Antony Waste was subscribed 15.04 times and listing day gains on the IPO was Rs.92.25 per share.
- Proceeds of the issue are going to be utilized for part financing of a project of waste-to-energy at Pimpri Chinchwad. Proceeds will also be used in reduction of consolidated borrowings of the company and other general corporate purposes. Company also raised Rs.90 Crore ahead of its IPO from anchor investors.

### Indian Finance Corporation Limited:

- Indian Railway Finance Corporation (IRFC) was set up on 12th December, 1986 as the dedicated financing arm of the Indian Railways for mobilizing funds from domestic as well as overseas Capital Markets.
- The IPO has a price band of Rs.25-26 and PE at higher end of price band is 7.65. Amount raised by the IPO is approximately Rs. 4,630 crores.
- According to the offer, the government will execute an offer for sale (OFS) for approximately 594 million shares worth Rs 1,480 crore. Government's stake will reduce to 86.4 per cent after the IPO. Also, a fresh issue of 1188 million shares of around Rs.2970 crores was made.
- IPO was subscribed 3.5 times.
- The share is listed at 4 per cent discount to its issue price.

# Mergers & Acquisitions Key Deals

## Transaction:

- Metropolis Healthcare Limited will acquire entire 100% stake in Dr. Ganesan's Hitech Diagnostic Centre Private Limited and its subsidiary ('Hitech') from its existing promoters and shareholders in a cash and stock deal. Amount is to be paid partly by way of cash consideration of an amount of Rs.511 Crores and partly by issuance of up to 495000 equity shares of Rs.2 each on preferential basis.
- The cash consideration will be funded by Metropolis by internal accruals and debt of Rs.300 crore. Dr. Ganesan, Promoter and Founder, will be part of the Leadership team for next few years to enable a smooth transition and integration with Metropolis.

## About Metropolis Healthcare:

- Metropolis Healthcare Limited is an Indian diagnostics company with central laboratory in Mumbai. The Company owns a chain of diagnostic centers across India, South Asia, Africa and the Middle East. Metropolis offers a comprehensive range of clinical laboratory tests and profiles. These tests and profiles are used for prediction, early detection, diagnostic screening, confirmation and/or monitoring of the disease.

## About Dr. Ganesan's Hitech Diagnostic Centre Private Limited:

- Established in 1986, Dr. Ganesan's Hitech is a diagnostic laboratory chain in South India. It is second largest player in Chennai, leader in Tamil Nadu and significant player in Bengaluru. Revenue of the company in FY20 was Rs.83 Crore.

## Rationale:

- With this acquisition Metropolis Healthcare will consolidate its leadership position in South India, especially in cities of Chennai and Bengaluru. Metropolis expects to optimize operational cost in the areas of procurement, supply chain, administration, laboratory network and back office. Metropolis will also get access to 31 laboratories including 3 NABL and ICMR accredited labs and 68 collection centers of Hitech.
- As we covered in our January 2021 update also, the diagnostic firms are witnessing renewed investor interest and consolidation because of Covid-19 pandemic which has brought focus on testing. In fact, growth in valuation in diagnostics have exceeded growth in healthcare delivery. Healthcare Diagnostic market is very fragmented and has started seeing consolidation. Earlier in December 2020, Genworks acquired in-vitro diagnostic unit of IRIS Healthcare.

## Transaction:

- Adani Promoter Group, India and TOTAL, France announce the acquisition of a 20% minority interest by TOTAL in Adani Green Energy Limited (AGEL) via the acquisition of shares held by the Adani Promoter Group in AGEL.
- Earlier in 2018, TOTAL and Adani embarked on the energy partnership with investment by TOTAL in Adani Gas Limited, city gas distribution business, associated LNG terminal business and gas marketing business. TOTAL acquired 37.4% stake in Adani Gas Limited and 50% stake in Dhamra LNG project. TOTAL and Adani agreed the acquisition of a 50% stake in a 2.35 GWac portfolio of operating solar assets owned by AGEL and a 20% stake in AGEL for a global investment of USD 2.5 Billion.

## About Adani Green Energy Limited:

- Adani Green Energy Limited (AGEL) is a renewable company in India, with a current project portfolio of 13,990 MW. AGEL is part of the Adani Group. The Company develops, builds, owns, operates and maintains utility-scale grid-connected solar and wind farm projects. The electricity generated is supplied to central and state government entities and government-backed corporations.

## About TOTAL:

- Total is a French multinational integrated oil and gas company founded in 1924. It produces and markets fuels, natural gas and electricity. Its head office is located in La Défense district in Courbevoie, west of Paris. It was declared as the 29th-largest public company in the world in the 2020 Forbes Global 2000.

## Rationale:

- India has set a policy target of setting up 450 GW of renewable power capacity by 2030. Adani aims to achieve 25 GW of renewable power generation by 2025 and is committed to contribute to India's COP21 goals and to the wider UNFCCC goals of sustainability.
- Adani group has aggressively expanded with debt till date and this equity infusion from Total will reduce the high debt of the group.
- There is a growing demand on all oil majors to curb emissions and go green. This acquisition is part of Total's target of building 35 GW of renewable energy capacity globally by 2025.



# Private Equity Key Deals

### Transaction:

- TA Associates, a global growth private equity firm, has acquired a significant stake in OmniActive Health Technologies, while Founder and Executive Chairman Sanjaya Mariwala has further increased his personal holding.

### About OmniActive health Technologies:

- Started in 2004, Omniactive Health Technologies is one of the leaders in the Nutraceutical industry.
- Its core products include carotenoids, plant extracts and specialty functional ingredients which provide dietary supplementation and nutritional fortification.
- Omniactive leverages international R&D strengths to deploy an array of state-of-the-art manufacturing technologies in extraction, purification, isolation and delivery of nutritional actives.
- The company's manufacturing operations are located at multiple sites in India and are cGMP and HACCP system compliant.

## About TA Associates:

- TA Associates is a leading global growth private equity firm. Focused on targeted sectors within five industries – technology, healthcare, financial services, consumer and business services – TA invests in profitable, growing companies with opportunities for sustained growth, and has invested in more than 500 companies around the world.

## Rationale:

- TA's global healthcare experience will be valuable in supporting Omniactive's next phase of growth through continued organic growth and strategic acquisitions. TA has deep capabilities and experience investing in companies focused on nutritional ingredients, and shares Omniactive's vision of bringing innovative, natural and science-based solutions to the customers and end consumers.
- Omniactive intends to leverage its strong management capabilities and TA's distinctive M&A sourcing engine to drive programmatic M&A and in-licensing to continuously deliver innovation to its customers.
- TA Associates commented that it expects strong growth in nutritional ingredients space in next decade. TA associates would be counting on Omniactive's capabilities on brand building in this growing healthcare segment.

## Transaction:

- Udaan has raised USD 280 Mn in additional financing from its existing and new investors. The additional financing exercise takes the overall fund raised by Udaan till date to USD 1.15 Billion. Existing investors of Udaan - Lightspeed Venture Partners, DST Global, GGV Capital, Altimeter Capital, and Tencent – participated in the funding exercise, in addition to two new investors - Octahedron Capital and Moonstone Capital.

## About Udaan:

- Founded in 2016, Udaan is a b2b eCommerce platform headquartered in Bangalore with offices in all leading metros and major cities across India.
- It has operations across categories including lifestyle, electronics, home & kitchen, staples, fruits and vegetables, FMCG, pharma, toys and general merchandise with its network of over 3 million users in 900 cities by connecting them to over 25,000 sellers across the country.
- The platform has enabled logistics focused on b2b trade built on technology and operations for fulfilment and delivery service through udaanExpress whereas udaanCapital, focused on SME financing services, provides financial products for sellers and buyers to grow their business.

## About Investors:

- Moonstone Capital is an advisory and private capital firm focused on alternative capital providers. It provides global fundraising, syndicated investments, and advisory services. It is headquartered in London, UK.
- Octahedron Capital is a global, crossover technology investment firm that invests in internet-scale businesses around the world. It is a partnership firm located in San Francisco, US.

## Rationale:

- The additional funds will be deployed towards continued market creation of b2b eCommerce in India, reaching out to small businesses across the country.
- Some of the key areas of investment will be: continued expansion of selection of products and categories available on udaan, furthering user experience, enhancing technology platform, expanding SME financing capabilities and reinforcement of the supply-chain infrastructure.
- This financing enables Udaan to take eCommerce deeper in India, with its low-cost model.

## Acknowledgements:

RBI Bulletin ([www.bulletin.rbi.org.in](http://www.bulletin.rbi.org.in)), SEBI ([www.sebi.gov.in](http://www.sebi.gov.in)), NSE ([www.nseindia.com](http://www.nseindia.com)), BSE ([www.bseindia.com](http://www.bseindia.com))

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