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“Celebrate endings - for they precede new beginnings.”

- Jonathan Lockwood Huie



Chartered Accountants Association, Ahmedabad

CAPITAL MARKETS UPDATE

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CAPITAL MARKETS UPDATE Q4 FY 20-21:

Summary:

The New Year 2021 has begun on a strong positive note with vaccination drives in major economies as well as in India. The COVID-19 incidence is seen receding and strong economic recovery was seen. The economic survey and union budget were presented in February and their development orientation was well received by the market.

Key Mergers & Acquisition deals include Total acquiring stake in Adani green and Metropolis Healthcare acquiring Dr. Ganesan's Hitech Diagnostic Centre. Key Private Equity deals were Advent acquiring controlling stake in ZCL Chemicals and Biocon Biologics raising funds from Goldman Sachs.

Economic Update:

Monetary Policy Committee (MPC) met in 1st week of April, 2021 and voted unanimously to leave the policy repo rate unchanged at 4 per cent. Strong economic recovery was seen in the market and most of the sectors have started registering year on year positive performance.

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

Economic Survey 2020-21 – Highlights:

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.



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- 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.

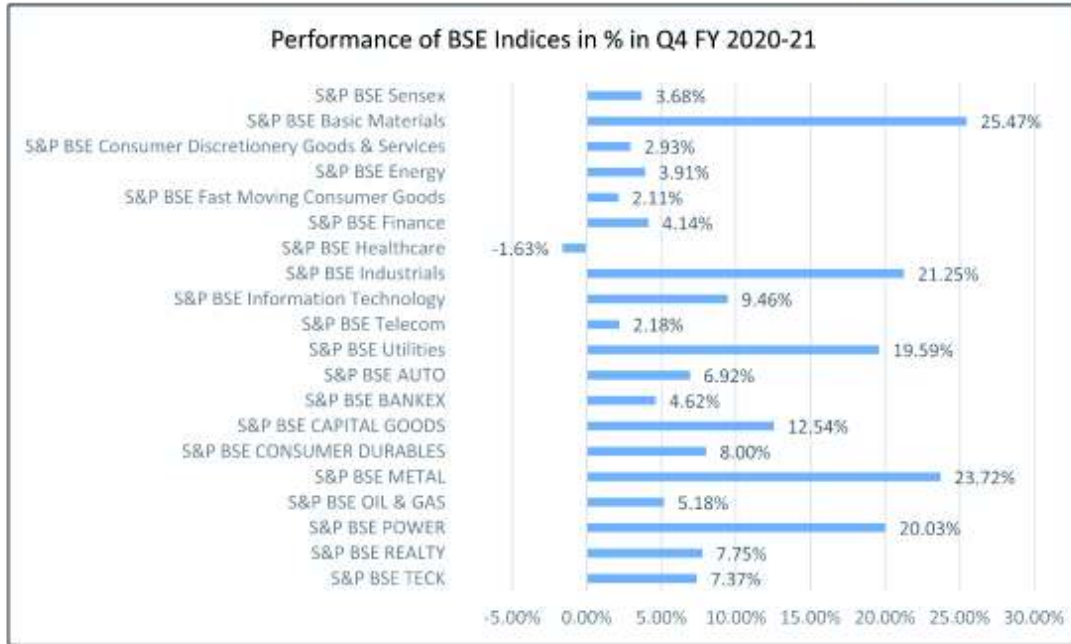
Trends in Secondary Markets:

Markets continued their strong performance and went up by around 4% in Q4. Slowing of Covid19 infections, abundant liquidity, economic revival and favourable union budget were the key reasons for strong performance of market.



Equity Markets	Dec-20	Mar-21	Change%
Sensex	47,751	49,509	3.68%
Nifty 50	13,982	14,691	5.07%
BSE 500	18,300	19,602	7.11%
BSE Bankex	35,888	37,548	4.62%
BSE Consumer Durables	30,394	32,826	8.00%
BSE Healthcare	21,681	21,328	-1.63%
BSE FMCG	12,609	12,875	2.11%

Amongst the BSE sectoral indices almost all indices were good performers from Dec 2020 to March 2021. Basic Materials (25.47%) and Metal (23.72%) were the best performers during this period.



Primary market Update:

Particulars	Dec-20	Jan-21
A. Funds Mobilisation through Public Issue (I+II)	1,652.0	10,262.0
I. Equity Public Issue	1,652.0	5,015.0
a. IPOs (i+ii)	1,353.0	4,933.0
i. Main Board	1,351.0	4,933.0
ii. SME Platform	3.0	-
b. FPOs	-	-
c. Equity Rights Issue	299.0	81.0
II. Debt Public Issue	-	5,248.0
B. Funds Mobilisation through Private Placement	97,335.0	62,127.0
1. QIP/IPP	7,423.0	1,170.0
2. Preferential Allotment	1,782.0	5,333.0
3. Private Placement of Debt	88,130.0	55,624.0
Total Funds Mobilised (A+B)	98,987.0	72,389.0

Mergers & Acquisitions key deals:

TOTAL to Acquire 20% Stake in Adani Green Energy Limited:

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



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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 UNFCC 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.

Metropolis Healthcare to acquire Dr. Ganesan's Hitech Diagnostic Centre:

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.

Private Equity key deals:

Biocon Biologics raises Rs.1125 Crore from Goldman Sachs:

Biocon Ltd., a bio-pharmaceutical company, announced that the Board of its subsidiary Biocon Biologics Ltd (Biocon Biologics) has

approved a Rs.1,125 Crore (approx. USD 150 million) fund raise from Goldman Sachs. As per the proposed terms, Goldman Sachs will be issued Optionally Convertible Debentures at a post money equity valuation of USD 3.94 Billion (Rs. 29,550 Crore).

Biocon Ltd. is a publicly listed bio-pharmaceutical company focused on therapies for diabetes, cancer and autoimmune and manufactures APIs sold in over 120 countries. Biocon biologics is a subsidiary of Biocon Ltd. and looks after biosimilars. Biocon Biologics has 28 biosimilar molecules, three of which have been commercialised in developed markets of US, EU and others. Goldman Sachs group is a global IB firm.

While the present valuation of Biocon Biologics is close to \$4 Billion, earlier in January 2020, the firm raised funds from True North at Valuation of around \$3 Billion (diluting 2.44% stake).

With a portfolio of biosimilars and three biosimilar products commercialized in the U.S. market, Biocon Biologics continues to expand access for its patients. This fund raise will enable Biocon to make investments in R&D, high-quality manufacturing and establishment of global commercial footprint. Goldman Sachs said that with demand for biosimilars set to grow as patents of originator biologics expire and patients demand lower priced drugs, Biocon Biologics is well positioned to expand access.

Advent International to acquire controlling stake in ZCL Chemicals Limited:

Transaction:

Advent International ("Advent"), one of the largest global private equity investors,



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announced that it has signed a definitive agreement to acquire a majority stake in ZCL Chemicals Limited. With this transaction, Morgan Stanley Private Equity Asia (MSPEA), a private equity platform that previously managed a minority investment in ZCL, will exit their investment.

About Advent International:

Founded in 1984, Advent International has invested in over 350 private equity transactions in 41 countries, and as of September 30, 2020, had \$66.2 billion in assets under management. The firm focuses on investments in five core sectors, including business and financial services; health care; industrial; retail, consumer and leisure; and technology.

About ZCL Chemicals Limited:

ZCL (formerly Zandu Chemicals Ltd.) is a pharmaceutical company in India. Established in 1991, ZCL is headquartered in Mumbai and has

a state-of-the-art US FDA successfully inspected facility with a capacity of 214 KL along with strong research & development capabilities strategically located in the industrial park of Ankleshwar, Gujarat.

Rationale:

The acquisition of ZCL will help Advent get closer to its goal of creating a top five merchant API platform in India. ZCL will be its third pharmaceuticals investment in India and the second in the API space. ZCL is a high-growth business, led by a capable management team, which will further fortify Advent's presence in the API market, a key sub-sector focus of Advent.

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

