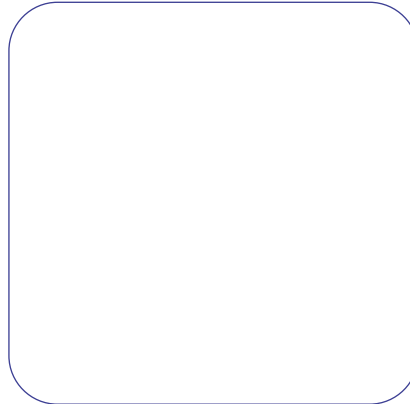


AHMEDABAD CHARTERED ACCOUNTANT

JOURNAL

Volume : 45 | Part 4 | July, 2021



41st RRC at Agra
August, 2014



Chartered Accountants
Association, Ahmedabad



Summary:

Various data points are showing that the business activity has started rebounding after the 2nd Covid wave. There is a note on 30 years of Economic reforms led by Narasimha Rao and Manmohan Singh during which Indian economy saw tremendous growth. Indian equity markets and the stock markets have remained bullish in the month of June.

Key Deals include PharmEasy acquiring majority stake in Thyrocare becoming first instance when an Indian unicorn startup is acquiring a listed company and KKR buying stake in Ahmedabad based Vini Cosmetics.

Economic Update:

- Nomura India Business Resumption Index a tracker of economic activity increased for sixth consecutive week to 91.3 for the week ending on July 4th from 86.3 showing that the business activity is rebounding very quickly after the second Covid wave.
- Government has come up with 2nd relief package of Rs. 6.29 Crore for sectors hit by 2nd Covid wave. Package includes Rs. 23,200 crore to strengthen health infrastructure. Allocation to credit guarantee scheme has been increased to Rs. 4.5 lakh Crore from Rs. 3 lakh Crore.
- GST collection fell below 1 Lakh Crore in May 2021.
- Oil rose to 2 years high in mid-July with economic recovery. Brent was at \$73.28 due to demand rise and OPEC supply cuts.
- Retail inflation was 6 months high in May to 6.3% outside the RBI's range of $4 \pm 2\%$ on account of rising food and fuel prices. Wholesale

price index was also on an upward trajectory. (It has bearing on RBI's monetary policy's accommodative stance)

30 years of Economic Reforms:

1st July marks 30 years of economic reforms of India led in 1991 by Narasimha Rao and Manmohan Singh. From 1991 Indian economy has seen excellent growth and GDP has grown from \$266 Billion in 1991 to over \$3 Trillion in 2021. Following are some interesting points:

- Indian Economy before 1991 was marked by stress on import substitution, low foreign investment and license regulations and red tape commonly known as License Raj.
- This resulted into a closed economy with very low GDP growth and stagflation. India also started having balance of payment problems from 1985.
- By the end of 1990 India was in a serious economic crisis with government close to default and forex reserves of only 15 days (minimum safe level was at least 3 months) in June 1991.
- At this time Narsimha Rao became prime minister of India (June 1991) with a minority government.
- Rao gave the finance minister job and complete support to Manmohan Singh, a credible economist, instead of other congress leaders who were more likely to get the job like Pranab Mukharjee, who had been finance minister earlier in 1984.
- New Industrial policy was formed to assist industrial growth with plans to pre-approve upto 51% foreign equity participation, allowing foreign companies to bring modern

technologies, and dismantling of public sector monopolies except critical sectors.

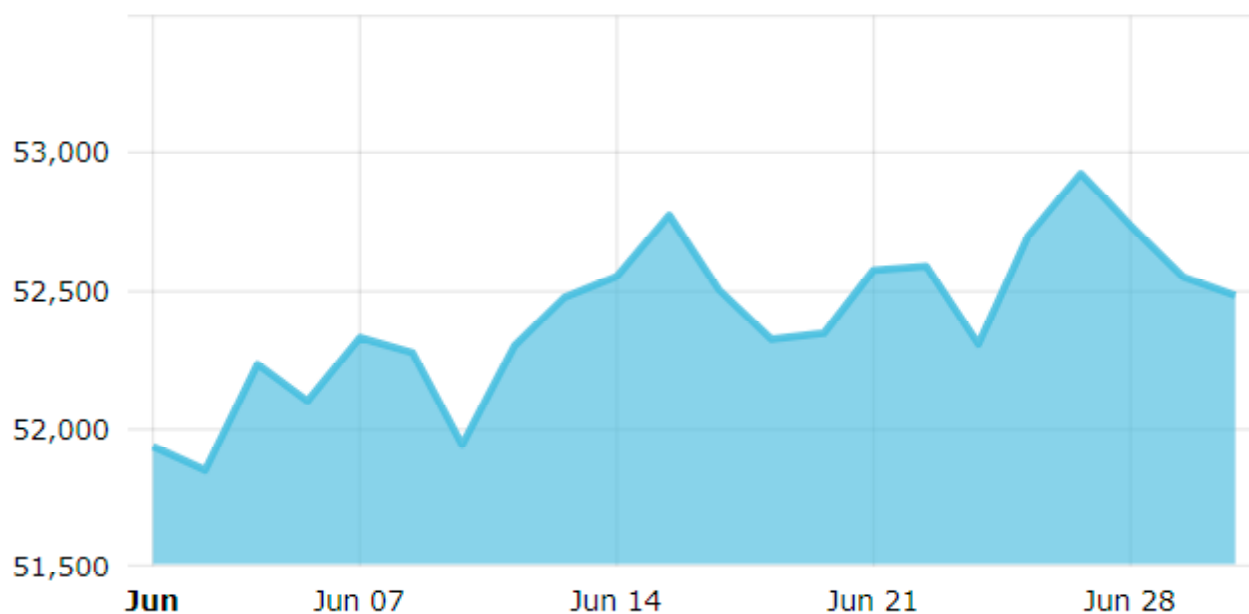
- On 1st July 1991, India devalued its rupee against major currencies against sharp reactions from oppositions only to be devalued again on 3rd to a total devaluation of 19%.
- Finally on 24th July the historic budget was presented by Manmohan Singh which abolished the License Raj, pushed export promotions, removed import controls and laid foundation for vibrant capital markets.

Trends in Secondary Markets:

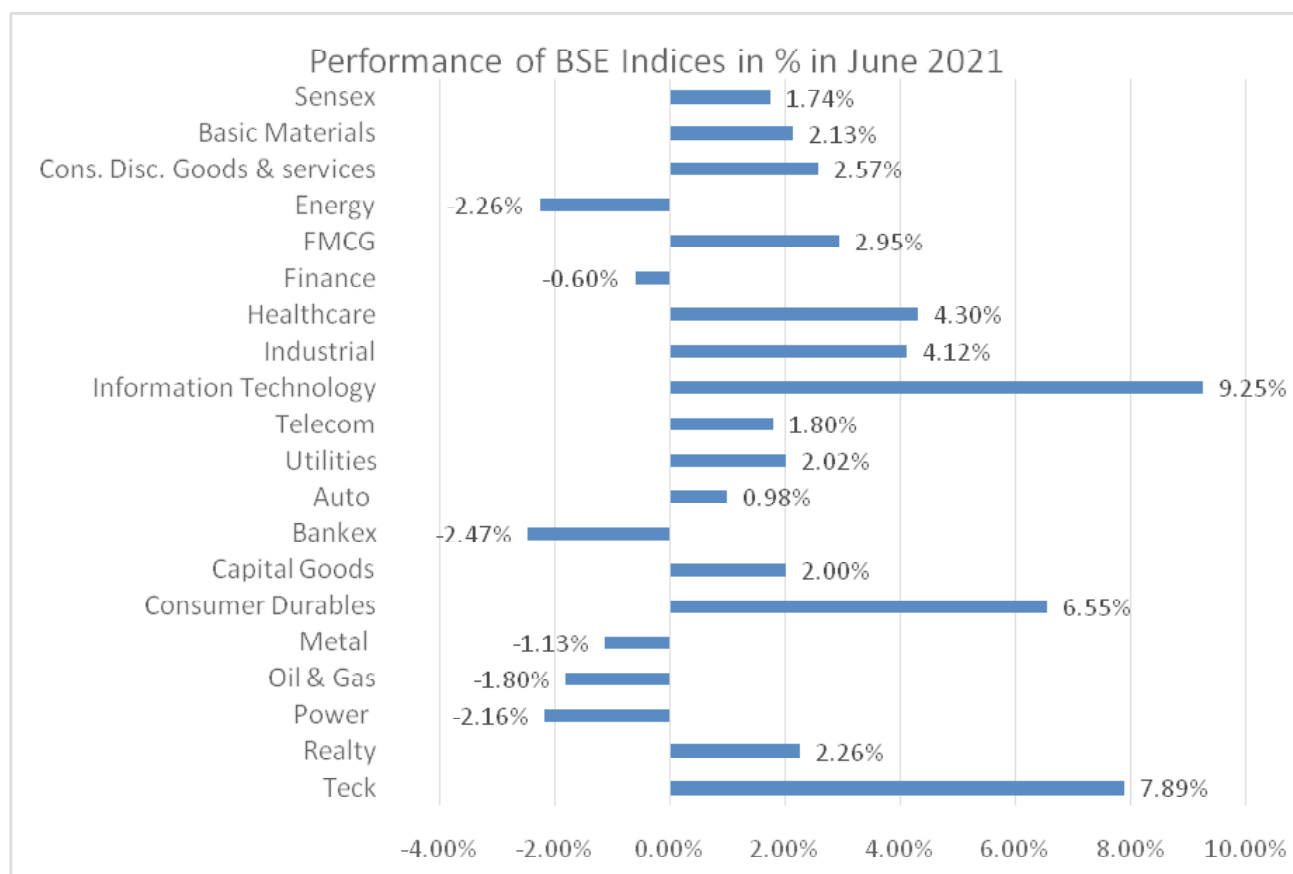
BSE Sensex went up by 1.74% to close at 52,843 in June 2021. Nifty 50 closed at 15,722 higher by 0.89% from 15,583 in May closing.

Stock markets have remained bullish in spite of Covid-19 2nd wave as investors know that the profits of the firms are not going to take a hit. Like last year there is no national lockdown and as evident in 1st wave, the firms can protect their earnings by temporarily reducing the scale of their operations. The central government also has room for policy action and has already come up with an economic relief package on 28th June.

Foreign Portfolio Investors (FPIs) invested Rs. 17215 Crore in the Indian equity markets in the month of June.



Equity Markets	Jun-21	May-21	Change%
Sensex	52,843	51,937	1.74%
Nifty 50	15,722	15,583	0.89%
BSE 500	21,463	21,055	1.94%
BSE Bankex	39,350	40,345	-2.47%
BSE Consumer Durables	35,575	33,389	6.55%
BSE Healthcare	25,589	24,535	4.30%
BSE FMCG	13,518	13,131	2.95%



Amongst the BSE indices, few of them showed a decrease while rest increased in the month of June. Amongst the indices Information Technology (9.25%) and Teck (7.89%) were best performers.

Information Technology and Tech companies have shown strong revenue growth momentum after bottoming out in Q1 2021. This along with productivity gains and software export growth means that PAT for these sectors is likely to be healthy reflecting in their market performance.

Primary market Update:

There were 4 main board IPOs of Sona BLW Precision Forgings Limited, Shyam Metals and Energy Limited, Dodla Dairy Limited and Krishna Institute of Medical Sciences Limited in June 2021 as against nil main board IPO in May 2021. There were 3 SME IPOs of Adeshwar Meditex Limited, Times Green Energy (India) Limited and Navoday Enterprises Limited in June 2021 as against no SME IPO in May 2021.

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

Initial Public Offers:

Krishna Institute of Medical Sciences (KIMS):

- Krishna Institute of Medical Sciences (KIMS) is a corporate healthcare groups in Andhra Pradesh and Telangana. It provides multi-disciplinary integrated healthcare services, with a focus on primary secondary & tertiary care in Tier 2-3 cities.
- Its IPO had a price band of Rs.815-825 per share. IPO values KIMS Hospitals at a PE multiple of 26 and EV/EBITDA multiple of around 19.
- Company raised Rs.2144 Crore through the IPO with a combination of fresh issue of Rs.200 Crore and an offer for sale (OFS) by existing shareholders.
- 75% of the proceeds from the fresh issue will be used for debt repayment.
- IPO was subscribed 3.86 times and listed at premium of 22% on opening day.

Mergers and Acquisitions and Private Equity deals:**M&A: PharmEasy to acquire majority stake in Thyrocare:****Transaction:**

- PharmEasy has signed a definitive agreement to acquire a majority stake in diagnostics firm Thyrocare Technologies Limited.
- Thyrocare Technologies Limited has agreed to sell approximately 66.14% of its equity share capital equivalent to 3,49,72,999 equity shares to Docon Technologies Private Limited, a 100% subsidiary of PharmEasy's parent API Holdings Ltd at cash consideration of 4546.49 crore.
- This transaction has triggered an open offer for acquisition of up to 1.38 crore fully paid up equity shares representing 26% share capital of Thyrocare by Docon Technologies Private Limited at a price of Rs.1300 per offer share.

PharmEasy:

- Launched in 2015, PharmEasy is a health tech startup offering services such as teleconsultation,

medicine deliveries, and diagnostic test sample collection. It helps patients connect with local pharmacy stores and diagnostic centers.

- It delivers medicines in 1000+ cities in India, covering 22000+ pin codes.

Thyrocare Technologies Limited:

- Thyrocare Technologies Limited was incorporated in January, 2000. It is a pan-India diagnostic chain that conducts an array of medical diagnostic tests.
- It operates with a Centralized Processing Laboratory (CPL) in Mumbai for esoteric tests and Regional Processing Laboratory in major metro cities of India and other parts of Asia.
- Thyrocare has 1,122 outlets and collection centers across India and parts of Nepal, Bangladesh and the Middle East.

Rationale:

- This acquisition is first instance when an Indian unicorn startup is acquiring a listed company.
- Price of Thyrocare jumped 6.23% on BSE from Rs.1364.10 to Rs.1448.05 at the declaration of acquisition.
- PharmEasy cofounder Siddharth Shah said to Economic Times that the deal brings together a digital health platform with Thyrocare which has the lowest cost structure with highest volumes and widest network.
- PharmEasy's investment in Thyrocare will be in technology, improving consumer experience and creating a business which is also very strong in B2C front.
- He also said that PharmEasy wants to double its e-pharmacy business in next 2 to 3 years and is open to further acquisitions and looking at insurance sector also.
- As we have covered earlier healthcare diagnostic and e-pharmacy sector has seen renewed investor interest and consolidation with number of deals like Metropolis acquiring Dr.Ganesan's in January 2021 and Genworks acquiring IRIS in

Capital Markets

December 2020 while RIL and Tata have entered e-pharmacy business.

PE: KKR buys majority stake in Vini Cosmetics:

Transaction:

- KKR, a global investment firm, and Vini Cosmetics, a branded personal care and beauty products company in India, announced that Company's Founder Group – led by Darshan Patel, Chairman & Joint-Managing Director, and Dipam Patel, Joint-Managing Director – and Sequoia Capital will sell a majority stake in the Company to KKR for approximately US\$625 million (INR46 billion).
- Vini co-Founders will continue to hold a significant stake in Vini and the existing investor West Bridge Capital will acquire a further stake from the Founder Group to increase its shareholding in Vini.

Vini Cosmetics Pvt. Ltd.:

- Founded in 2010, Vini manufactures, markets and distributes its branded deodorants, cosmetics and toiletries through its flagship brand FOGG and other widely recognized brands, such as OSSUM, GlamUp, and several others.
- Vini has a large personal care product distribution network with 7,00,000 point of sales, 3000 dealers, sales force of 1200 people and presence in 50 countries.
- VINI International was started by Mr. Darshan Patel, erstwhile promoter of Paras Pharmaceuticals Ltd, instrumental in creating brands like Moov, D'Cold, Set Wet, Ring Guard and Dermi Cool.
- In December 2010, Reckitt Benkiser Group (RB) bought over Paras Pharmaceuticals Ltd for US \$850 million.

KKR and Co.:

- Founded in 1976, KKR is an American global investment firm that manages multiple alternative asset classes, including private equity, credit and real assets, with strategic partners that manage hedge funds.
- KKR has done several investments in the country in last year including J.B. Chemicals (pharmaceutical), Lenskart (eyewear), Five star (micro-finance), Reliance Jio (digital services) and Reliance Retail.

Rationale:

- Darshan Patel, Chairman of Vini commented that Vini is in early stages of what their brand can deliver as consumer demand for high quality personal care products continues to explode in India, South Asia and other fast growing markets around the world.
- He further added that KKR has proven track record of investing in leading consumer and personal care companies globally. Vini will leverage KKR's global platform, resources and operational expertise by expanding its e-commerce platform, new product categories and widening distribution networks.
- KKR will be backing one of the fastest growing personal care company in India with well recognized brand names like FOGG, in a market with young emerging middle class which increasingly seeks upgraded products.

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