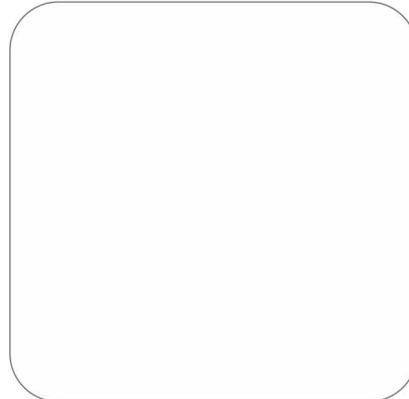


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Diwali Get-together  
November, 2018



Chartered Accountants  
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# Capital Markets



**CA. Karan Vora**  
karan@vorafin.com

## Summary:

Indian economy is recovering well with positive industrial data, record agricultural output and ease in CPI inflation. RBI has continued with the low interest rates; however it has started the process of normalizing by reducing the excess liquidity from the system. Indian stock markets have remained bullish and Sensex hit the 60,000 mark for time to reach a lifetime high in September. IPO of Paras Defence and Space Technologies Ltd. set a record by getting subscribed 304 times.

Key M&A and Private Equity Deals include Sony Pictures Networks India to merge with Zee Entertainment Enterprises Ltd., Chrys capital and True North buying minority stake in Quest Global and Smytten, online platform for consumer product discovery, raising \$6 million in funding. ISB Alumni Siddhartha Nangia, co-founder of Smytten, has given exclusive comments to Vora Corporate Finance about their recent fund raising.

## Economic Update:

- Monsoon picked up in September after a pause in August and has led to good rainfall this year. This has already led to record kharif food grains as per advanced estimates and with water reservoir levels at 80% of full capacity, is expected to boost Rabi production prospects. A good monsoon will lead to good rural demand and will keep food inflation in check in short term.
- Both Manufacturing and Service PMI have also stayed in positive territory in September. This along with high frequency indicators suggests normalization of economic activity post second Covid wave.
- Core inflation which has eased to 5.3% in August is also expected to soften in coming

months with ease of food prices. However, some pressure will remain due to crude oil prices, which have touched a new 52-week high on the MCX in September.

- Number of positive indicators, especially on inflation front, allows RBI to maintain low repo rate unchanged at 4.0%, reverse repo rate at 3.35% and bank rate at 4.25% and continue with the accommodative stance. It seems that lower interest rates will continue for the time being.
- RBI also has reasons to continue with the accommodative stance as the aggregate demand still has some slack and output is still below the pre-pandemic levels.
- However, RBI has started taking the first steps towards normalising by plans to reduce the surplus liquidity from the system. It has now shifted its liquidity management from active to passive style where market will determine the rate at which the RBI will absorb the liquidity in 14 days variable rate reverse repo (VRRR) auctions. VRRR auctions are a tool available to RBI for rebalancing the liquidity and VRRR is a rate at which RBI absorbs excess liquidity from the system. We can expect that the RBI will reduce the excess liquidity from the system in coming months in a phased manner.

## Trends in Secondary Markets:

BSE Sensex went up by 2.74% to close at 59,126 in September 2021. Nifty 50 closed at 17,618 higher by 2.84% from 17,132 in August closing. Sensex hit the 60,000 mark for time on 24<sup>th</sup> September 2021 and reached its lifetime high of 60,244.65. The reasons for bullishness are good economic recovery post 2<sup>nd</sup> Covid-19 wave, positive global cues, strong inflows by FIIs, surplus



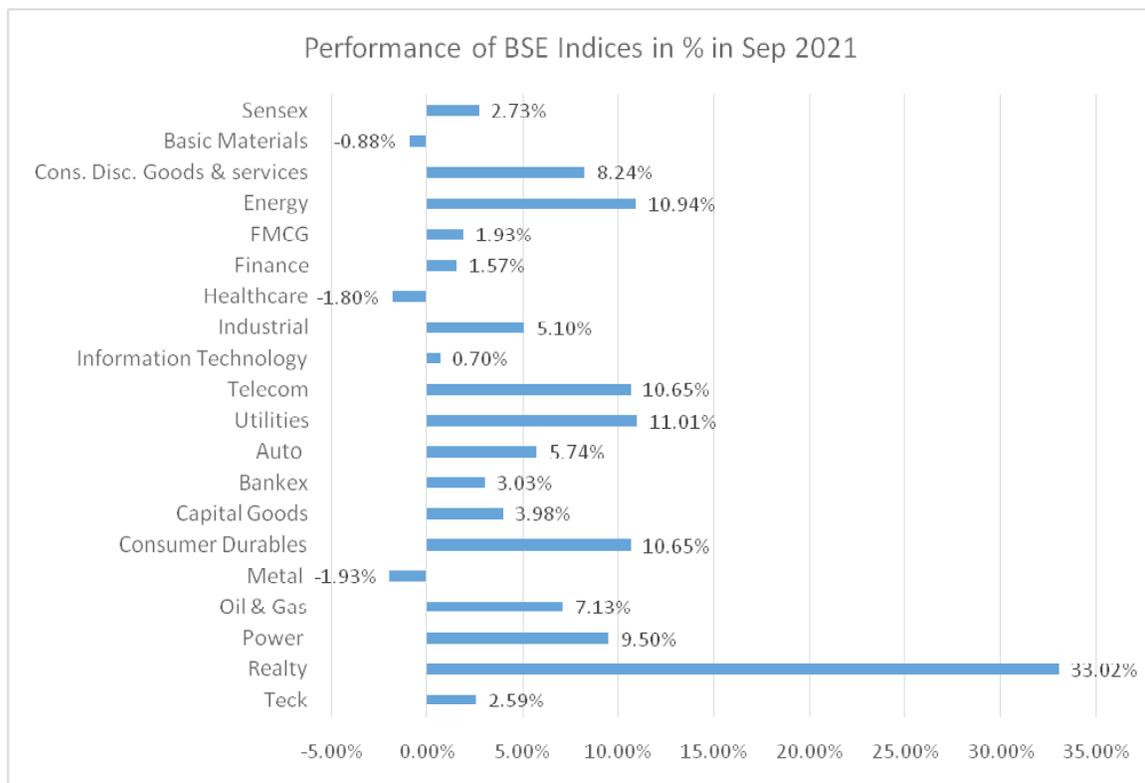
## Capital Markets

liquidity in the system, low interest rates and good results by corporates.

Foreign Portfolio Investors (FPIs) invested Rs.13,154 Crore in the Indian equity markets in the month of September.



Equity Markets	Sep-21	Aug-21	Change%
Sensex	59,126	57,552	2.74%
Nifty 50	17,618	17,132	2.84%
BSE 500	23,938	23,174	3.29%
BSE Bankex	42,728	41,470	3.03%
BSE Consumer Durables	41,340	37,361	10.65%
BSE Healthcare	26,093	26,570	-1.80%
BSE FMCG	14,862	14,581	1.93%



Amongst the BSE indices, majority of the indices showed gains with Realty showing 33% gain and consumer durables, utilities, telecom and energy each showing more than 10% gains.

Realty sector has seen steady recovery in last quarter with both residential and commercial segment doing well. Residential sector has seen rising demand due to record low home loan interest rates and schemes offered by realty developers. There is a growing need for home ownership and stable employment in well performing sectors like IT and Healthcare

is driving up the residential demand. Commercial space has also seen growth with IT sector especially becoming the largest consumer of office space during the quarter.

### Primary market Update:

There were 3 main board IPOs of Sansera Engineering Limited, Ami Organics Limited and Vijaya Diagnostic Centre Limited in September 2021 as against 10 main board IPOs in August 2021 (the highest IPO filings in 17 years). There were 5 SME IPOs of SBL Infratech Limited, Markolines

Traffic Controls Limited, Prevest Denpro Limited, Platinum One Business Services Limited and Aashka Hospitals Limited in September 2021 as against one SME IPO of Gretex Corporate Services Limited in August.

Particulars	Jun-21	Jul-21
<b>I. Equity Issue</b>	<b>24,643</b>	<b>21,537</b>
a. IPOs (i+ii)	9,146	13,198
i. Main Board	9,122	13,184
ii. SME Platform	24	14
b. FPOs	0	0
c. Equity Rights Issue	404	54
d. QIP/IPP	4,450	1,684
e. Preferential Allotment	10,643	6,601
<b>II. Debt Issue</b>	<b>42,051</b>	<b>31,233</b>
<b>a. Debt Public Issue</b>	<b>0</b>	<b>1,153</b>
<b>b. Private Placement of Debt</b>	<b>42,051</b>	<b>30,081</b>
<b>Total Funds Mobilised (I+II)</b>	<b>66,694</b>	<b>52,771</b>

**Initial Public Offers:**

Paras Defence and Space Technologies Limited (PDST):

- PDST is primarily engaged in the designing, developing, manufacturing, and testing of a variety of defence and space engineering products and solutions. The company caters to four segments - Defence & Space Optics, Defence Electronics, Heavy Engineering and Electromagnetic Pulse Protection Solutions.
- Company’s customer base includes defence public sector undertakings such as Bharat Electronics Limited (BEL), Bharat Dynamics Limited (BDL) and Hindustan Aeronautics Limited (HAL) as well as private companies like Tata Consultancy Services Limited, Alpha Design Technologies Limited and Larsen and Toubro, among others.
- The price band of the IPO was fixed at Rs.165-175 per share. Amount raised was Rs.171 Crore.

- IPO listed at Rs.475 per share at a 171% premium over the issue price of Rs.175 per share.
- Market Capitalization of the company on listing was Rs.1852 Crore.
- PDST IPO became the highest subscribed (304 times) IPO in the Indian stock market breaking record of Salasar Techno Engineering which was subscribed 273 times.

**Mergers and Acquisitions and Private Equity key deals:**

**M&A: Sony Pictures Networks India (SPNI) to merge with Zee Entertainment Enterprises Ltd. (ZEEL):**

**Transaction:**

- Sony Pictures Networks India (SPNI) and Zee Entertainment Enterprises Ltd. (ZEEL) announced that they have entered into an exclusive, non-binding term sheet to combine both companies’ linear networks, digital assets, production operations and program libraries.
- The merger ratio is expected to result in 47.07% of the merged entity to be held by ZEEL shareholders and the balance 52.93% of the merged entity to be held by SPNI shareholders.
- The parent company of SPNI will also infuse growth capital into SPNI so that SPNI has cash balance of USD 1.575 Billion at closing.

**Sony Pictures Networks India (SPNI):**

- Incorporated in 1995, Sony Pictures Networks India Private Limited (SPN) owns and operates network of television channels. The Company offers movies, entertainment, sports, music, special events and family comedy entertainment television channels.
- It is an indirect wholly owned subsidiary of Sony Group Corporation, Japan. SPNI has over 700 million viewers in India and is available in 167 countries.

**Zee Entertainment Enterprises Ltd. (ZEEL):**

- Incorporated in 1982, Zee Entertainment Enterprises Ltd. is an Indian media &

## Capital Markets

entertainment company offering entertainment content to its audiences. It has presence in over 173 countries and a reach of more than 1.3 billion people around the world.

- In the year 1992, the company launched their flagship television channel Zee TV. The Company is mainly involved in the businesses of broadcasting of satellite television channels, space selling agent for other satellite television channels and sale of media content.

### Rationale:

- The merger of ZEEL and SPNI would bring together two leading Indian media network businesses, benefitting consumers throughout India across content genres, from film to sports.
- ZEEL's expertise in content creation and its deep consumer connect established over the last 3 decades, coupled with SPNI's success across entertainment genres (including gaming and sports) is expected to add significant value to the merged entity and its management team.
- SPNI will have cash balance of \$1.575 billion at closing brought as growth capital in combined entity to enhance digital platforms across technology and content, ability to bid for broadcasting rights in fast growing sports landscape and pursue other growth opportunities.
- Mr. Punit Goenka will continue to be the Managing Director and CEO of the merged entity and the merged entity will be a publicly listed company in India.

### PE: Chrys capital, True North buy minority stake in Quest Global:

#### Transaction:

- Quest Global, a product engineering and life cycle services company, announced that Chrys Capital, True North Managers LLP, and other institutional investors have purchased minority stake in the company for approximately US \$150 million.

### Quest Global:

- Founded in 1997 by Ajit Prabhu and Aravind Melligeri in New York, Quest Global is a global product engineering and lifecycle services partner to many recognized companies in aero engines, hi-tech, aerospace & defense, transportation (auto and rail), power and industrial, oil & gas and medical devices industries.
- It provides engineering services, engineering research & development (ER&D) services, PES and outsourced product development services.
- It has presence in 13 countries, has 56 global delivery centers and has around 11,250+ personnel.

### About Investors:

- Established in 1999, Chrys Capital is an India focused investment firm with approximately \$4 billion of assets under management across eight funds.
- True North is a boutique investment bank founded in 2009 by a group of senior bankers to provide middle-market financial advisory services.
- Existing investors of Quest Global are Bain Capital, Advent and GIC.

### Rationale:

- Chrys Capital commented that Quest, a player in the engineering services space, has consistently outperformed its peers and is a core engineering partner to most of the top global firms.
- According to the investors, Quest is one of the top five players in the pure-play ER&D space and has built unique and deep expertise in an industry that is undergoing unprecedented digital disruption. As a leader in the engineering services space, Quest has been offering strategic services to its customers rather than just a scale or merely cost differential.
- As per Quest Global Chairman and CEO Ajit Prabhu, as the industrial world bounces back

into pre-pandemic days, enterprises would need help from companies like Quest to bridge the gap between the industrial and digital world and rebuild the lost traction.

- He further added that company's focus will be to develop capabilities in hi-tech, software, digital segments along with other industries and help its customers solve their engineering challenges.

### **PE: Smytten raises \$6 million in funding led by Fireside Ventures:**

#### **Transaction:**

- Smytten, online platform for consumer product discovery and trials, has raised \$6 million in Series A funding led by Fireside Ventures.
- Participation from Sharrp Ventures (Mariwala family office), Survam Partners (Suman Kant Munjal family office), and Wao Partners (Pratul Shroff family office) was also seen in this round along with existing investor Roots Ventures.

#### **Smytten:**

- It was founded in 2015 by ex-Google Swagat Sarangi and ex-Unilever executive Siddhartha Nangia as a luxury product sampling service. Smytten digitizes the pre-purchase product trial experience for consumers. It offers free trials and curated shopping across categories like beauty, skincare, male grooming, food & beverages, smart technology, premium services and more.
- It targets consumers between 20 to 35 years who have disposable incomes and are willing to experiment with products they use.
- It enables consumers to try products online before they decide to buy and has around more than 5 million users. It is headquartered in Gurgaon, Haryana.
- Smytten holds 700 D2C brands on its platform.

#### **About Investor:**

- Founded in 2017, Fireside Ventures is an investment firm specializing in early stage and

seed investments with its main focus on consumer brands. The fund aims to invest in consumer brands across sectors such as food and beverages, personal care, kids & education, lifestyle and home products etc.

#### **Rationale:**

- Siddhartha Nangia, ISB Alumni, founder of Smytten, told Vora Corporate Finance that a significant amount of funding will go into technology development which will help D2C brands with rich consumer data for new product development, acquiring customers, consumer marketing and achieving scale.
- The company will also invest in developing infrastructure to ensure next day product delivery which enhances consumer experience. It will also be dabbling in online to offline touch points such as experience kiosks/zones at airports/malls.
- He added that the pre-purchase buying experience will be the biggest enabler and will fuel the burgeoning Indian D2C market which is projected to touch \$100 billion in next four to five years.
- He believes this sampling-led tried-and-tested method of customer engagement will change the way D2C brands and consumers interact, making it more immersive and experience based.
- Fireside ventures commented that with D2C becoming mainstream, brand marketers need fresh, sharper solutions that can help in creating the right brand experience for consumers who are on the lookout for superior quality products.
- Root Ventures added that Smytten's revenue has grown 8x since they invested and Smytten's integrated approach had potential to lead the sampling and advertising market by 2025.

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

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