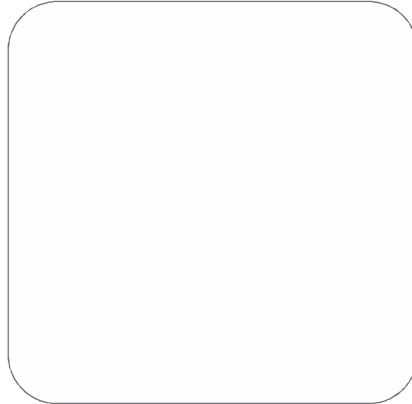


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Open House with
Income Tax Department - March, 2014



Chartered Accountants
Association, Ahmedabad

Capital Markets



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Summary:

India Economy gave number of positive signs as GDP grew at 8.4% in Q2 FY22, finally crossing the pre-pandemic levels and raising hopes that India will have a double digit GDP this year. However, inflation concerns remain. Markets were in red in November due to global volatility. 10 IPOs hit the market in November with Nykaa being a blockbuster IPO while India's largest IPO, PayTM, tanking.

Key Mergers & Acquisition Deals include HCG buying additional stake in Suchirayu Health Care and Private Equity deal of Mensa Brands raising \$135 Mn, becoming India's fastest unicorn.

Economic Update:

GDP:

- Indian economy grow 8.4% in Q2FY22 (July-September quarter) year-on-year, crossing pre-pandemic levels. Country's GDP increased 0.3% from that of FY20. This is a very good sign of development and means that India may have double digit growth rate in FY22. At the same time in other good news, the government fiscal deficit in H1FY22 was lowest in last 3 years at 36% of budget estimates due to growing tax revenues.

IIP:

- The Index of Industrial Production (IIP) went upslightly to 3.2% in October 2021 from 3.1% in September 2021. The increase was mainly due to the fading low base effect whereas mining, power and manufacturing sectors performed well.

GST:

- November GST collection was again high at Rs.1.31 lakh Crore pointing to good performance of economy continuing to Q3 of FY22.

Repo Rate:

- On December 8, 2021 monetary policy committee decided to keep the policy repo rate unchanged at 4% and to continue with the accommodative stance as long as necessary to support growth and keep inflation within the target.

Inflation:

- India's Retail Inflation, CPI, increased to 4.48% in October of 2021 from 4.35% in September. While it was the fourth consecutive month when inflation was within the RBI's target range of 2% to 6%, RBI will be keeping a close eye on the inflation numbers on coming months.

Crude Oil:

- Oil fell sharply in November, with benchmark Brent oil falling by around 12% in 1 month. The fall was due to 2 key factors, one being the concerns of new Covid-19 strain that could affect global demand. Second was US led alliances call to release oil from strategic reserves to oppose OPEC+ led artificial supply curbs.
- At the end of November, Indian Government was also considering the release of oil from strategic reserves at the highest levels along with China, Japan, South Korea and US.

Reliance Capital board takeover by RBI:

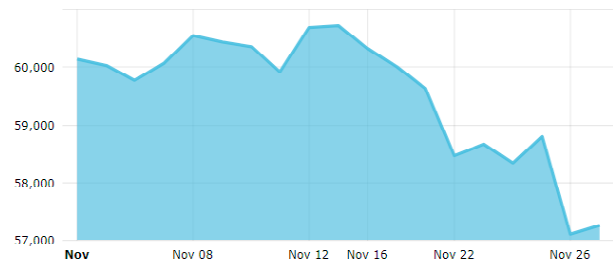
- RBI took over the board of Reliance Capital stating the defaults by RCap in meeting various payment obligations to its creditors. Earlier in

October, RBI also took over control of SRIE upon failing to meet governance and payment obligations.

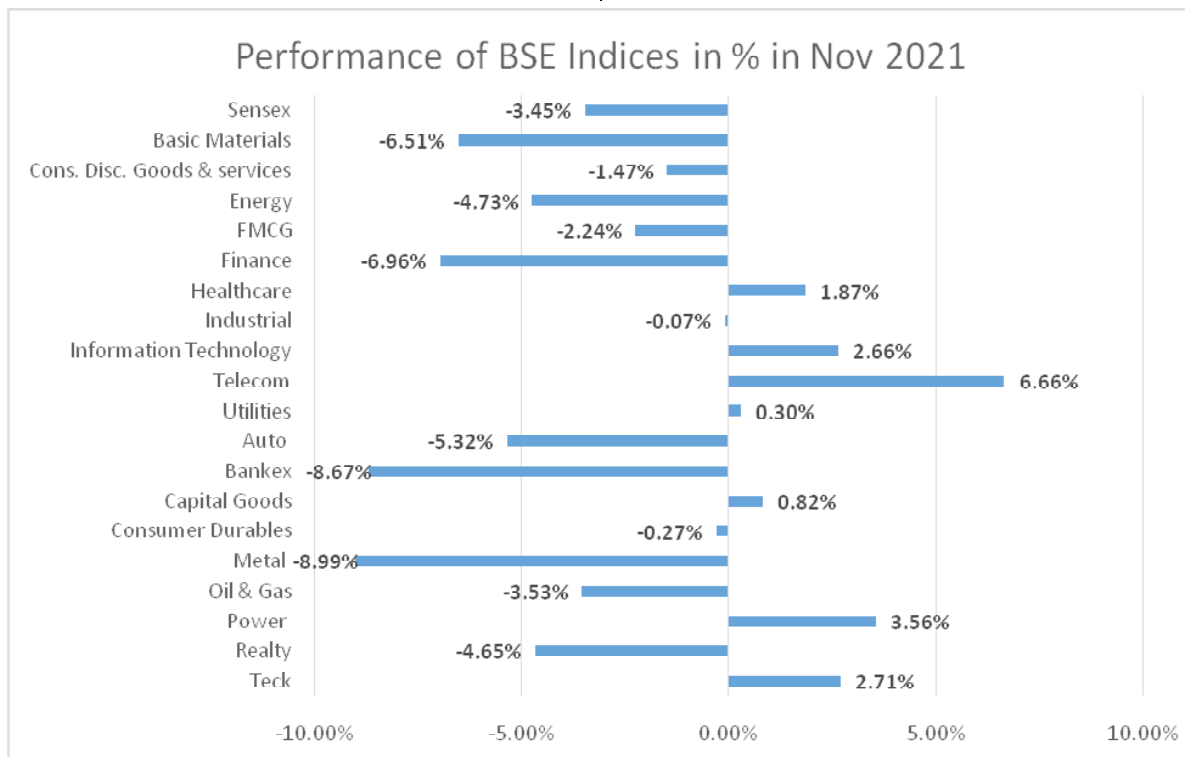
Trends in Secondary Markets:

BSE Sensex went down by 3.45% to close at 57,261 in November 2021 as against 0.31% up to close at 59,307 in October 2021. Nifty 50 closed at 16,983 by 3.90% lower from 17,672 in October closing. The markets were weighed down by the volatility in the global markets amid concerns over Omicron strain of Corona virus hurting economic recovery.

Foreign Portfolio Investors (FPIs) divested Rs.5945 Crore from the Indian equity markets in the month of November.



Sensex	57,261	59,307	-3.45%
Nifty 50	16,983	17,672	-3.90%
BSE 500	23,277	23,990	-2.97%
BSE Bankex	40,779	44,651	-8.67%
BSE Consumer Durables	43,101	43,219	-0.27%
BSE Healthcare	25,502	25,034	1.87%
BSE FMCG	13,689	14,003	-2.24%



Majority of the BSE Indices went down in the month of November. There was a steep fall in metal stocks in November as domestic steel prices witnessed corrections as a result of Chinese export prices while the price of coal had increased. Bankex also saw a correction as the margins of banks and NBFCs are now becoming competitive and while retail loans growth is strong due to housing sector, corporate loan growth is sluggish.

Primary market Update:

There were 10 main board IPOs of FSN E-Commerce Ventures Limited (Nykaa), Fino Payments Bank Limited, PB Fintech Limited, Sigachi Industries Limited, S.J.S. Enterprises Limited, Sapphire Foods India Limited, One 97 Communications Limited (Paytm), Latent View Analytics Limited, Tarsons Products Limited and Go Fashion (India) Limited in November 2021 as

against 2 main board IPOs in October 2021. There were 2 SME IPOs of Omnipotent Industries Limited and Suyog Gurbaxani Funicular Ropeways Limited in November 2021 as against 5 SME IPOs in October 2021.

Particulars	Sep-21	Oct-21
I. Equity Issue	12,537	6,468
a. IPOs (i+ii)	3,841	3,047
i. Main Board	3,746	2,939
ii. SME Platform	95	108
b. FPOs	0	0
c. Equity Rights Issue	25	786
d. QIP/IPP	2,686	1,210
e. Preferential Allotment	5,985	1,425
II. Debt Issue	94,421	48,282
a. Debt Public Issue	1,694	1,437
b. Private Placement of Debt	92,727	46,845
Total Funds Mobilised (I+II)	1,06,958	54,750

Initial Public Offers:

Year 2021 saw a flood of IPOs with over 50 companies coming up with IPOs, raising funds close to \$15 Billion as the Bull Run in the market provided very attractive valuations. However, performance of the IPOs was quite mixed as many IPOs opened at huge premiums while some also opened at discount. The stark contrast can be very well seen in two IPOs of November namely PayTM and Nykaa.

PayTM:

- Paytm is an Indian financial services company that offers full-stack payments & financial solutions to consumers, offline merchants and online platforms. It is an Indian multinational that specializes in digital payment system, e-commerce and finance.
- PayTM came up with India's largest ever IPO at valuation of \$20 Billion. The price band of the IPO was fixed at Rs.2080-2150 per share and amount to be raised was \$2.5 billion.
- The valuations were however steep in eyes of many analysts with company being valued at 26 times the sale of FY 23.
- Paytm shares were listed at Rs.1950 on 18th November 2021, at a discount of 9.3% to its IPO price of Rs.2150 and closed at Rs.1564.15, down 27% on the opening day.

Nykaa:

- Nykaa is a beauty retail platform that sells cosmetic commodities both online and offline. Established in 2012, it is an e-commerce company which specializes in beauty and cosmetic items.
- The price band of the IPO was fixed at Rs.1085-1125 per share.
- The company's IPO raised 53.5 billion rupees through the sale.
- IPO was listed at premium of 77.87% on opening day.

Mergers and Acquisitions deals:

M & A: HCG acquires additional stake in Suchirayu Health Care:

Transaction:

- Health Care Global Enterprises Limited (HCG), specialty healthcare service provider focused on oncology, announced the acquisition of an additional 60.9% in Suchirayu Healthcare Solutions, Hubli, thereby becoming a majority stakeowner from its existing 17.7% to 78.6%.
- The Company has acquired 3,30,00,000 shares of Suchirayu at Rs.10 per share, for an amount aggregating to Rs.33 Crore valuing Suchirayu Healthcare at approximately Rs.54 Crore at present.

Health Care Global Enterprises Limited:

- HCG Hospitals, established in the year 2007 is a Multi-Specialty Hospital with NABH [National Accreditation Board for Hospital and Healthcare Providers] Accreditation. HCG, headquartered in Bengaluru, is a provider of cancer care. It has a network of 22 cancer centers across India and Africa and 7 fertility centers.

Suchirayu Health Care Solutions Ltd:

- Suchirayu owns a multi-specialty hospital in Hubli, Northern Karnataka, with an operational capacity of 110 beds and a potential to scale up to 250 beds.
- It has various departments such as Gastroenterology, Pulmonology, Pediatrics, Neurology, Orthopedic, etc.
- Revenue of Suchirayu for FY21 was Rs.55.37 Crore.

Rationale:

- HCG has operated and maintained Suchirayu hospital since August 2017 and had the right to increase its stake up to 80% in July 2022. HCG also owns and operates a standalone Cancer Centre at Hubli, and the acquisition is expected to create synergetic benefits and market leadership in the geography.
- HCG has a successful track record of integrating acquisitions, and this acquisition is in line with HCG’s strategy going forward.
- Dr. BSAjaikumar, Executive Chairman of HCG commented that M&A has been a core part of their strategy, and they have demonstrated our capability to integrate acquisitions. Having operated Suchirayu for the past four years with successful patient outcomes and desired financial results, acquiring a majority was a logical step in cementing their presence in the region.
- HCG said that within last 4 years they could double the revenue and increase EBITDA margin to over 20% for Suchirayu from single digit EBITDA margin.
- HCG’s share price went up by 4% in the morning trade after company announced news of acquisition.

PE: Mensa Brands raises \$135 mn to become India’s fastest unicorn:

Transaction:

- Mensa Brands, the house of brands startup, founded by ex Myntra CEO and cofounder of Medlife Ananth Narayanan, has raised \$135 million in a series B funding round led by Alpha Wave Ventures (Falcon Edge Capital).
- Its existing investors Accel Partners, Norwest Venture Partners and Tiger Global Management also participated in the round. New investor, Prosus Ventures, joined the fundraising.

Mensa Brands:

- Company builds global digital first brands by partnering with the founders and investing into their business. Its core team has 60+ years of ecommerce expertise and operators who help scale and grow brands. Mensa has acquired

majority stake in brands like Karagiri, Priyaasi, Dennis Lingo, Ishin, Hubberholme, Anubhutee, Helea, Villain.

- It has around 60 employees. It acquires digital first brands and provides them expertise and interventions in the areas of marketing and operations. Its current focus is cosmetics, fashion and beauty brands.
- Mensa is platform neutral and its brands are present across different platforms like Amazon, Flipkart and others.

Alpha Wave Global:

- Previously Falcon Edge Capital, Alpha Wave Global is global alternative asset manager founded in 2012 with offices in New York, Miami, London, Abu Dhabi, Tel Aviv and Bangalore.

Rationale:

- Narayan said that Mensa has acquired around a dozen brands and is working on another 20 such deals. All existing brands are growing at 100% year-on-year.
- Mensa is profitable and is planning to use the funds to partner with brands and also invest in hiring as well as building its tech platform.
- Mensa has reached unicorn status in only seven months of its commencement. It is the fastest startup to become a unicorn.
- Cofounder and partner of Alpha Wave Venture, Navroz Udawadia commented that Mensa shows a noticeable raise by blending of product and pricing optimization, technology-led process improvement, distribution and marketing augmentation and fine-tuning the supply chain. This helps brands to grow and become leaders in their category.
- As per news media, Mensa has raised total \$300 mn in equity and debt funding.

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