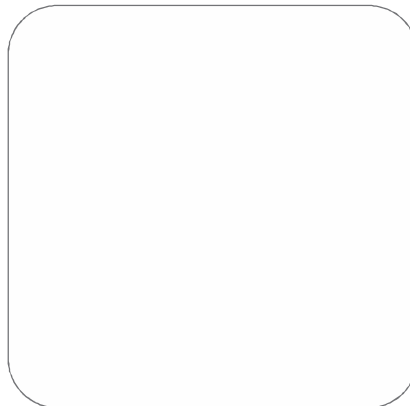


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Capital Markets



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Summary:

World Bank report expects the global economy to decelerate to in 2022 and 2023 due to risks of diminished fiscal support and supply bottlenecks, however Indian economy GDP growth will likely be strong at 8.3% in 2022 and 8.7% in 2023. U.S. consumer inflation was highest in last 4 decades. There is a small note on the U.S. Fed's policy of Quantitative Easing and Tapering.

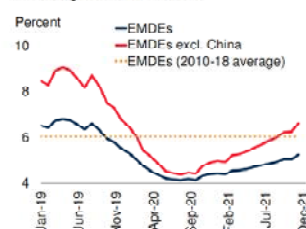
2021 was the year of IPOs as total of 63 companies raised around Rs.1.2 lakh Crore through IPOs which is the highest amount ever raised in a single calendar year. Key M&A and PE Deals of December includes Agritech platform Ninjacart raising \$145 mn from Flipkart, Walmart and Advent International acquiring majority stake in digital engineering services company Encora.

Economic Update:

World Bank Report:

- World Bank (WB) said in its report "Global economic prospects" in January 2022 that the global economy, after rebounding 5.5% in 2021 (its strongest post-recession pace in 80 years) is expected to decelerate to 4.1% in 2022 on account of continued Covid-19 flare-ups, diminished fiscal support and continued supply chain bottlenecks.
- It said that growth may soften further to 3.2% in 2023 as pent up demand wanes and supportive macro-economic policies unwind.

C. Policy rates in EMDEs

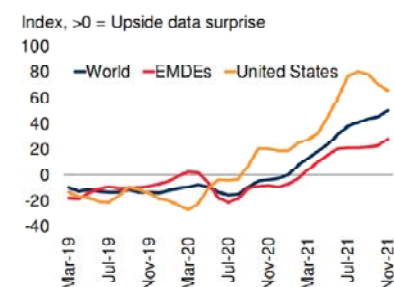


- WB expects the inflation to rise due to pandemic resurgence, higher food and energy price and supply disruptions. This could lead to tighter fiscal and monetary policies especially in emerging market and developing economies (EMDEs). (See Chart)
- WB is also concerned by rising income inequality as pandemic has hit the lower income population highest.
- On positive side, WB expects the Indian economy GDP growth at 8.3% in 2022 and 8.7% in 2023. (Advanced estimates of Indian government are 9.2% for FY22.)

U.S. Inflation 4 decade high:

- U. S. Consumer inflation was 6.8% in November 2021 compared to a year earlier which is the highest inflation rate in 4 decades, last peak being in 1982. Price increase was seen across many sectors including gas, food and housing.

B. Inflation surprises



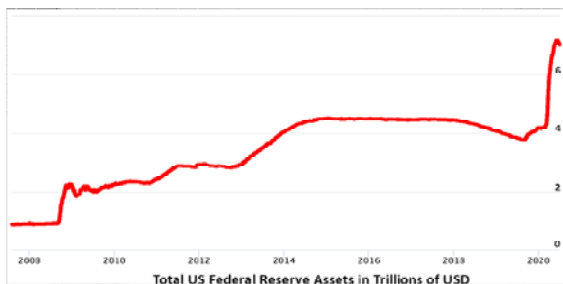
- High inflation has brought criticism on Biden government. However, Joe Biden has maintained that inflation rate is only transitory.
- On the other hand, Fed's have started taking first steps to curb inflation.

Capital Markets

- Feds have begun tapering in November 2021. However, they have avoided increasing ultra-low interest rates yet.

Quantitative Easing and Tapering:

- Quantitative easing (QE) is a monetary policy in which a central bank buys out the government bonds and other long term securities from the market to increase the money supply.
- Buying securities increases liquidity and lowers interest rates and promote lending and investment. QE is employed when federal funds rates are already very low and can't be decreased further.
- QE increases central bank balance sheet size. With QE the central banks run the risk of inflation and currency devaluation.
- Tapering is the reverse of QE. When the Fed systematically decreases the amount of assets it is purchasing each month it is known as Tapering.



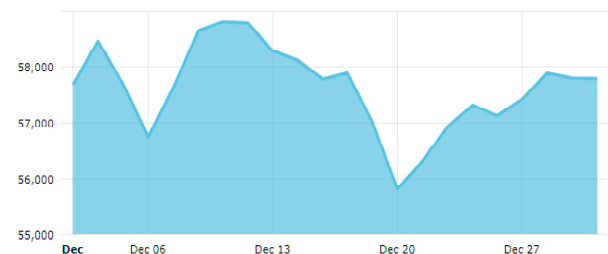
- QE was employed heavily after 2009 crisis and continued till 2014.

- In response to Covid -19 pandemic a Fed announced approx. \$700 Billion of QE in March 2020. As of mid-summer 2020 additional \$2 Trillion in assets have been added to the books of Federal Reserve.

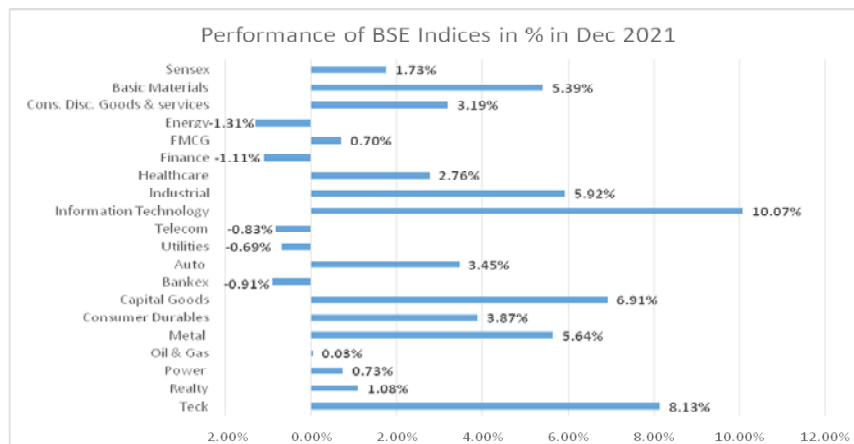
Trends in Secondary Markets:

BSE Sensex went up by 1.73% to close at 58,254 in December 2021 as against 3.45% down to close at 57,261 in November 2021. Nifty 50 closed at 17,354 which was 2.18% higher as against 3.90% lower to close at 16,983 in November 2021.

Foreign Institutional Investors (FIIs) divested Rs. 35,494 Crore while Domestic Institutional Investors (DIIs) invested Rs. 31,231 Crore in the Indian equity markets in the month of December 21.



Equity Markets	Dec-21	Nov-21	Change%
Sensex	58,254	57,261	1.73%
Nifty 50	17,354	16,983	2.18%
BSE 500	23,811	23,277	2.29%
BSE Bankex	40,409	40,779	-0.91%
BSE Consumer Durables	44,768	43,101	3.87%
BSE Healthcare	26,206	25,502	2.76%
BSE FMCG	13,785	13,689	0.70%



Majority of the BSE Indices went up in the month of December. The highest increase was Information Technology (10.07%) followed by Teck (8.13%). Amongst the stocks that went down were Energy (-1.31%) and Finance (-1.11%).

Primary market Update:

There were 12 main board IPOs of Star Health and Allied Insurance Company Limited, Tega Industries Limited, Anand Rathi Wealth Limited, RateGain Travel Technologies Limited, Shriram Properties Limited, C.E. Info Systems Limited, Metro Brands Limited, Medplus health Services Limited, Data Patterns (India) Limited, HP Adhesives Limited, Supriya Lifescience Limited and CMS Info Systems Limited in December 2021 as against 10 main board IPOs in November 2021.

There were 3 SME IPOs of DMR Hydro engineering and Infrastructures Limited, Clara Industries Limited and Brandbucket Media & Technology Limited in December 2021 as against 2 SME IPOs in November 2021.

Particulars	Oct-21	Nov-21
I. Equity Issue	6,470	63,439
a. IPOs (i+ii)	3,047	36,305
i. Main Board	2,939	36,195
ii. SME Platform	108	110
b. FPOs	0	0
c. Equity Rights Issue	786	21,055
d. QIP/IPP	1,210	5,617
e. Preferential Allotment	1,427	462
II. Debt Issue	48,844	47,704
a. Debt Public Issue	1,999	50
b. Private Placement of Debt	46,845	47,654
Total Funds Mobilised (I+II)	55,314	1,11,143

IPOs in 2021:

2021 was the year of IPOs (Initial Public Offers). Total of 63 companies raised around Rs.1.2 lakh Crore through IPOs which is the highest amount ever raised in a single calendar year.

Economic recovery following Covid-19 pandemic and abundant liquidity in the system due to accommodative monetary policy provided ideal conditions for companies to raise funds. Lot of private equity funds also made exits with attractive returns.

Company Name	Listed On	IPO Size (Rs. Crore)	Issue Price	Listing Day Close	Listing Day Gain	Listing Day Gain (%)	Current Price	Gain / Loss	Gain / Loss (%)
One 97 Communications Ltd. (PayTM)	18-Nov	18300	2150	1564	-586	-27%	1318	-832	-39%
Zomato Ltd.	23-Jul	9375	76	126	50	66%	138	62	82%
Star Health and Allied Insurance Co Ltd.	10-Dec	7249	900	907	7	1%	773	-127	-14%
PB Fintech Ltd.	15-Nov	5625	980	1203	223	23%	961	-19	-2%
Sona BLW Precision Forgings Ltd.	24-Jun	5550	291	363	72	25%	754	463	159%
FSN E-Commerce Ventures Ltd. (Nykaa)	10-Nov	5352	1125	2207	1082	96%	2114	989	88%
Nuvoco Vistas Corporation Ltd.	23-Aug	5000	570	531	-39	-7%	495	-75	-13%
Indian Railway Finance Corporation	29-Jan	4633	26	25	-1	-4%	23	-3	-11%
Chemplast Sanmar Ltd.	24-Aug	3850	541	535	-6	-1%	579	38	7%
CarTrade Tech Ltd.	20-Aug	2999	1618	1500	-118	-7%	845	-773	-48%
Aptus Value Housing Finance India Ltd.	24-Aug	2780	353	347	-7	-2%	348	-5	-1%
Aditya Birla Sun Life AMC Ltd.	11-Oct	2768	712	700	-12	-2%	536	-176	-25%
Macrotech Developers Ltd.	19-Apr	2500	486	463	-23	-5%	1240	754	155%
Krishna Institute of Medical Sciences Ltd.	28-Jun	2144	825	996	171	21%	1492	667	81%
Sapphire Foods India Ltd.	18-Nov	2073	1180	1216	36	3%	1204	24	2%

This is the list of top 15 IPOs based on the funds raised.

Performance of these IPOs varied largely. FSN E-Commerce Ventures Ltd. (Nykaa) was the highest

gainer on the day of listing followed by Clean Science and Technology Ltd. Medplus Health Services Limited was the third highest gainer on the day of listing. One 97 Communications Limited

(PayTM) was the biggest loser on listing day followed by CarTrade Tech Limited.

Currently, Clean Science and Technology is trading above around 195% the issue price followed by Nykaa which is trading at around 88% above the issue price whereas Paytm is trading 39% below the issue price in spite of being the largest IPO in Indian history.

Mergers and Acquisitions (M&A) and Private Equity (PE) key deals:

M&A: Advent International Acquires Majority Stake in Encora:

Transaction:

- Encora, a global digital engineering services company, and Advent International, a global private equity firm, announced that Advent has acquired a majority stake in Encora's business at valuation of \$1.5 Billion.
- Warburg Pincus, the existing majority shareholder of Encora, now retains a minority stake.

Encora Inc.:

- Headquartered in Scottsdale, AZ, Encora is into software and digital engineering services. Encora provides differentiated innovation services and software engineering solutions across a wide range of leading-edge technologies, including Big Data, analytics, machine learning, IoT, mobile, cloud, UI/UX, and test automation.
- Encora has over 6,300 associates in 40+ offices and innovation labs across U.S., Mexico, Costa Rica, Brazil, Colombia, Peru, Bolivia, India, and Asia Pacific.

Advent International:

- Founded in 1984, Advent International is a global private equity investor. The firm has invested in over 380 companies across 42 countries, and as of June 30, 2021, had \$81 billion in assets under management.

- Indian investments of Advent include RA Chem pharma, Aditya Birla Capital, Bharat serum and vaccines, DFM foods, Care Hospitals etc.

Rationale:

- Encora aims to accelerate its global growth, both organically and through targeted M&A opportunities, expand its differentiated delivery model and advance its customer-facing digital services.
- Venu Raghavan, co-founder and Chief Executive Officer of Encora commented that Advent's deep business and technology services sector expertise, along with its global footprint, complements Encora's strengths and creates opportunities to grow our business in key markets around the world.
- Jan Janshen, Managing Partner at Advent commented that they believe Encora is well positioned to capitalize on the growing digital services market, and they are excited to partner with Venu, Encora's talented management team, and Warburg Pincus to support the company's growth in key markets across North America, Europe, India, Asia Pacific and Latin America, where Advent has a strong presence and domain expertise.
- Warburg Pincus made significant returns in this deal as while it had acquired the majority stake in Encora (then known as Indecomm Digital Services Inc.) for \$200 Million in August 2019, it got exit in this deal at a firm valuation of \$1.5 Billion.

PE: Agritech platform Ninjacart raises \$145 Mn from Flipkart, Walmart:

Transaction:

- Ninjacart, a business-to-business marketplace for agricultural produce, has raised \$145 million in a fresh round of funding from existing investor Walmart Inc., and its Indian e-commerce arm Flipkart.

- Valuation of Ninjakart was estimated by different News Medias to be around \$750 to \$900 Million.

Ninjacart:

- Ninjacart is an Indian fresh produce supply chain company. It connects producers of food directly with retailers, restaurants and service providers using in-house applications that drive end to end operations. Currently its supply chain is equipped to move 1400 tons of perishables from farms to businesses every day in less than 12 hours.
- Ninjacart works closely with the farmers and has helped over 100,000 farmers across 150 villages to generate better revenues. Ninjacart's supply chain technology has helped solve some of the problems such as distribution inefficiency and price risk. Its endeavor is to reach every single farmer across the country with its technology solutions and help them better their lives.

Flipkart/Walmart:

- The Flipkart Group is a digital commerce entity and includes group companies Flipkart, Myntra, Flipkart Wholesale and Cleartrip and majority shareholding in PhonePe.
- Started in 2007, Flipkart has a registered customer base of more than 350 million, offering over 150 million products across 80+ categories.
- U.S. retail giant Walmart acquired majority (77%) stake in Flipkart in 2018.

Rationale:

- Thirukumaran Nagarajan, Co-founder and CEO of Ninjacart commented that the funds will enable them to move beyond organizing

the farmer-to-retailer ecosystem to a much larger goal of organizing the complete agri ecosystem and enabling transparent commerce.

- In May 2021, Ninjacart raised \$9.5 million from its existing investor Syngenta Ventures and earlier in April 2019 when it raised \$90 million from Tiger Global.
- Earlier this year, Ninjacart signed a MoU with the Union Ministry of Agriculture & Farmer Welfare to strengthen the market linkages and promote best practices in the farming sector. Its goal is to create and host the Agri Marketplace Platform (AMP), which should allow farmers to earn a fair price for their output.
- Agritech is combination of agriculture and technology. Technology is used to increase the quality and yield of agricultural produce with aim to increase the profitability. Agrostar, Dehaat, Stellapps, Intello labs etc. are some of the players in the Agritech industry.
- Flipkart offers grocery in 1800 cities & towns and aims to take its offering to 2,000 more towns by mid-next year. Fresh fruits and vegetables will be an integral part of the expansion. It has intensified its focus on partnering with Farmer Producer Organizations (FPOs) to provide access to fresh produce, staples, pulses, and spices on its marketplace platform.

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