



Capital Market Update

April 2022

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Economic Update
• Economic impact of Russia-Ukraine War
• Sri Lanka Economic crisis
Secondary Market Update
Primary Market Update
Mergers & Acquisitions Key Deals
• Emami acquires Dermicool from Reckitt
Private Equity Key Deals
• Jindal Poly Films inks Rs.2,000 crore equity deal with Brookfield

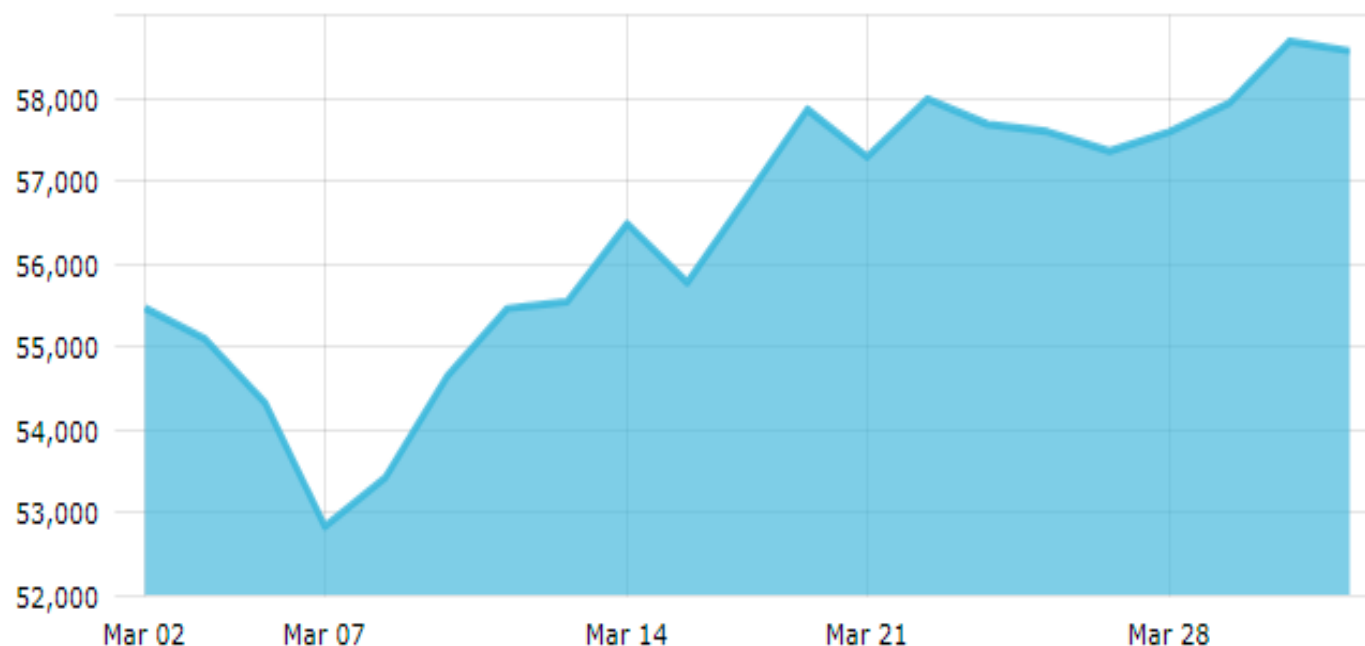
- India's GST collection has hit all-time high of Rs. 1.42 Lakh Crore in March as economic activity has improved. State wise also, almost all the states have recorded healthy rise over March 2021 numbers.
- India's core sector growth was four month high in February 2022 at 5.8% due to recovery in steel, electricity and refinery products. Indian Railway has also recorded highest ever loading in the month of March 2022.
- India is planning a strategy to increase wheat exports as the global wheat supply is disrupted due to war as Russia and Ukraine are one of the top wheat exporters.

- The sanctions from west have apparently not stopped Russian president Putin from waging war. Russian currency Ruble has also stabilized after initial slide with increased oil and gas demand.
- However the sanctions will definitely have a severe long term economic impact on Russia.
- There are sanctions on Russian financial institutions and central bank with various banks removed from SWIFT (Network through which International payments are initiated).
- Number of large multinational corporations including ranging from shipping companies (FedEX, UPS), Tech (Apple, Microsoft, Samsung), Automobiles (Ford, GM, Toyota), Banks (Citibank, JPMorgan, Goldman Sachs) to Oil Companies (BP, Shell) have announced exits from Russia which will hurt.
- Global Credit rating have downgraded the Russian government credit rating to junk which will make it very difficult to borrow funds from international markets.
- World Bank expects Russian economy to plunge into a deep recession with contraction of over 11% in 2022.
- On the other hand, World Bank expects Ukraine's economy to shrink by 45% this year due to war. It said that the war is a staggering humanitarian crisis, a massive blow to Ukraine's economy and enormous damage to infrastructure.

- Sri Lanka has been going through Economic crisis due to low exports, low foreign exchange reserves and impact on tourism due to Covid-19.
- Many sources put the blame of crisis on the economic mismanagement by the government which took decisions such as Tax cuts like reducing VAT to 8% after 2019 elections, banning all chemical fertilizers in 2021 (which was later reversed), printing record amount of money and excessive borrowing from international capital markets.
- Crisis has sparked political protests in the island nation as people are affected by electricity and food shortages, medicines shortages and double digit inflation. Sri Lankan rupee has also seen a free fall and has become the worst performing currency in last year.
- India has also supported the country with over \$2Bn of aid in form of emergency credit lines and supplies.
- However in April, Sri Lanka defaulted on its loan repayments and has now sought funds from IMF.
- Sri Lanka will require number of painful reforms to come out of this crisis, a process that will be complicated by the political instability.

MARKET UPDATE

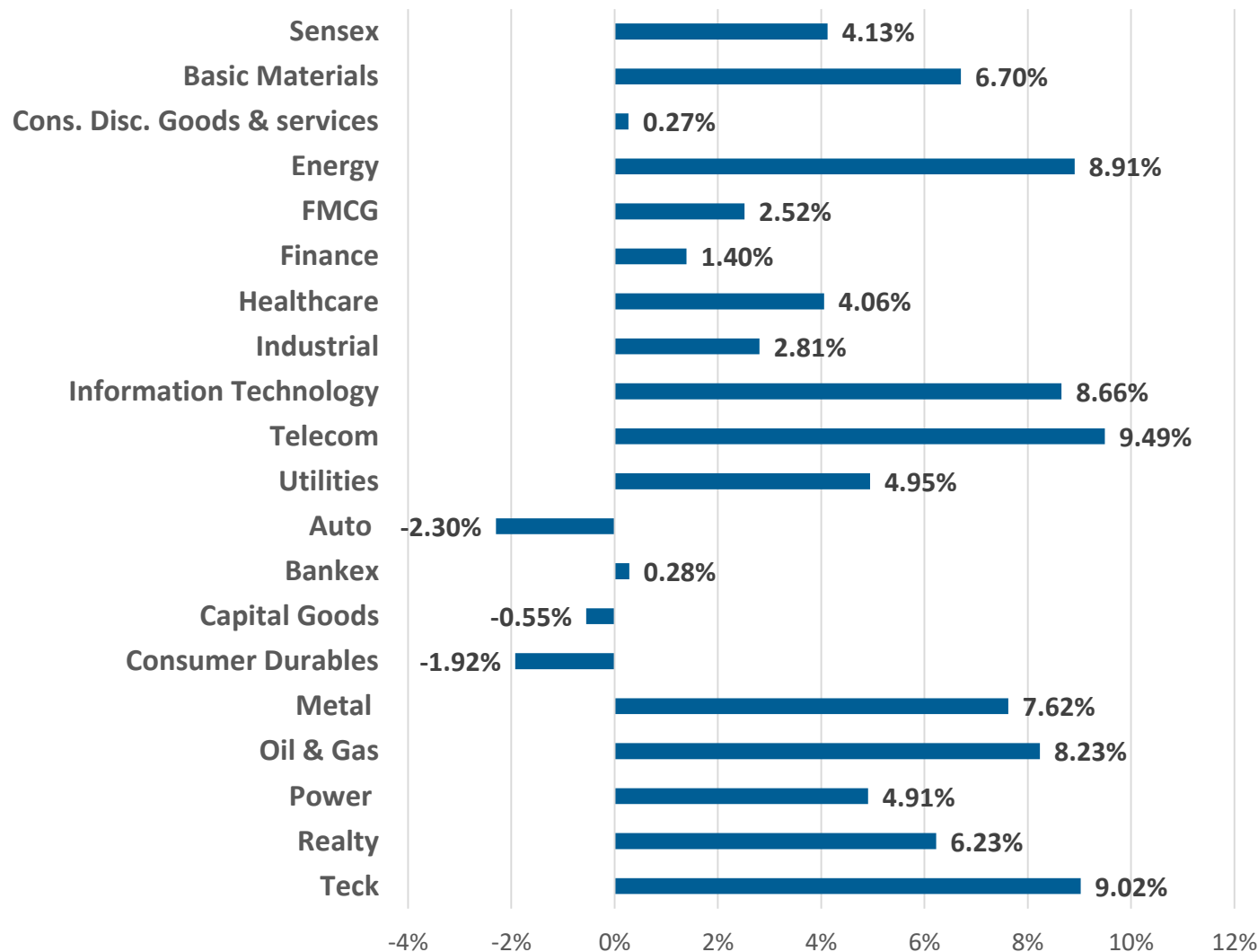
- BSE Sensex went up by 4.13% to close at 58,569 in March 2022 as against 3.05% lower to close at 56,247 in February 2022. Nifty 50 closed at 17,465 that is 3.99% higher as against 3.15% lower to close at 16,794 in February 2022.
- Foreign Institutional Investors (FIIs) invested Rs.1910 Crore while Domestic Institutional Investors (DIIs) divested Rs.184 Crore from the Indian equity markets in the month of March 2022.



Equity Markets	Mar-22	Feb-22	Change%
Sensex	58,569	56,247	4.13%
Nifty 50	17,465	16,794	3.99%
BSE 500	23,695	22,742	4.19%
BSE Bankex	41,754	41,636	0.28%
BSE Consumer Durables	42,272	43,099	-1.92%
BSE Healthcare	24,304	23,356	4.06%
BSE FMCG	13,335	13,008	2.51%

Performance of BSE sectoral Indices in % in March 2022

- Majority of the BSE Indices were positive in the month of March.
- The highest increase was in Telecom (9.49%), Teck (9.02%), Energy (8.91%) and others.
- Metal stocks have performed very well due to Russia Ukraine crisis which has resulted into increase in commodity prices. Metal index has gained in the last few sessions.
- Other sectors that stand to benefit from supply chain shocks due to Russia-Ukraine crisis are the Indian IT industry, tech, financials, and capital goods.
- The real estate sector also had reasons to cheer as the home sales in the first quarter of 2022 are highest in last seven years due to lower interest rates and preference for home ownership.



- There was no mainboard IPO in March 2022 as against two mainboard IPOs of Vedant Fashions Limited and Adani Wilmar Limited in February 2022.
- There were four SME IPOs of Ekennis Software Service Limited, Bhatia Colour Chem Limited, Achyut Healthcare Limited and Evoq Remedies Limited in March 2022 as against four SME IPOs in February 2022.

Funds Mobilisation by Corporates (₹ in Crore)

Particulars	Jan-22	Feb-22
I. Equity Issue	13,745	9,671
a. IPOs (i+ii)	700	6,831
i. Main Board	680	6,749
ii. SME Platform	20	82
b. FPOs	15	0
c. Equity Rights Issue	99.32	113
d. QIP/IPP	0	1,952
e. Preferential Allotment	12,931	775
II. Debt Issue	26,704	49,999
a. Debt Public Issue	1,128	695
b. Private Placement of Debt	25,576	49,304
Total Funds Mobilised (I+II)	40,449	59,670

MERGERS & ACQUISITIONS KEY DEALS

Transaction:

- Emami Limited announced the acquisition of "Dermicool", a brand in Prickly Heat Powder and Cool Talc category from Reckitt Benckiser for a total consideration of Rs.432 crores.
- Emami said that the acquisition was funded through internal accruals.

Emami Limited:

- Emami is an FMCG Company in Personal & Healthcare Space and is the flagship company of the Emami Group of Companies. It is engaged in the business of manufacturing and marketing personal care, healthcare and beauty products.
- Emami has market capitalization of approx. USD 3 bn.
- Emami has a strong domestic distribution network of more than 3,500 distributors and 4,000 sub distributors, with a direct reach across 9 Lakh retail outlets and overall reach to 45 lakh+ outlets.
- Emami owns brands like Boroplus, Navratna, Zandu, Fair & Handsome and Kesh King amongst others.

Reckitt Benckiser (India) Ltd:

- Reckitt Benckiser is a British multinational consumer goods company with global presence.
- Reckitt Benckiser India Ltd. manufactures and distributes household domestic goods. It produces household, laundry, toiletry, pharmaceutical, and food products and includes brands like Dettol, Strepsils, Veet, Airwick etc.

- Dermicool brand has 20% market share in the category of cooling and respite from prickly heat caused during summer season and has high consumer connect through its marketing campaign.

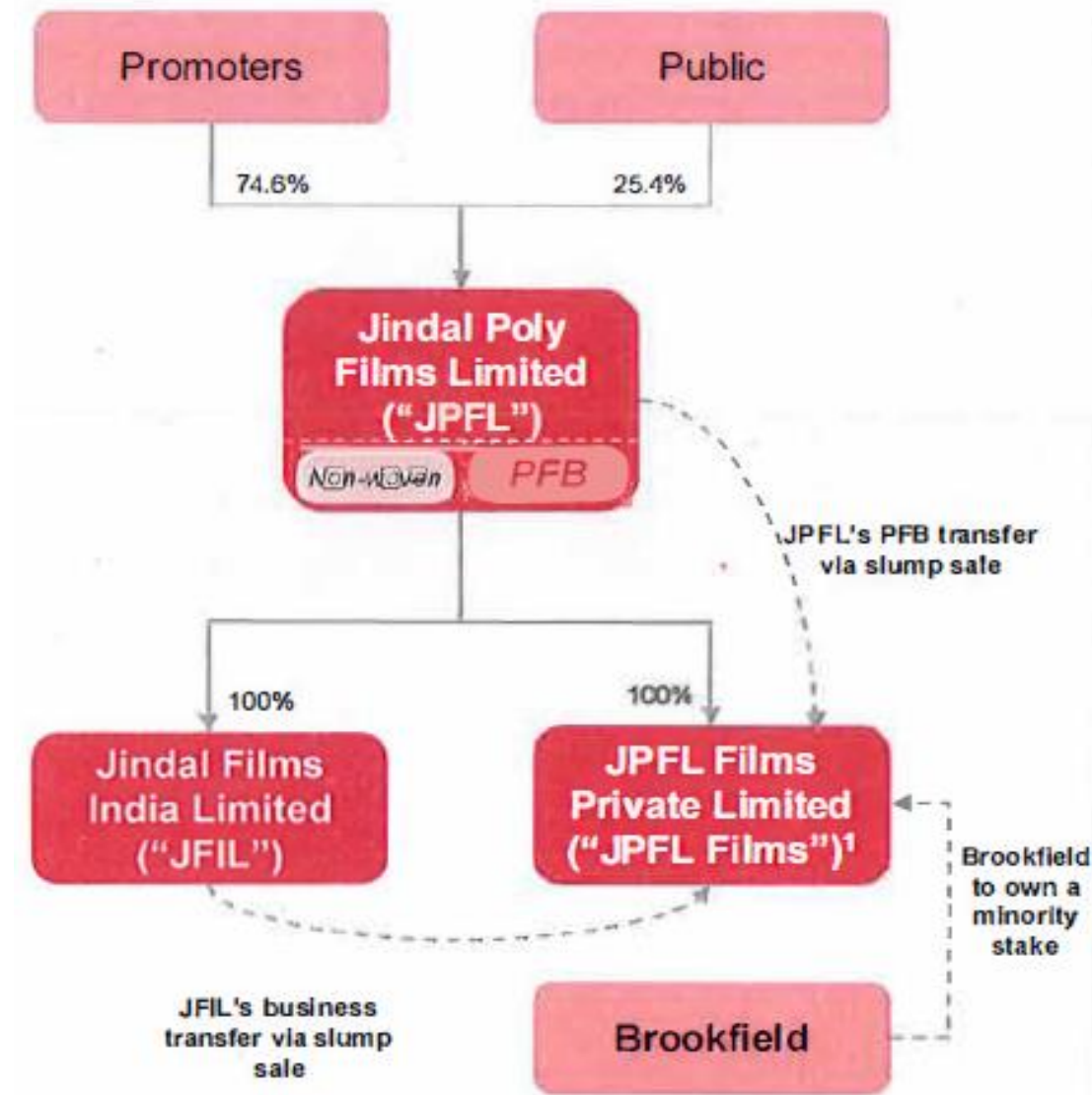
Rationale:

- Combined with Emami's Navratna Cool Talc, Emami expects to be leader in prickly heat powder and cool talc category with acquisition of Dermicool brand.
- Harsha Agarwal, Director of Emami Limited commented that they are very happy to announce the acquisition as it will help realize synergetic benefits and optimize costs.
- He added that with increasing global warming and soaring summer temperatures, such problem solution niche products are poised for strong growth in future.
- Emami further added that it is open to grow through inorganic route. The Company considers acquisitions that add value and have synergy with the current line of businesses, or offer opportunities to be present in categories that have high growth potential.
- Zandu, Kesh King and German brand Creme 21 are some of the brands or businesses acquired by the Company in the past few years.
- Earlier this month Emami has acquired 19% stake in TruNative, a nutrition focused food and Beverage Company, for an undisclosed amount.
- Though the market was not very cheerful to the news, as Emami stock went down by 4% in 2 days following the announcement.

PRIVATE EQUITY KEY DEALS

Transaction:

- Jindal Poly Films Limited (JPFL) announced that it has signed an agreement for the sale of a minority stake in its packaging films business to Brookfield Asset Management, which, through its Special Investments program (BSI), and together with institutional partners, will make Rs.2,000 Cr investment in the company.
- The transaction will result in JPFL carving out its packaging films business (PFB), which generates approximately 85% of revenue, into a wholly owned subsidiary in which BSI will hold a minority.
- JPFL will continue to own its non-woven business unit and other corporate assets & retain 75% ownership of unit JPFL Films P Ltd.
- Brookfield SPV has agreed to acquire 20 equity shares of JPFL Films and subscribe to 19,990 compulsory convertible preference shares (CCPS) of JPFL Films (on preferential basis).
- The structured equity investment in JPFL consists of CCPS and equity shares of the new subsidiary, giving BSI a 25% stake and downside protection thru a ratcheted equity structure tied to performance.



Jindal Poly Films Limited:

- Jindal Poly Films Limited (JPFL) is a part of the B.C. Jindal group. It is engaged in the production and sale of packaging films. It includes flexible plastic films and non-woven fabrics products.
- Company has an integrated plant in Nashik, Maharashtra.
- The products are used in packaging for food and cosmetics, labels, tapes, and various other industrial segments. It also provides non-woven fabrics which find application in hygiene, baby diapers and other medical applications.

Brookfield Asset Management Inc.:

- Brookfield Asset Management is a Canadian asset management firm focused on property, renewable energy, infrastructure, and private equity.
- It has over US\$690 billion of assets under management (including through affiliate Oaktree Capital Management). Brookfield has been operating in India for over 11 years and currently manages \$21 billion in assets.

Rationale:

- Transaction will help Jindal Poly Films to finance future growth and expansion of the business by partnering with a reputed PE fund.
- Along with enhancing profitability and growth possibilities for its packaging business unit, JPFL will be able to accelerate its diversification into new companies as a result of this investment.
- JPFL commented that they are proud to enter a strategic partnership with a large global investor such as Brookfield. JPFL will have access to Brookfield's global network for revenue optimizations, operation improvements and global best practices.
- Globally PE players have been active in Packaging sector in last two years. In India also large deals in sector include Blackstone acquiring Piramal glass and Essel propack, JM Financial investing in Canpac, Advent investing in Manjushree Technopack etc.
- The share price of Jindal Poly Films went up by 6.31% in one day following the acquisition announcement.

THANKS

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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