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Highlights ▶

9

**Compulsory Audit Trail
in Accounting Software**

— w.e.f. April 01, 2023

—CA Anshu Priya

25

**The Rule of Noscitur
a Sociis**

— CA Sakshi Jhajharia

27

**GSTR-3B vs 1 mismatch
– Rule 88C perspective**

— CA Sneha Khaitan

33

**e-India's Central Bank
Digital Currency (CBDC)**

— CA Narasimhan Elangovan

49

**The Art of Resilient
Leadership**

— M Keshav

Capital Market Update Feb., 2023



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Summary:

2022 was a challenging year for global economies as world order recovery from Covid-19 pandemic was subjected to geo-political tensions, record breaking inflation and steepest interest rate hikes in decades.

However as Global advanced economies are facing recession fears, India has a fairly stable macro-economic environment. This along with factors like China +1 means that India would be in an advantageous position in coming years.

Key Merger and Acquisition deals include Advent International acquiring a significant stake in Suven Pharma and PhonePe raising \$350 million funding from General Atlantic.

2022 Economic Snapshot:



*Source: Global Economic Prospects - World Bank

Advantage India:



Union Budget – M&A / Transactions related amendments:

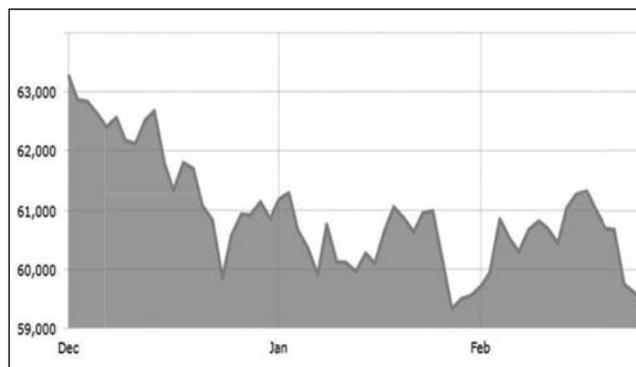
Union Budget was presented by Finance minister Nirmala Sitharaman on 1st February, stating that the Budget adopts seven priorities (Saptrishi) to guide India through the Amrit Kaal. Number of amendments were proposed including changes in personal tax. Market cheered the budget speech.

Trends in Secondary Market:

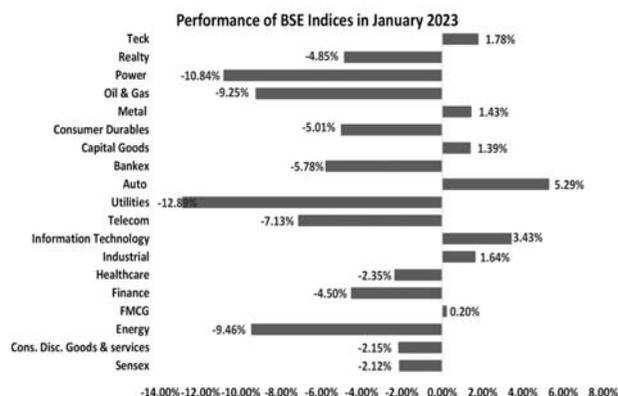
- The strong momentum in equity markets discontinued during January 2023,

with Nifty and Sensex falling by respectively 17,662.15 and 59,549.90 mark. During January 2023, Nifty and Sensex fell by -2.12 per cent and -2.45 per cent respectively over previous month.

- While 2020-21 was a year of record inflows by foreign portfolio investors (FPIs) due to ultra-low global interest rates, 2022 was a year of massive outflows.
- Foreign portfolio investors sold equities worth Rs. 28,851 Crore in January. This is the largest FPI selling since June 2022, when the tide turned and FPIs became net buyers in Indian equities.
- FPIs have withdrawn over Rs 1.34 lakh Crore. The first half of the year saw FPIs selling equities and bonds worth more than Rs 2 lakh Crore. Aggressive monetary policy tightening by global central banks, rupee depreciation, rise in global crude oil prices and fears of global recession triggered outflows of capital.



Equity Markets	Dec-22	Jan-23	% Change
BSE Sensex	60,840.74	59,549.90	-2.12%
Nifty 50	18,105.30	17,662.15	-2.45%
BSE 500	24,605.78	23,778.46	-3.36%
BSE Healthcare	23,033.66	22,491.63	-2.35%
BSE IT	28,671.86	29,655.45	3.43%
BSE FMCG	16,075.30	16,108.25	0.20%
BSE Metal	20,855.59	21,152.96	1.43%



Trends in Primary Market:

There were 2 main board IPOs in January, 2023 against 7 main board IPOs in December 2022 as the markets turned to be bearish. The main board IPOs include Radiant Cash Management Services Limited and Sah Polymers Limited. There were 3 SME IPOs in January as against 3 SME IPOs in December 2022.

IPOs in 2022:

In 2022, the IPOs (Initial Public Offers) halved to 38 from 64 in 2021, but overall they delivered strong returns of about 32% to the subscribers. Major reason behind this mixed performance by the IPO market in 2022 was geopolitical tension caused by Russia-Ukraine crisis in the beginning of the year 2022 followed by global economic crisis. Over the past six months, the global energy and food supply shocks have intensified.

This is the list of top 10 IPOs based on the IPO Size.

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 (%)
Life Insurance Corporation of India	17-May	21000	949	875	-73	-8%	706	-242	-26%
Delhivery Ltd.	24-May	5235	487	537	50	10%	320	-166	-34%
Adani Wilmar Ltd.	8-Feb	3600	230	265	35	15%	568	338	147%
Vedant Fashions Ltd.	16-Feb	3149	866	934	68	8%	1,298	432	50%
Global Health Ltd.	16-Nov	2206	336	415	79	24%	457	121	36%
Rainbow Children's Medicare Ltd.	10-May	1595	542	450	-91	-17%	757	215	40%
Five-Star Business Finance Ltd.	21-Nov	1960	474	489	15	3%	635	161	34%
Paradeep Phosphates Ltd.	27-May	1502	42	44	1.95	5%	60	18	43%
KFin Technologies Ltd.	29-Dec	1500	366	364	-2	-1%	345	-20	-5%
Archean Chemical Industries Ltd.	21-Nov	1462	407	457	50	13%	561	154	38%

Performance of these IPOs varied largely. Hariom Pipe Industries Limited was the highest gainer on the day of listing followed by Aether Industries Limited. Kaynes Technology India Limited was the third highest gainer on the day of listing. Rainbow Children's Medicare Limited didn't do well on the day of listing followed by Prudent Corporate Advisory Services Limited.

Particulars	Nov-22	Dec-22
I. Equity Issues	13,445	15,340
a. IPOs (i+ii)	10,078	5,119
i. Main Board	9,974	4,920
ii. SME Platform	104	200
b. FPOs	0	0
c. Equity Rights Issues	1,651	116
d. QIPs/PPPs	0	3,597
e. Preferential Allotments	1,716	6,508
II. Debt Issues	77,431	1,36,966
a. Debt Public Issues	867	249
b. Private Placement of Debt	76,563	1,36,717
Total Funds Mobilized (I+II)	90,876	1,52,306

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

M&A: Advent International acquires a significant stake in Suven Pharma

Transaction:

- Private equity player Advent International has entered into a definitive agreement to acquire significant stake in Suven Pharmaceuticals from the Jasti family.
- Advent will also be making an open offer to acquire additional 26% (entailing a total outgo of Rs. 3,276.25 Crore if fully subscribed) of the outstanding equity shares of the company from the public shareholders.
- Post the completion of the acquisition, Advent intends to explore the merger of its portfolio company, Cohance Lifesciences with Suven.

About Suven Pharma:

- Incorporated in 1989, Suven Pharma is a pharma company focused on CDMO (Contract development and manufacturing organization) with market value of company around Rs 6,300 Crore.
- In 2020, Suven Pharma was demerged from its parent entity Suven Life Sciences. The undertaking consists of all buildings, plant & machinery and various Licenses approvals etc. along with employees were transitioned to resulting company (Suven Pharma Limited).
- Suven has high growth with CAGR of 20% in last four years and EBITDA margin of over 43 per cent.
- Company does 90% of its business with innovators following the customer from Phase 1 to commercialization and has strong pipeline of phase 3 and late phase 2 molecules with 100+ active projects.

About Advent & Cohance Lifesciences:

- Established in 1984, Advent International is a Private Equity fund active in India since 2007. It has investments of around \$3.2 billion in 14 companies with headquarters or operations in India.

- Advent created wholly owned Cohance Lifesciences in November 2022 and merged three portfolio companies RA Chem pharma, ZCL chemicals and Avra Laboratories to create a new brand identity for its CDMO and API platform.

Rationale:

- Advent intends to explore merger of Suven Pharma and Cohance Life sciences to create one of the leading CDMO + API powerhouse subject to board and regulatory approvals.
- Cohance Lifesciences already has seven manufacturing facilities and recorded revenue of Rs. 1280 Crore in FY22. Its divisions cater to development and manufacturing of pharma and specialty chemical innovators and leading global generic companies with complex product requirements.
- The PE fund wishes to build a \$1 billion global leader through the acquisition by executing effectively on the product pipeline, building new marquee customers, turbo-charging business development, and scaling up manufacturing and R&D.
- Advent International has been active in deal space and earlier acquired RA Pharma Chem in Oct 2020, ZCL chemicals in March 2021 and Avra laboratories in April 2022.
- PAG, CX partners and Samara Capital have also created an API platform where they have made acquisitions like Anjan drugs and Optimus drugs.

PE: PhonePe raised \$350 million funding from General Atlantic

Transaction:

- PhonePe raised \$350 million growth funds at a pre money valuation of \$12 billion, led by General Atlantic. Marquee Global and Indian investors also participated in the round.
- The investment marks the first tranche of an up to \$1 billion total fundraising that commenced in January 2023.
- Announcement follows PhonePe's recent full separation from Flipkart and change of domicile to India. The PhonePe Group was earlier acquired by the Flipkart Group in 2016.

About PhonePe:

- PhonePe was founded in December 2015, and has emerged as India's largest payments app, enabling digital inclusion for consumers and merchants alike.
- PhonePe today has over 435+ million registered users and over 35 million offline merchants spread across Tier 2, 3, and 4 cities and beyond, covering 99% of pin codes in the country.
- PhonePe is the market leader in terms of UPI

transaction volumes with 47% market share; Google pay and PayTM has market share of 34% and 15% respectively.

- PhonePe is also the leader in Bharat Bill Pay System (BBPS), processing over 45% of the transactions on the BBPS platform.

About General Atlantic:

- Established in 1980, General Atlantic currently has over \$73 billion in assets under management inclusive of all products, and more than 215 investment professionals based in various countries.

Rationale:

- PhonePe plans to deploy the new funds to make significant investments in infrastructure, including the development of data centers and help build financial services offerings at scale in the country.

- The company also plans to invest in new businesses, including Insurance, Wealth Management, and Lending.
- The fundraise is expected to support PhonePe as it seeks to turbo-charge the next wave of growth for UPI payments in India, including UPI lite and Credit on UPI to enable greater financial inclusion for Indians.
- For FY22, PhonePe reported revenue of Rs 1,646 Crore up by 138% for year-on-year basis. Loss for the FY22 widened to Rs 2,014 Crore up from Rs 1,729 Crore in FY21.
- Earlier it was reported that PhonePe is preparing for IPO, though there was no official confirmation.

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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**Two roads diverged in a yellow wood,
And sorry I could not travel both
And be one traveler, long I stood
And looked down one as far as I could
To where it bent in the undergrowth;

Then took the other, as just as fair,
And having perhaps the better claim,
Because it was grassy and wanted wear;
Though as for that the passing there
Had worn them really about the same.

And both that morning equally lay
In leaves no step had trodden black.
Oh, I kept the first for another day!
Yet knowing how way leads on to way,
I doubted if I should ever come back.

I shall be telling this with a sigh
Somewhere ages and ages hence:
Two roads diverged in a wood, and I—
I took the one less traveled by,
And that has made all the difference.**

— Extract from *The Road not taken* by Robert Frost