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UNION BUDGET



Chartered Accountants Association, Ahmedabad



CA. Karan Vora

karan@vorafin.com

Capital Markets

Summary:

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 AmritKaal. Number of amendments were proposed including change in personal tax. We have covered changes related to M&A and transactions. Budget was cheered by the market. IPO pace slowed down in January.

Key M&A deal includes Dabur concluding acquisition of 51% majority stake in Badshah Masala and Private Equity deal includes PhonePe raising \$350 million funding from General Atlantic.

Economic Update:

- The ‘Saptrishi’ of the Budget 2023, highlighted seven priorities:

Inclusive development

Inclusive development for farmers, women, youth, OBC, SCST etc. Agricultural startups will be encouraged and Modern technology will be introduced to transform agro practices.

Reaching the last mile

In order to improve the economic conditions of particularly vulnerable groups, PM-Primitive Vulnerable Tribal Group Development Mission was launched.

Infrastructure and Investment

The capital investment outlay is being increased steeply by 33% to Rs 10 lakh Crore, which would be 3.3 percent of GDP.

Unleashing the potential

Focus on good governance. Capacity building and training programmes and online training programmes and focus on AI, data. Incrs ease of doing business.

Financial sector

Credit guarantee for MSMEs, National financial info registry, ease cost of compliance, imp investor protection in banking, capacity building in securities market

Youth power

The government has formulated the National Education Policy. Scheme to skill lakhs of youth and new age course for industries.

Green growth

Focus on environment concious lifestyle, a net zero carbon emission by 2070, National Monetization Pipeline with an investment potential of 9 Lakh Cr. Green credit programs for encouraging behavioral changes.

Mergers & Acquisitions / Transactions related amendments:

Share premium received over fair value Taxable for the Co.

- Infusion of share capital by Residents at a premium which is higher than the fair valuation of the company is taxable in the hands of company. From FY23-24, same will be taxable for Non Residents also.

Cost of acquisitions for intangible assets

- Like goodwill, cost of acquisition or cost of improvement of internally generated intangible assets is to be taken as nil.

Revision of IT Return in case of Business re-organization

- In case of business reorganization, where the modified return is filed by the successor, The Assessing Officer shall in case of completed or pending assessments, consider the modified income.

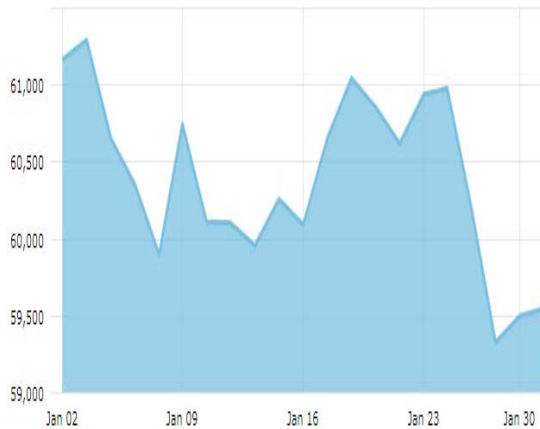
Taxation of market linked Debentures

- Capital gains on transfer or redemption of market linked debentures will be deemed to be short term capital gains and no deduction will be allowed for STT paid.



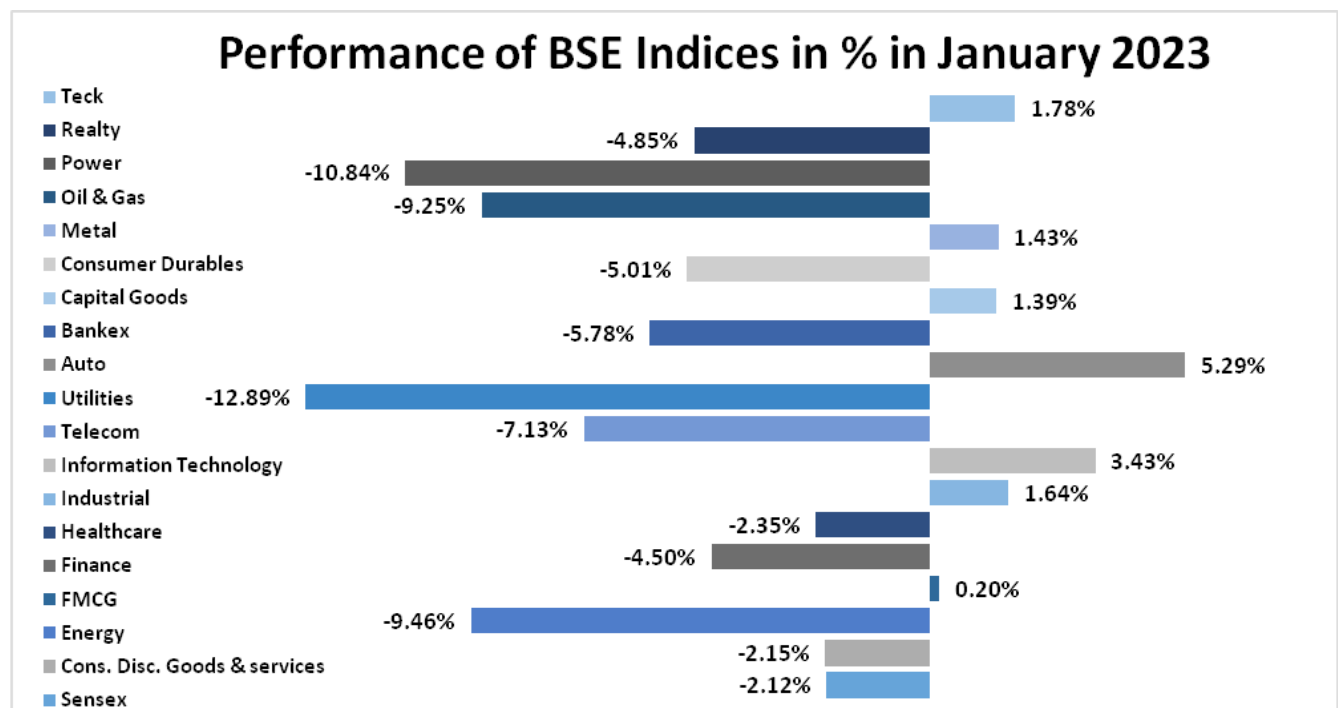
Trends in Secondary Markets:

- 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.
- 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.
- Financial services, and oil & gas sectors accounted for Rs. 22,800 Crore or 79% of the total outflows during the month. Earlier also FPIs had sold oil & gas stocks worth Rs. 9,839 Crore in the second half of 2022.



Equity Markets	Dec-22	Jan-22	% 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%

Primary Market Update:



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. The SME IPOs included of Rex Sealing and Packing Industries Limited, SVS Ventures Limited and Eastern Logica Infoway Limited.

Sah Polymers is primarily engaged in the manufacturing and selling of Polypropylene (PP)/ High-Density Polyethylene (HDPE) FIBC bags, Woven Sacks, HDPE/PP woven fabrics of different weights, sizes, and colors as per customers' specifications. The IPO worth Rs. 66.30 Crore comprises entirely of a fresh offer of shares of the said amount. The new issue funds will be used to set up a new manufacture a new variant of flexible intermediate bulk containers. IPO opened at a premium of 30% on listing day.

Funds Mobilization by Corporates (Rs. In Crore)

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/PPs	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: Dabur concludes acquisition of 51% majority stake in Badshah Masala

Transaction:

- Dabur has completed acquisition of 51% stake in Badshah Masala for a cash consideration of Rs 588 Crore.

- The balance stake of 49% in Badshah Masala will be acquired by Dabur in next five years.

About Badshah Masala:

- Badshah Masala has been in the spices business since 1958. The owners at Badshah Masala personally carry out quality control checks. The formulae of their spice blends are a very closely guarded family secret.
- Badshah Masala deals in six categories and has around 60 SKUs where it produces 400-500 tonnes of spices monthly.
- It has manufacturing facilities located at Umbergaon, Gujarat.

About Dabur:

- Promoted by the Burman family, Dabur started operating in 1884 as an Ayurvedic medicines company.
- From its humble beginnings in the Bylanes of Calcutta, Dabur India Ltd is today fourth largest FMCG Company in India and has the largest herbal and natural product portfolio in the world.
- The ayurvedic company has a portfolio of over 250 Herbal/Ayurvedic products a wide distribution network, covering 6.7 million retail outlets with a high penetration in both urban and rural markets.
- Dabur's products are in over 120 countries and overseas revenue accounts for 27% of turnover.

Rationale:

- This deal has paved way for Dabur to enter into branded spices and seasoning market in India, worth over Rs 25,000 Crore.
- The brand contributes 35% to the spices industry, competing with the likes of Vasant Masala, Pushp Masala, Mahashian Di Hatti Ltd (MDH), Everest Food Products Pvt Ltd, Mother Spice Ltd, etc.
- Badshah Masala has 80,000 distributors and Dabur India plans to leverage its larger distribution network for expanding the brand.

- The deal has valued Badshah enterprise at Rs 1,152 Crore. This translates to a revenue multiple of around 4.5x and EBITDA multiple of around 19.6x of 2022-23
- Estimated financials. Earlier Dabur has made acquisitions in personal care also for inorganic growth.
- During 2020, the branded spices segment has seen a couple of deals. ITC bought Kolkata-based Sunrise Foods Pvt. Ltd. and Norway's Orkla acquired a majority stake in Kerala's largest spice maker Eastern Condiments through its wholly owned subsidiary MTR Foods.

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 fundraising 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.
- Earlier it was reported that PhonePe is preparing for IPO, though there was no official confirmation.
- 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.

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