

August 2023

THE INDCAP NEWSLETTER

INVESTMENT BANKING INSIGHTS & UPDATES



A Indcap Advisors
Enabling Growth | Creating Value

A SEBI registered Category 1 Merchant Banker

www.indcap.in

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DEAL INSIGHT



Monthly M&A Update | Monthly PE Update
Debt Market Update | Merchant Banking Bulletin

M&A UPDATE

Mergers & Acquisitions Deals

| Buyer | Target Company | Industry | Amount | Stake |
|--|---------------------------------|---------------|--------|--------|
| The Qatar Investment Authority | Reliance Industries | Retail | 82,780 | 0.99% |
| The Qatar Investment Authority, Qatar's sovereign wealth fund, has invested ~\$1 billion (Rs 8,278 Cr) for a 0.99% equity stake in Reliance Industries' retail business. | | | | |
| Titan Company Ltd | Caratlane Trading Pvt Ltd | Trading | 46,210 | NA |
| Titan Company Ltd, a Tata Group subsidiary, is set to purchase a 27.1% stake in jewellery e-tailer Caratlane Trading Pvt Ltd for INR 46,210 million (~\$556 million). | | | | |
| AVA Cholayil Healthcare Pvt. Ltd. | The Nilgiri Dairy Farm Pvt. Ltd | Healthcare | 670 | NA |
| Future Consumer Ltd has decided to sell its wholly-owned subsidiary, The Nilgiri Dairy Farm Pvt. Ltd, to AVA Cholayil Healthcare Pvt. Ltd, for INR 670 Mn (~\$8.1 Mn). | | | | |
| Ambuja Cements Ltd (ACL) | Sanghi Industries Ltd (SIL) | Manufacturing | NA | 56.74% |
| Ambuja Cements Ltd (ACL), part of the Adani Group, will acquire 56.74% of Sanghi Industries Ltd (SIL) valued at INR 5,000 Cr, with the acquisition being financed through internal accruals. | | | | |
| GQG Partners | Adani Power | Finance | NA | 8% |
| Investment firm GQG Partners bought an 8.1% stake in India's Adani Power for \$1.1 billion via block deals. | | | | |
| Ceva Logistics | Stellar Value Chain Solutions | Logistics | NA | 96% |
| Third-party logistics firm Ceva Logistics has agreed to acquire a 96% stake in private equity firm Warburg Pincus-backed logistics provider Stellar Value Chain Solutions | | | | |

Sources: VCCircle ; INR to USD conversion rate considered at USD 1 = INR 82.52

PE/VC UPDATE

Private Equity or Venture Capital Deals

INR in Mn

| Investor(s) | Company | Industry | Amount |
|--|--|--------------------------------|--------|
| International Finance Corporation (IFC) | Brookfield Asset Management Inc | Finance | 7,857 |
| Brookfield Asset Management Inc, known for its investments in Avaada and CleanMax, plans to secure ~\$95 million in borrowing from the International Finance Corporation (IFC). | | | |
| TPG Growth and Temasek | Dr Agarwal's Health Care Ltd | Healthcare | 6,650 |
| Dr Agarwal's Health Care Ltd has raised INR 6650 Mn (\$80 Mn) from existing private equity investors TPG Growth and Temasek, eyecare chain seeks to double its network of hospitals. | | | |
| Westbridge Capital, Accel, Tanglin Ventures, Beams Fintech Fund | Credgenics | FinTech/SaaS | 4,135 |
| Credgenics, a debt collection SaaS startup, has raised \$50 million in Series B funding, led by existing investors, valuing the New Delhi-based company at \$340 Mn. | | | |
| Lumos Capital Group, 360 One Asset | Heuristix Digital Technologies Pvt Ltd | Skill Development | 2,482 |
| Disprz, the skill development startup by Heuristix Digital Technologies Pvt Ltd, has secured \$30 Mn in Series C funding co-led by Lumos Capital Group and 360 One Asset and existing investors. | | | |
| Nexus Venture Partners and Canapi Ventures | DynamoFL | Private solution Enterprise AI | 1,249 |
| In a recent funding round, DynamoFL, a startup that enables enterprises to train AI models without the need to gather user data, has secured \$15.1 million. | | | |
| YCombinator, Fundersclub, GoodWater Capital | Shaktimaan.ai | AI based Ed-tech | 165 |
| Artificial intelligence (AI)-based EdTech startup Shaktimaan.ai raises INR 165Mn (\$2 million) in a seed funding round | | | |

Sources: VCCircle ; INR to USD conversion rate considered at USD 1 = INR 82.52

DEBT MARKET

Debt Market Insights

| Market Snapshot (%) | Current Week | 1 month ago | 3 months ago | 6 months ago | 1 year ago |
|---|--------------|-------------|--------------|--------------|------------|
| Average Call Rates | 6.68 | 6.50 | 6.34 | 6.62 | 5.00 |
| Average Repo Rates | 6.66 | 6.45 | 6.31 | 6.56 | 5.20 |
| Bank Rate | 6.75 | 6.75 | 6.75 | 6.75 | 5.65 |
| Cash Reserve Ratio (CRR) | 4.50 | 4.50 | 4.50 | 4.50 | 4.50 |
| RBI-Liquidity Adjustment Facility (LAF) Repo Rate | 6.50 | 6.50 | 6.50 | 6.50 | 5.40 |
| RBI-Liquidity Adjustment Facility (LAF) Reverse Repo Rate | 3.35 | 3.35 | 3.35 | 3.35 | 3.35 |
| 91-Day Cut-off Treasury Bill (T-Bill) (Primary) Yield | 6.86 | 6.72 | 6.77 | 6.82 | 5.60 |
| 182 Day Cut-off Treasury Bill (T-Bill) (Primary) Yield | 7.04 | 6.86 | 6.90 | 7.18 | 5.99 |
| 364 Day Cut-off Treasury Bill (T-Bill) (Primary) Yield | 7.05 | 6.89 | 6.89 | 7.26 | 6.27 |
| 1-Year Government Securities (G-Sec) Yield | 7.03 | 6.91 | 6.80 | 7.07 | 6.25 |
| 5-Year Government Securities (G-Sec) Yield | 7.20 | 7.16 | 6.95 | 7.39 | 7.02 |
| 10-Year Government Securities (G-Sec) Yield | 7.21 | 7.20 | 7.04 | 7.40 | 7.23 |
| 10-Year Benchmark Yield | 7.20 | 7.17 | 7.01 | 7.40 | 7.23 |

Sources: The Clearing Corporation of India Limited (CCIL)

RBI has left the key interest rates unchanged for a third straight meeting during the bi-monthly MPC meeting held on 10/08/2023. In order to absorb surplus liquidity/as a temporary measure for managing the liquidity overhang, it also decided that wef fortnight beginning 12/08/2023, Scheduled Banks shall maintain an incremental CRR of 10% on the increase in their net demand and time liabilities (NDTL) between 19/05/2023 and 28/07/2023.

MERCHANT BANKING

Market Scenario

| Particulars | No. of Issues in the month of August | Amount (Rs. In Cr) |
|---------------------------|--------------------------------------|--------------------|
| Public Issues (IPO, FPO) | 7 | 4,759.71 |
| Public Issues (IPO - SME) | 14 | 320.34 |
| Rights Issues | 6 | 1,338.74 |
| Public Issues (Debt) | 4 | 1,400.00 |

Regulatory Updates by SEBI

LODR Third Amendment Regulations

- SEBI has notified the SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2023 which shall come into force on the date of their publication in the Official Gazette.
- Vide the notification a new Chapter VIA has been inserted - it provides the framework for voluntary delisting of nonconvertible debt securities or non-convertible redeemable preference shares and obligations of the listed entity on such delisting.
- Provisions of Chapter VIA shall be applicable to voluntary delisting of all listed nonconvertible debt securities or non-convertible redeemable preference shares from all or any of the stock exchanges



Master Circular for Alternative Investment Funds (AIFs)

With an objective to ensure an effective regulatory framework for AIFs, SEBI has been issuing various circulars from time to time. The provisions of the aforesaid circulars issued by SEBI up to March 31, 2023, which are operational as on date, have been incorporated in this Master Circular for AIFs. Circulars providing temporary relaxations regarding certain compliance requirements for AIFs have not been included in the Master Circular.

MERCHANT BANKING

Regulatory Updates by SEBI

SEBI: Procedure for seeking prior for change in control with respect to Merchant Bankers and Bankers to an Issue

- The SEBI had specified the procedure for seeking prior approval for change in control of certain intermediaries including Merchant Bankers and Bankers to an Issue.
- To streamline the process of obtaining approval for the proposed change in control of Merchant Bankers and Bankers to an Issue, the Board has vide its circular dated August 10, 2023 prescribed a procedure.
- In the said circular, the Board has also prescribed measure to streamline the process of providing approval to the proposed change in control of an intermediary in matters which involve scheme(s) of arrangement which needs sanction of the NCLT in terms of the provisions of the Companies Act, 2013.
- The provisions of this circular shall be applicable with effect from September 01, 2023.



SEBI notifies rules to strengthen investor grievance redressal mechanism



- Rules to strengthen investor grievance redressal mechanism wherein complaints will have to be addressed by the entities concerned within 21 days notified by SEBI.
- It comes against the backdrop of increasing participation of investors in the securities markets.
- Merchant bankers, debenture trustees, registrar to an issue, share transfer agent and a know your client registration agency will redress investor grievances within 21 days.
- Rules also applicable to portfolio managers, investment advisers and research analysts.

MERCHANT BANKING

Regulatory Updates by SEBI

Reduction of timeline for listing of shares in Public Issue from existing T+6 days to T+3 days

The SEBI has, after extensive consultation with the market participants and considering the public comments received pursuant to consultation paper on the aforesaid subject matter, decided to reduce the time taken for listing of specified securities after the closure of public issue to 3 working days (T+3 days) as against the present requirement of 6 working days (T+6 days); 'T' being issue closing date. The T+3 timeline for listing shall be appropriately disclosed in the Offer Documents of public issues. The timelines for submission of application, allotment of securities, unblocking of application monies and listing shall prominently be made a part of pre-issue, issue opening and issue closing advertisements issued by the Issuer for public issues in terms of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.



The provisions of this circular shall be applicable:

- On voluntary basis for public issues opening on or after September 1, 2023;
- Mandatory for public issues opening on or after December 1, 2023

A copy of all the afore mentioned circulars are available on SEBI website at www.sebi.gov.in under the categories 'Legal Framework' → 'Circulars'

CASE OVERVIEW



NCLT | NCLAT | Apex Court

NCLT

National Company Law Tribunal (NCLT)

The National Company Law Tribunal has approved the resolution plan of National Asset Reconstruction Company Limited (NARCL) for SREI companies



- The Calcutta Bench of the NCLT has approved the resolution plan of Government-backed National Asset Reconstruction Company Limited for two insolvent SREI companies — SREI Infrastructure Finance Limited (SIFL) and SREI Equipment Finance Limited (SEFL).
- The approved resolution plan shall be binding on the corporate debtor and other stakeholders involved in terms of Section 31 of the Insolvency & Bankruptcy Code, 2016 so that revival of the debtor company shall come into force with immediate effect.
- According to the NCLT order, NARCL and IDRCL (India Debt Resolution Company Limited) will infuse funds into the corporate debtors and other funds towards assignment payments and provide for corporate debtors to undertake repayment obligations aggregating to Rs. 14,867.50 crore. This includes an upfront cash of Rs 3,180 crore.
- The total admitted claim including that of Financial Creditors, operational and other creditors is Rs. 33,026.31 crore, marking a recovery of ~45%.
- The corporate insolvency resolution process was initiated against the two NBFCs through orders dated October 8, 2021. Three bidders — NARCL, the consortium of Varde Partners and Arena Investors and Authum Investment — had participated in the challenge mechanism process, adopted by the consolidated CoC, to acquire the two NBFCs under the corporate insolvency resolution process.
- The resolution plan of NARCL was approved with 89.2% voting share of the consolidated CoC.

National Company Law Appellate Tribunal (NCLAT)

Personal guarantee given to Financial Creditor can be extinguished in a Resolution Plan in the case of SVA Family Welfare Trust Anr. Vs Ujaas Energy Ltd. & Ors

Issue to be looked at

Whether in a Resolution Plan can there be a clause which proposes to extinguish security interest of a Financial Creditor by way of personal guarantee of the personal guarantors of the Corporate Debtor which was given for obtaining financial assistance from the Financial Creditor.

Background

- The appeal was filed against the order passed by the NCLT, Indore Bench by which IA filed by the Resolution Professional for approval of the Resolution Plan has been rejected.
- The Adjudicating Authority took the view that the CoC cannot extinguish right of the particular secured creditor to proceed against the personal guarantor of the Corporate Debtor, hence the plan contravenes the provision of Section 30(2)(e) of the Code.
- The appellant who was the Successful Resolution Applicant aggrieved by the order rejecting his Resolution Plan made the appeal before the Hon'ble NCLAT.

Decision of the Appellate Tribunal

- The Adjudicating Authority committed error in rejecting the application for approval of Resolution Plan on the ground that the plan could not have contained a provision for extinguishment of personal guarantee of the personal guarantors. Plan allocates a plan value for extinguishment of personal guarantee which has been accepted by the Financial Creditors by a vote share of 78.04%.
- In result, the appeal is allowed, and the order passed by the Adjudicating Authority is set aside as the Resolution Plan did not contravene any of the provisions of Section 30(2)(e) of the Code and such extinguishment is possible on the grounds that:
 - › Consideration has been assigned for personal guarantee which has been accepted by the Financial Creditors by a vote share of 78.04%
 - › The same has been discussed extensively in the CoC meetings

APEX COURT

The court with the supreme judicial authority and the highest court of the country



Supreme Court refused to interfere with a National Company Law Appellate Tribunal (NCLAT) order that had held that recall applications filed before it are maintainable in the case of Union Bank of India v. Financial Creditors of Amtek and ors

Background

A five-member bench of the National Company Law Appellate Tribunal, Principal Bench, New Delhi in its judgment dated May 25, 2023, held that NCLAT can recall its judgments by the virtue of inherent power vested in the NCLAT under Rule 11 (Inherent Powers) of the National Company Law Appellate Tribunal Rules, 2016 in case of a procedural error while delivering the earlier judgment.

Observations of the Apex Court

Recalling a judgment refers to canceling or reversing a judgement of the court mostly due to wrong interpretation of facts or procedural errors. Apex court upheld the order of a five-judge bench of NCLAT, which in May held that while NCLAT does not have the power to review its own judgment, however it can 'recall' its own judgment using its inherent powers, on certain grounds.

MARKETS & COMMODITIES



Global Indices | BSE | NSE | Currency | Gold | Silver

AN OVERVIEW

BSE, NSE, Global Indices, Gold, Silver, Currency Rates

| Stock Indices | Closing (INR) (31st August, 2023) | Opening (INR) (1st August, 2023) | Change % |
|-------------------------------|--------------------------------------|-------------------------------------|----------|
| Sensex | 64831.41 | 66,532.98 | -2.56% |
| Nifty | 19253.80 | 19,784.00 | -2.68% |
| FTSE | 7439.13 | 7,529.16 | -1.20% |
| Nikkei | 32619.34 | 33,292.31 | -2.02% |
| Dow Jones | 34721.91 | 35,585.99 | -2.43% |
| Gold (INR / 10 Grams) | 59400.00 | 59,037.00 | 0.61% |
| Silver (INR / 1 Kg) | 74410.00 | 74,005.00 | 0.55% |
| USD (\$) (INR / Dollar) | 82.70 | 82.34 | 0.44% |
| Euro (€) (INR / Euro) | 89.64 | 90.33 | -0.76% |
| GBP (£) (INR / British Pound) | 104.73 | 104.96 | -0.22% |

Sources: Global Indices, BSE, NSE, RBI, MCX INDIA

INDCAP OPPORTUNITIES



Current Buy/Sell Opportunities

OPPORTUNITIES

Buy/Sell Opportunities in various Industries

| Sector | Location | Company Brief | Acquisition Criteria |
|-----------------------------------|-------------|--|--|
| FMCG | West Bengal | The Company is engaged in the manufacturing and distribution of food products in Eastern India | <ul style="list-style-type: none"> > Established brand in the Food Processing Industry > Eastern India dominant > Minimum Turnover: INR 500 Mn |
| Chemical | West Bengal | One of the Leading chemical processing company in Eastern India | <ul style="list-style-type: none"> > Smaller companies in Carbons, Chemicals and Coal Tar sector > Region Agnostic > Turnover: above INR 500 Mn |
| Machinery Equipment Manufacturing | West Bengal | Engineering company having business of design and manufacturing of industrial equipment | <ul style="list-style-type: none"> > Recognized brand in equipment manufacturing having international presence > Equipped with advanced integrated technology > Turnover: above INR 2,000 Mn |
| Construction | Maharashtra | Manufacturer and supplier of construction material products | <ul style="list-style-type: none"> > Building material manufacturers in India > Country wide presence > Minimum turnover: INR 200 Mn |
| Aquaculture Feed | West Bengal | Globally recognized manufacturers of high quality Aquaculture feed products | <ul style="list-style-type: none"> > Must be involved in manufacturing of animal and/or aquaculture feed products in India |
| Poultry Feed | West Bengal | One of the prominent poultry and animal feed players in India | <ul style="list-style-type: none"> > Must be involved in manufacturing of poultry feed products in India |

ABOUT INDCAP & OUR SERVICES



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ABOUT US

Indcap Advisors (P) Ltd.

Executed More than INR 5,00,000 Mn in various Transaction across Debt and Structured Debt, M&A/PE and Corporate Debt Restructuring

- > Founded with the objective of providing world class service to clients and ensure that client satisfaction is achieved at all point of time while adhering to best practices and business ethics
- > Have developed a track record of advising more than 400 clients and companies over the last 25 years
- > Extensive experience, in depth domain understanding and knowledge of Indian Businesses
- > Clients across Industries, businesses sizes and ownership structures from family-owned businesses to professionally managed Companies
- > Nationwide presence and global alliances

OUR SERVICES

Sophisticated and Customized Solutions



Corporate Advisory

Business reorganization advisory |
Transaction structuring advisory | TEV/
Project feasibility study | Financial
appraisals | Credit rating advisory |
Business and Equity Valuations



Mergers & Acquisitions

Sell Side & Buy Side Advisory | Joint
Ventures | Cross Border Acquisitions |
Inbound Investment Advise



Debt Resolution Advisory

Corporate & Strategic Debt Restructuring |
Settlements | Insolvency Resolution
Advisory



Capital Raising Solution

Equity – Private, Public and Convertible
Instruments |
Debt – Project Finance, Working Capital,
ECBs, Structured Debt /Treasury
Instruments



Capital Market Services

Issue Management-
IPO/FPO/SME/Rights/Debt/QIP Issuances,
etc. | Preference Capital/ Debentures |
Listing of Non-Convertible Debentures |
Advisory and Assistance

AUGUST HIGHLIGHTS

Key highlights in the month of August 2023

Successful Deal Closure

Indcap Advisors (P) Ltd. has successfully completed the debt funding for a leading turnkey solution provider to core industries like Defense, Coal, Power, Mining, Steel & Cement, etc. in a record time of 3 weeks.

Indcap at Conferences



Indcap's Promoter Director, Mr. Samir Agarwal, at the 'Capital Markets Conclave – Charting Indian Economy' organised by EIRC of ICAI conducted on 5th August 2023 for a fireside chat with CA Anil Singhvi, Managing Director, ZEE Business.



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