

December 2023

THE INDCAP NEWSLETTER

INVESTMENT BANKING INSIGHTS & UPDATES



A Indcap Advisors
Enabling Growth | Creating Value

A SEBI registered Category I Merchant Banker

www.indcap.in

CONTENT

Page No.

1-6

Monthly Update

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

7-10

Case Overview

NCLT | NCLAT | Apex Court

11-12

Markets/Commodities

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

13-14

Indcap Opportunities

Current Buy/Sell Opportunities

15-19

About Indcap Advisors

About Us | Our Services | December Highlights | Contact Us

MONTHLY UPDATE



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
Max Healthcare	Sahara Hospital	Hospitals	9400	-
Max Healthcare Institute will fully acquire Starlit Medical Centre Pvt Ltd for an enterprise value of INR 940 Cr thereby giving it the ownership of 550-bed Sahara Hospital in Lucknow				
JSW Infrastructure	PNP Maritime Services	Shipping & Logistics: Ports	2700	50%
Publicly listed JSW Infrastructure (via its subsidiary JSW Dharamtar Port) is to acquire an over 50% stake in PNP Maritime Services (PNP Port) from SP Port Maintenance Pvt Ltd, a Shapoorji Pallonji Group Co.				
Hero MotoCorp	Ather Energy	Automobiles (Electric Vehicles - Two Wheelers)	1400	3%
Hero MotoCorp Ltd (HMCL), which owns 36.7% shares of Bengaluru-based electric mobility startup Ather Energy Pvt Ltd, is to acquire another 3% stake for INR 140 Cr in an all-cash deal.				
Vijaya Diagnostic Centre	PH Diagnostic Centre	Healthcare: Diagnostics	1347	-
Hyderabad's listed Vijaya Diagnostic Centre to acquire Pune's PH Diagnostic Centre for INR 134.65 Cr in an all-cash deal, with an additional INR 12.85 Cr infusion for debt settlement.				
Axiscades	Epcogen	Energy: Oil & Gas	263	-
Publicly listed Axiscades Technologies Ltd has completed the acquisition of Hyderabad-headquartered Epcogen Pvt Ltd for INR 26.25 Cr, with an additional 3-year earnout of INR 7 Cr based on performance.				
Infibeam.com	Pirimid Fintech	IT Services (Consulting)	250	49.50%
Listed fintech firm Infibeam Avenues has acquired a 49% stake in Ahmedabad-based Pirimid Fintech for INR 25 Cr. The move marks Infibeam's foray into the capital markets and digital lending software market.				

Sources: VCCircle ; INR to USD conversion rate considered at USD 1 = INR 82.30

PE/VC UPDATE

Private Equity or Venture Capital Deals

INR in Mn

Investor(s)	Company	Industry	Amount
Mirae Asset Global Investments	Sharekhan	BFSI	30000
French financial services major BNP Paribas has sold its India-based retail broking unit Sharekhan to South Korea's Mirae Asset Financial Group through a large buyout.			
DST Global, Lightspeed Ventures, Others	Udaan	IT & ITES	28220
Bengaluru-based B2B e-commerce player Udaan has raised USD 340 Mn in a Series E financing round. The funding is a combination of fresh equity investment & conversion of existing convertible notes into equity.			
Fairfax Holdings	Bangalore International Airport	Aviation (Airports)	14525
Fairfax India Holdings Corp. has acquired an additional 7% share in Bangalore International Airport Ltd from Siemens Project Ventures GmbH, a division of Siemens Financial Services.			
Sharrp Ventures, Fireside Ventures, Amazon, Bertelsmann India Investments, Others	Nat Habit	FMCG - Personal Care	8503
Delhi-based direct-to-consumer (D2C) beauty and wellness brand Nat Habit has raised USD 10.2 million in Series B funding led by Bertelsmann India Investments (BII).			
Finnest	Kitchens@	Restaurants (Plug-n-Play Model)	5406
Bangalore-based Cloud kitchen start-up Kitchens@ has raised USD 65 million (INR 540 Cr) series C round led by London-based growth investment firm Finnest.			
TDK Ventures, 3ONE4 Capital, AdvantEdge Partners, YourNest, Lightspeed Ventures, Eight Roads Ventures, Others	Exponent Energy	Auto Components (Electric Vehicle)	2191
Bengaluru-based Exponent Energy, a startup which claims to have built 15-minute charging technology for electric vehicles, has raised USD 26.4 million in a Series B round led by Eight Roads Ventures.			

Sources: VCCircle ; INR to USD conversion rate considered at USD 1 = INR 82.30

DEBT MARKET

Debt Market Insights

Market Snapshot (%)	Current Week	1 month ago	3 months ago	6 months ago	1 year ago
Average Call Rates	6.82	6.80	6.74	6.80	6.39
Average Repo Rates	6.82	6.79	6.80	6.63	6.33
Bank Rate	6.75	6.75	6.75	6.75	6.50
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	6.25
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	6.93	6.96	6.86	6.76	6.31
182 Day Cut-off Treasury Bill (T-Bill) (Primary) Yield	7.16	7.16	7.08	6.87	6.74
364 Day Cut-off Treasury Bill (T-Bill) (Primary) Yield	7.13	7.15	7.08	6.87	6.89
1-Year Government Securities (G-Sec) Yield	7.09	7.19	7.08	6.91	6.87
5-Year Government Securities (G-Sec) Yield	7.10	7.28	7.24	7.09	7.25
10-Year Government Securities (G-Sec) Yield	7.22	7.34	7.23	7.13	7.35
10-Year Benchmark Yield	7.18	7.29	7.20	7.10	7.32

Sources: The Clearing Corporation of India Limited (CCIL)

Other Key findings:

- Core industries, constituting 40.27% of the IIP, saw a growth of 7.80% in November 2023, up from 5.70% in November 2022, and recorded an 8.60% growth in April-November FY24, surpassing the 8.10% growth in the same period of FY23.
- RBI conducted the auction of G-Secs for an aggregate amount of INR 33,000 Cr on December 29, 2023.
- Fitch expects India to have resilient GDP growth of 6.50% in FY25.

MERCHANT BANKING

Market Scenario

Particulars	No. of Issues in the month of December	Amount (INR in Mn)
Public Issues (IPO, FPO)	11	83388
Public Issues (IPO - SME)	21	6322
Rights Issues	3	1982
Public Issues (Debt)	3	45000

Regulatory Updates by SEBI

Reviewing NCS and LODR Regulations for business ease and introducing fast-track public issuance of debt securities: Consultation Paper

With a view of promoting ease of doing business, SEBI has issued consultation paper which details the proposed changes to the SEBI (Listing Obligations and Disclosure Requirements) 2015 ('LODR Regulations') and the SEBI (Issue and Listing of Non-Convertible Securities), 2021 ('NCS Regulations'); and introduction of concept of Fast Track public issuance and listing of debt securities and proposed norms of the same.



Depositories, Clearing Corporations to comply with global market principles from end of December

SEBI's circular mandates Depositories and Clearing Corporations (CCs) to adhere to global Principles of Financial Market Infrastructures (PFMIs) for robust and resilient financial market support. Prescribed by international bodies like Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO), the circular requires self-assessments and periodic disclosures on compliance, effective from December 2023.

MERCHANT BANKING

Regulatory Updates by SEBI

SEBI suggests material event to be considered for rumor verification in new consultation paper

Capital markets regulator SEBI released a consultation paper on December 28, 2023, where it suggests that material price movement and not material event as defined under Regulation 30 in the LODR should be considered for rumor verification.

SEBI has revised the framework for stock brokers and clearing members upstreaming clients' funds to clearing corporations, aiming for ease of business. Changes include extending the settlement period for client payment requests to on or before the next day and addressing the upstreaming of fixed deposit receipts (FDR) created from clients' funds.



SEBI revises norms on upstreaming of clients' funds by stock brokers

Framework for issuance of subordinate units and unit based employee benefits - REITs and InvITs: Consultation paper

SEBI has released a consultation paper seeking public input on proposals, including the issuance of subordinate units by REITs and InvITs to sponsors and their associates. Additionally, it addresses the framework for Unit Based Benefits for employees of the Manager of REIT and Investment Manager of InvIT.

Mutual funds are not permissible investment for Category III AIFs: SEBI's informal guidance



Mutual funds are not permissible investments for Category III Alternative Investment Funds (AIFs) as per the market regulator SEBI and this was established in response to a query raised by Athena Alternative Investments Trust. The fund had asked if a Category III AIF could invest in mutual funds permanently. At present, Category III AIFs are not allowed to invest in mutual funds, other than liquid funds as temporary investments.

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

National Company Law Tribunal (NCLT)

In the matter of Rishima SA Investments LLC (Mauritius) vs Avishek Gupta

Key Facts of the Case:

- NCLT Kolkata addressed a significant matter involving Rishima SA Investments LLC (Applicant) and Avishek Gupta regarding insolvency and foreign arbitral awards.
- The Applicant, holding a substantial equity stake in Sarga Hotel Pvt Ltd, secured a INR 132 Cr foreign arbitral award in July 2020 against Shristi Infrastructure Development Corporation Ltd ("SIDCL") and the Corporate Debtor.
- Despite initiating award enforcement proceedings under the Arbitration and Conciliation Act, 1996, the Applicant's claim was rejected during the Corporate Insolvency Resolution Process in February 2022.

Observations of the NCLT:

The Issue: → The central issue revolved around the classification of the Applicant's claim: If it may qualify as a "financial debt" or falls under the category of "Other Debts" under the Insolvency and Bankruptcy Code, 2016 (IBC).

Findings and Rationale:

- The NCLT partially allowed the application, determining that the debt arising from foreign arbitral awards doesn't meet the criteria for a "financial debt" under Section 5(8) of the IBC.
- Consequently, the Applicant was not recognized as a financial creditor with participation rights in the Committee of Creditors (CoC) meetings.
- However, acknowledging the Applicant's decree holder status in the foreign award, the NCLT deemed it a debt falling under the category of "Other Debts."
- The Tribunal disagreed with the nominal valuation of Rs. 1 and stressed that the resolution plan should account for the full amount of the claim.

The NCLT's decision avoids classifying the Applicant as a 'financial creditor', recognizing instead its decree holder status from the foreign arbitral award and deemed its debt falling under "Other Debts" which must be thoroughly considered in the resolution plan.



National Company Law Appellate Tribunal (NCLAT)

Ansal Housing Ltd. Vs. Samyak Projects Pvt. Ltd.

Facts of the Case:

- Ansal Housing Ltd. (AHL) entered into a Joint Venture Agreement (JVA) with Samyak Projects Pvt Ltd (SPPL) for 4 Real-estate projects under which the SPPL was to provide the land for the project and the AHL was to be the developer of the project.
- For one of the projects the SPPL sought a financial assistance of Rs. 25 Crs from AHL and extended an Inter-Corporate Deposit (ICD)
 - a. Repayment within 24 months at the interest of 24% p.a. compounded monthly
 - b. In case of default, AHL would have the right to recover the total loan amount from the share of sales receivable of SPPL under the JVA.
- SPPL defaulted on the ICD, and AHL filed for Corporate Insolvency Resolution Process (CIRP) under Section 7 of the Insolvency and Bankruptcy Code, 2016 (IBC).

Key Arguments by the parties involved:

AHL argued:

- The loan was given with a consideration of time value of money and scheduled interest payments, which constitutes as 'Financial Debt' under Section 7 of IBC, 2016
- That SPPL's sole responsibility was to procure the land and mobile resources accordingly. The adjustment against future receivables was portrayed as a security under the ICD.
- Intent of the parties were ignored by the Adjudicating Authority and concluded that JVA and ICD were independent

SPPL argued:

- That the ICD and JVA were interdependent, not independent agreements.
- Relied on NCLAT judgments to support the claim that an amount invested in a joint venture project by any party as a promoter/investor doesn't fall within the definition of Section 5(8) of the IBC.
- Emphasized the joint venture partnership between the parties and stated that the purchase and availability of land for the project were essential elements of their JVA

Order of the Hon'ble NCLAT:

NCLAT ruled in favor of SPPL, stating that the ICD, in the context of a joint venture, was an investment for profit, not a financial debt under Section 5(8) of the IBC and must be considered interdependently due to the mutual agreement during the signing of such agreements.

APEX COURT

Cox and Kings Ltd. v. SAP India Pvt. Ltd.

Background:

The Indian Supreme Court addressed the applicability of the 'Group of Companies' doctrine in multi-party and multi-contract arbitrations in India.

The issue arose from the tension between the contractual nature of arbitration and the reluctance to subject non-signatories to arbitration, particularly in joint venture arrangements with various dispute resolution provisions.

Fact of the Case:

In *Chloro Controls India (P) Ltd. v. Severn Trent Water Purification Inc.* (2013), the Supreme Court held that non-signatory group companies could be bound by an arbitration agreement based on a common intention of the parties.

This position was later questioned in Cox and Kings Ltd v. SAP India Pvt Ltd. (2022), leading to a referral to a five-judge constitutional bench for further examination.

Applicability of the Doctrine:

The application of these factors must be fact-specific, keeping in mind the complexity of modern-day commercial projects. These factors include:

- The mutual intent of the parties;
- The relationship of a non-signatory to a party which is a signatory to the agreement;
- The commonality of the subject-matter;
- The composite nature of the transactions;
- The performance of the contract;
- Distinction between “party” and person “claiming through or under”.

The Apex Court's ruling marks a pivotal moment in Indian arbitration jurisprudence as it upheld the 'Group of Companies' Doctrine by reaffirming the relevance of it.

Impact of the Judgment:

The judgment establishes a benchmark for *minimal judicial intervention in complex multi-party transactions, aligning Indian arbitration practices with global standards.* It provides *clarity and direction for courts, tribunals, and stakeholders* involved in arbitration disputes.

MARKETS & COMMODITIES



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

AN OVERVIEW

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

Stock Indices	Closing (INR) (31 st December, 2023)	Opening (INR) (1 st December, 2023)	Change %
Sensex	72240.26	67181.15	7.53%
Nifty	21731.40	20194.10	7.61%
FTSE	7733.24	7453.75	3.75%
Nikkei	33464.17	33537.44	-0.22%
Dow Jones	37689.54	35914.45	4.94%
Gold (INR/10 Grams)	63217	62509	1.13%
Silver (INR/1 Kg)	74435	76215	-2.34%
USD (\$) (INR/Dollar)	82.30	83.35	-1.26%
Euro (€) (INR/Euro)	91.90	90.68	1.34%
GBP (£) (INR/British Pound)	105.70	105.27	0.41%

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

INDCAP OPPORTUNITIES



Current Buy/Sell Opportunities

OPPORTUNITIES

Buy Side Opportunities

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
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

Sell Side Opportunities

Sector	Location	Company Brief	Rationale
Packaged Food	West Bengal	An Eastern India packaged food player with owned brand and technologically advanced manufacturing facility	<ul style="list-style-type: none"> > Looking for a strategic investment in the Company to fuel the next level of growth
Media	West Bengal	A leading vernacular newspaper with presence in Eastern India	<ul style="list-style-type: none"> > Looking for possible deal opportunities in the Company

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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
- > We are a **SEBI Registered Category I Merchant Banker**
- > 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

DECEMBER HIGHLIGHTS

Key highlights in the month of December 2023

NCLT approves Shrachi Group's Resolution Plan for McNally Bharat Engineering where Indcap acted as advisors

NCLT okays Shrachi Grp firm's plan for McNally

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Kolkata: The National Company Law Tribunal on Tuesday approved the resolution plan of Shrachi Group firm BTL EPC for McNally Bharat Engineering.

The 19-member committee of creditors of McNally Bharat had approved the resolution plan this July and it was filed before NCLT. The final resolution plan of BTL EPC is of Rs 441 crore. The other bidders for the former Williamson Magor Group firm were Naveen Jindal group firm Nalwa Steel and Power and Amit Metaliks. There was a Swiss auction for McNally in the

final round as well.

As per the NCLT order in the 32nd CoC meeting on July 27, the resolution professional informed that both the plans of Nalwa Steel and Power and BTL EPC were approved by 90% voting share, which led to a tie. Hence, the tie-breaker formula

₹441 CR PLAN

approved in the 25th CoC meeting was to be applied.

As per the tie-breaker formula, the resolution plan with the higher NPV (net present value) would be selected. The NPV of the plan submitted by BTL EPC Ltd was higher than that of Nalwa Steel & Power Ltd.

BTL EPC MD Ravi Todi welcomed the NCLT order, saying that the actual work for rejuvenation of McNally would start now.

Indcap Advisors, a city-based investment bank, was the advisor for BTL EPC. Samir Agarwal, director of Indcap, said: "It's the rarest of a rare NCLT approved case wherein COC voted equally on both plans (90.06%) and ultimately a pre-decided tie-breaker formula by COC was applied to decide the winner." The lenders of McNally include BOI, AXIS Bank, SBI, PNB, IDBI Bank, UCO Bank, Union Bank of India, ICICI Bank along with others. The total admitted claim for the company was Rs 5,015 crore.

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