

August 2024

THE INDCAP NEWSLETTER

INVESTMENT BANKING INSIGHTS & UPDATES



A Indcap Advisors
Enabling Growth | Creating Value

A SEBI registered Category I Merchant Banker

www.indcap.in

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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
Adani Power	Lanco Amarkantak Power	Renewable Power Projects (Thermal)	41,010	100%
The NCLT's Hyderabad bench has approved Adani Power's acquisition of a 100% stake in Lanco Amarkantak Power Ltd. This acquisition strengthens Adani's position as India's top private sector power producer, with a total capacity of 15,850 MW.				
Botas Trading	Swan Energy Ltd	Oil & Gas (Storage - LNG Terminal)	33,476	51%
Swan Energy is selling its 51% stake in Triumph Offshore Pvt Ltd, owner of the Vasant-1 FSRU, to Turkey's Botas Trading for USD 399 Mn. Swan Energy holds 51% in TOPL while fertiliser maker IFFCO the remaining 49%.				
Warburg Pincus and other PE firms	Ebco Pvt Ltd	Building Products (Furniture Fittings)	22,464	
Warburg Pincus has acquired a majority stake in Mumbai-based Ebco Pvt Ltd, valuing the company at INR 3,000-3,200 Cr. The promoters will retain a significant minority stake and remain involved in the business.				
Zomato Ltd	One 97 Communications Limited (OCL) - Ticketing Business	Online Services (Ticketing)	20,480	100%
OCL will transfer its entertainment ticketing business to Zomato by selling its 100% stake in subsidiaries Orbgen Technologies (TicketNew) and Wasteland Entertainment (Insider). The deal includes 280 employees.				
JSW Steel, via JSW Steel (Netherlands) B.V.	M Res NSW HCC Pty Ltd	Mining & Minerals	10,068	67%
JSW Steel, through its Netherlands subsidiary, will acquire a 66.67% stake in Australia's M Res NSW HCC Pty Ltd for USD 120 Mn, with an additional USD 50 Mn deferred payment due in 2030. This move aims to secure raw materials and optimize costs.				
Suzlon Energy Ltd	Renom Energy Services Pvt Ltd	Operation & Maintenance (Renewable Energy)	6,600	76%
Publicly-listed renewable energy firm Suzlon Energy Ltd is to acquire a 76% stake in Renom Energy Services Pvt Ltd from the Kolhapur, Maharashtra-based Sanjay Ghodawat Group.				

Sources: VCCircle ; INR to USD conversion rate considered at USD 1 = INR 83.90

PE/VC UPDATE

Private Equity or Venture Capital Deals

INR in Mn

Investor(s)	Company	Industry	Amount
Lightspeed Ventures, General Catalyst Partners, DST Global, Epiq Capital, Dragon Capital, Contrary Capital, StepStone Group	Zepto	Mobile App (Consumer Shopping - Groceries)	28,524
Zeptos valuation has surged by nearly 40%, rising to USD 5 Bn from USD 3.6 billion in June, when it raised USD 665 Mn in its Series F round.			
MUFG Innovation Partners	DMI Finance Pvt Ltd	BFSI	27,980
Japan's Mitsubishi UFJ Financial Group (MUFG), via its subsidiary MUFG Bank, has invested INR 2,798 Cr in Delhi-based digital lender DMI Finance Pvt Ltd.			
J&A Partners, InCred Wealth and ASK Financial Holdings	Oravel Stays Ltd - OYO Rooms	Online Services (Aggregator - Budget Hotels)	10,400
Oravel Stays Ltd, the parent company of hospitality unicorn OYO Rooms, has raised INR 1,040 Cr (or about USD 125 million) more in its Series G funding round taking the total round size to INR 1,457 Cr.			
National Investment and Infrastructure Fund (NIIF)	Ather Energy	Automobiles (Electric Vehicles - Two Wheelers)	6,000
Bengaluru-based electric two-wheeler maker Ather Energy raised INR 600 Cr from existing investor NIIF, valuing the company at USD 1.3 Bn and making it India's latest unicorn.			
MO Alternate Investment Advisors (MO Alts)	LAL Sweets	Packaged Foods (Sweets)	3,300
MO Alternate Investment Advisors (MO Alts) will invest INR 330 Cr for a 25% stake in Bengaluru-based Lal Sweets, a maker of packaged sweets, bakery items, and select savory snacks.			
Greater Pacific Capital	Kinetic Green	Automobiles (Electric Vehicles)	1086
Pune-based Kinetic Green raised USD 25 million in Series A funding from Greater Pacific Capital for a 12% stake, valuing the company at INR 1,650 Cr.			

Sources: VCCircle ; INR to USD conversion rate considered at USD 1 = INR 83.90

DEBT MARKET

Debt Market Insights

Market Snapshot (%)	Current Week	1 month ago	3 months ago	6 months ago	1 year ago
Average Call Rates	6.59	6.48	6.56	6.61	6.67
Average Repo Rates	6.48	6.42	6.51	6.61	6.69
Bank Rate	6.75	6.75	6.75	6.75	6.75
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	6.50
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	6.63	6.67	6.85	6.96	6.82
182 Day Cut-off Treasury Bill (T-Bill) (Primary) Yield	6.72	6.79	7.01	7.17	7.02
364 Day Cut-off Treasury Bill (T-Bill) (Primary) Yield	6.72	6.80	7.04	7.12	7.03
1-Year Government Securities (G-Sec) Yield	6.74	6.79	7.00	7.06	7.03
5-Year Government Securities (G-Sec) Yield	6.80	6.85	7.06	7.07	7.17
10-Year Government Securities (G-Sec) Yield	6.90	6.97	7.05	7.09	7.17

Sources: The Clearing Corporation of India Limited (CCIL)

Other key highlights:

- Real GDP or GDP at Constant Prices in Q1-FY25 is estimated at INR 43.64 lakh Cr, against INR 40.91 lakh Cr in Q1-FY24, showing a growth rate of 6.70%.
- The eight core industries with a combined weight of 40.27% in the Index of Industrial Production (IIP) registered a growth of 8.50% in July 2024 (provisional) compared to growth of 6.10% in July 2023. The core sector grew 6.10% in April-July FY25 as against 6.60% in April-July FY24.

MERCHANT BANKING

Market Scenario

Particulars	No. of Issues in the month of August	Amount (INR in Mn)
Public Issues (IPO, FPO)	10	1,71,098.60
Public Issues (IPO - SME)	22	8,173.90
Rights Issues	6	2,228.90
Public Issues (Debt)	2	20,750.00

Regulatory Updates by SEBI

Consultation Paper: Streamlining the process and reduction in timelines of Bonus Issue

SEBI has released a consultation paper seeking public comments on a draft circular aimed at streamlining the process and reducing the timelines for Bonus Issues. The objective is to enable T+2 trading of shares, with T being the record date, to ensure uniformity in the credit and trading timelines of bonus shares. This will facilitate faster credit and trading of shares from bonus issues and reduce investors' risk from market volatility due to delays in crediting bonus shares.

Consultation Paper: Draft Circular for Reporting by Foreign Venture Capital Investors

In terms of Regulation 13(1) of the FVCI Regulations, 2000, FVCIs are required to provide quarterly reports to SEBI in the format specified with respect to their venture capital activities. The format of the report was specified vide SEBI circular dated January 12, 2010. Further, SEBI Board has approved amendments to FVCI Regulations which will be notified in due course. The objective of the said consultation paper is to seek comments/views/suggestions from the public on the draft circular titled "Reporting by Foreign Venture Capital Investors (FVCI)."

National Stock Exchange further tightens norms for SME listings amid ongoing IPO frenzy

Starting in September, the NSE will tighten norms for Small and Medium Enterprises (SMEs) aiming to list on the stock exchange, amid a surge in IPOs. The NSE's latest rule mandates that only companies with positive Free Cash Flow to Equity (FCFE) in at least 2 out of the 3 financial years before their application can list on the SME segment. FCFE is the cash a business generates that's available for shareholder distribution. This follows the exchange's recent introduction of a 90% cap on price movement on the listing day of SME IPOs.

Master Circular for Stock Brokers

SEBI has issued a new Master Circular consolidating all relevant circulars for Stock Brokers up to August 09, 2024, superseding the previous one from May 22, 2024.

MERCHANT BANKING

Regulatory Updates by SEBI

Consultation Paper: Measures towards Ease of Doing Business and streamlining compliance requirements for Non Convertible Securities: Review of LODR Regulations

SEBI has placed this consultation paper with an objective to seek comments from the public on the proposals related to the Ease of Doing Business (EoDB) for non-convertible securities. The following is proposed:

- Alignment of provision regarding approval and authentication of financial results for entities having listed non-convertible securities with that for equity listed entities.
- Alignment of provision regarding disclosure of fraud/default in respect of price sensitive information for entities having listed
- Non-convertible securities with that of equity listed entities under Schedule III.
- Reduction in timeline for intimation of record date to stock exchanges by entity having listed non-convertible securities to
- 'Atleast 3 working days' from 'atleast 7 working days'.
- Filing of all disclosures by listed entity (having listed nonconvertible securities) with stock exchanges to be in XBRL format in line with provision specified for equity listed entities.
- Relaxation from the ISIN restriction limit for unlisted ISINs (outstanding as on December 31, 2023) in case such ISINs are listed

Consultation Paper on Faster Rights Issue with flexibility of allotment to Selective Investor(s)

SEBI has released a consultation paper seeking public and stakeholder comments on proposals to speed up the Rights Issue process with selective allotment flexibility. Key proposals include:

- Eliminating the requirement to file a Draft Letter of Offer (DLof) with SEBI for observation.
- Simplifying the Letter of Offer (LoF) to focus on key details like issue objectives, price, record date, and entitlement ratio.
- Reviewing the roles of intermediaries in the Rights Issue process.
- Reducing the overall timelines of the process.
- Allowing selective investor allotment in Rights Issues.
- Implementing checks and balances to ensure fairness.

Amendment to Master Circular: Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) dated May 15, 2024

To enhance ease of doing business for InvITs and REITs and align with SEBI LODR Regulations, SEBI has amended its Master Circular dated May 15, 2024. The Trustee and the Manager's Board/Governing Body must ensure timely redressal of investor complaints by the Manager, with a quarterly review statement placed before them. A statement of deviation must also be reviewed by the Trustee and the Board/Governing Body. Following the review, this statement should be submitted to the stock exchange along with the financial results.

CASE OVERVIEW



NCLT | NCLAT

National Company Law Tribunal (NCLT)

NCLT New Delhi: Maintenance Charges and Interest-Free Maintenance Security (IFMS) not financial debt under Section 5(8) of the IBC

Case Background:



- The ILD Owners Welfare Association filed an application under Section 7 of the Insolvency and Bankruptcy Code (IBC) to initiate a Corporate Insolvency Resolution Process (CIRP) against M/s. ALM Infotech City Private Limited, the developer of ILD Trade Centre.
- The application argued that INR 2.95 Cr collected as an interest-free maintenance deposit constituted financial debt under Section 5(8) of the IBC.

Interpretation of Financial Debt Under Section 5(8) of IBC:

The NCLT emphasized that for a debt to qualify as "financial debt" under Section 5(8) of the IBC, it must involve funds disbursed with consideration for the time value of money, such as borrowings with interest or transactions with the commercial effect of borrowing.



Hon'ble NCLT Observations:



- Referred to precedents, including the **Verandas Apartment Owners Association vs. Saluja Construction Company Ltd.** and the Supreme Court decision in **Anuj Jain vs. Axis Bank Ltd.**, which defined financial debt as involving consideration for the time value of money.
- It also cited **Pioneer Urban Land Infrastructure Ltd. & Anr. vs. Union of India & Ors.**, where the Supreme Court ruled that amounts raised in the context of real estate projects must be aimed at generating profit to be considered financial debt.
- It highlighted that maintenance funds were meant for project upkeep, not profit, and therefore resembled advance payments for services rather than financial debt, referenced from previous NCLT rulings.

Conclusion:



- The NCLT ruled that maintenance charges and Interest-Free Maintenance Security (IFMS) do not constitute financial debt under Section 5(8) of the IBC.

Consequently, the application under Section 7 of the IBC was dismissed as not maintainable.

National Company Law Appellate Tribunal (NCLAT)

Kritish Patel, Promoter of Kethos Tiles Private Limited V/s Mr. Vikash Gautamchand Jain RP of M/S. Kethos Tiles Private Limited

Facts of the Case:



- The case arises from an order dated 06.06.2024 by the National Company Law Tribunal (NCLT), Ahmedabad, rejecting an application by the RP to extend the Pre-Packaged Insolvency Resolution Process (PPIRP) by 60 days.
- M/s. Kethos Tiles Pvt. Ltd., categorized as an MSME, initiated PPIRP under Section 54C of the Insolvency and Bankruptcy Code (IBC), 2016.
- The PPIRP was initiated by an order dated 04.01.2024, and the RP was appointed to manage the process.
- A Committee of Creditors (CoC) was constituted, and the process of inviting a resolution plan was underway.
- In the 3rd CoC meeting, held on 30.04.2024, it was decided with a 91.75% vote to extend the PPIRP by 60 days as the revised base resolution plan was under consideration.
- The RP filed an application for this extension, which was rejected by the NCLT on the grounds that there is no provision in the IBC for extending PPIRP beyond 120 days.

Implication of the Judgement:

The decision highlights flexible interpretation of IBC timelines for MSMEs, prioritizing financial resolution over rigid deadlines and affirming the adjudicating authority's discretion to extend insolvency processes when justified.

Main issue Raised:



The core issue was whether the NCLT has discretion to extend the mandatory 120-day timeline for completing PPIRP, with appellants arguing for flexibility based on precedents.

NCLAT Observations:



- The NCLAT examined the relevant sections of the IBC, particularly Section 54D and Section 54N, which govern the timeline and termination of PPIRP.
- The Tribunal referred to several judgments, including Supreme Court rulings, to conclude that timelines in the IBC, although important, are not always mandatory.
- The Tribunal noted that the 120-day period does not lead to automatic termination of PPIRP, and the NCLT retains the jurisdiction to extend the period under appropriate circumstances.

Decision:



The NCLAT set aside the NCLT's order and granted an extension of 60 days for the completion of the PPIRP. The appeal was allowed, with each party bearing its own costs.

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 August, 2024)	Opening (INR) (1 st August, 2024)	Change %
Sensex	82,365.77	81,867.55	0.61%
Nifty	25,235.90	25,010.90	0.90%
FTSE	8,376.63	8,174.71	2.47%
Nikkei	38,647.75	38,126.33	1.37%
Dow Jones	41,563.08	40,347.97	3.01%
Gold (INR/10 Grams)	71,651.00	69,942.00	2.44%
Silver (INR/1 Kg)	83,300.00	83,017.00	0.34%
USD (\$) (INR/Dollar)	83.90	83.72	0.21%
Euro (€) (INR/Euro)	92.88	90.49	2.64%
GBP (£) (INR/British Pound)	110.44	107.62	2.61%

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
Diversified	West Bengal	Leading professional and investor	<ul style="list-style-type: none"> > Looking to invest INR ~500-1000 Mn in D2C companies based out of Eastern India
Diversified	West Bengal	A leading conglomerate headquartered in Eastern India	<ul style="list-style-type: none"> > Looking to acquire any brick and mortar business having manufacturing set up > Turnover: INR ~4000-5000 Mn

Sell Side Opportunities

Sector	Location	Company Brief	Rationale
Ecommerce Fashion	West Bengal	One of the leading cross-border e-commerce brands engaged in retail ethnic fashion wear	<ul style="list-style-type: none"> > Looking for strategic investment 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

AUGUST HIGHLIGHTS

Key highlights in the month of August 2024

Indcap at Conferences

Our Promoter, Samir Agarwal and our Managing Partner, Manoj Bansal were invited as moderators for the 10th Capital Markets Conclave by the CII on 14th August, 2024 for a session on the topic '**SME IPO: Process and Regulatory Requirements**' with esteemed panelists –

In Part 1, moderated by Mr. Samir Agarwal, esteemed panelists for a **Regulator's Perspective**: Dr Harish Ahuja (Head – Product and Strategy Development, NSE Ltd.) and Mr Sandeep More (Addl. General manager & Eastern Region Head, BSE Ltd.), to convey the **Role of Advisors in the SME IPO Journey**: Mr Sanjeev Sancheti (Founding Partner, Uirtus Capital) and Mr Viplaw Kashyap (Senior Partner & Head of Capital Markets, M/s Crawford Bayley & Co.)

In Part 2, moderated by Mr. Manoj Bansal, esteemed panelists for **SME IPO Journey – Success Story**: Mr. Sanjay Goenka (Chairman & Managing Director, Hindcon Chemicals Ltd.), Mr. Ritesh Shaw (Directo, Annapurna Swadisht Ltd) and Mr Satadri Chanda (Wholetime Director & CFO, Megatherm Induction Ltd)



Indcap was the Technical Partner to CII Eastern Region at their recently concluded 10th Capital Market Conclave.

We published a **Primer on SME IPOs** which was unveiled during the presence of the prominent dignitaries from the Ministry of Finance, SEBI, NSE and BSE.



Merchant Banking Highlights

Indcap has filed offer document for **Nanta Tech Limited** as the sole book running lead manager of the issue.

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