

September 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
SeQuent Scientific	Viyash Life Sciences	Pharmaceuticals	80,000	-
Publicly-listed, Mumbai-based Sequent Scientific has announced an INR 8,000 Cr merger with Hyderabad-based Viyash Life Sciences. Private Equity firm Carlyle is a shareholder in both companies.				
OYO Rooms	G6 Hospitality	Hotels (Lodging Franchisor)	43,979	-
Oyo has acquired Texas-based G6 Hospitality, the parent company of Motel 6 and Studio 6, from Blackstone Real Estate for USD 525 Mn in an all-cash deal, set to close in Q4 2024.				
GMR Infrastructure	Delhi International Airport	Aviation (Airport)	10,555	10%
GMR Airports Infrastructure Ltd. is set to acquire another 10% stake in Delhi International Airport Ltd. from Fraport AG for USD 126 Mn, raising its holding to 74%. The Airports Authority of India will retain its 26% stake.				
Authum Investment	Prataap Snacks	Packaged Foods (Potato Chips & Namkeens)	8,466	47%
Authum Investment and Mahi Madhusudan Kela have acquired a 46.85% stake in Prataap Snacks for INR 846.60 Cr. They will now make an open offer to acquire an additional 26% of the company.				
Nazara Technologies	SportsKeeda	Online Services (Content, Community - Sports)	1,455	19%
Nazara Technologies has acquired an additional 19.35% stake in Absolute Sports, the parent company of Sportskeeda, for INR 145.5 Cr. Half was paid in cash, and the rest in stock, bringing Nazara's total stake in Absolute Sports to 91%.				
GlobalBees	Frootle India	Consumer Durables (Electronics)	1,052	23%
GlobalBees has invested an additional INR 105.15 Cr in its step-down subsidiary, Frootle India, increasing its stake from 51% to 74%.				

Sources: VCCircle ; INR to USD conversion rate considered at USD 1 = INR 83.77

PE/VC UPDATE

Private Equity or Venture Capital Deals

INR in Mn

Investor(s)	Company	Industry	Amount
Lightspeed Ventures, WestBridge, Orchid Asia, GSV Ventures	PhysicsWallah	Mobile App (E-Learning - Test Preparation)	17,530
PhysicsWallah, a Noida-based edtech unicorn, raised USD 210 Mn in Series B funding at a USD 2.8 Bn valuation. The funds will support acquisitions, expansion into K-12 education, and improved content and publications.			
Tiga Investments	Dream11	Online Services (Gaming - Fantasy Sports)	12,558
Singapore-based Tiga Investments is to acquire the stake held by China-based Tencent in Indian online gaming service Dream11 for a reported USD 150 Mn.			
Risee Infinity Pvt Ltd, Florintree Innovation LLP, Fortune Financial & Equities Services Pvt Ltd.	Reliance Infrastructure	Power Transmission	8,520
Reliance Infrastructure (R-Infra), promoted by Anil Ambani, has approved a preferential issue to raise INR 3,014 Cr by issuing 12.56 Cr shares at INR 240 each. This is expected to boost its net worth to INR 12,000 Cr.			
LeapFrog, IFU, HealthQuad, Spark Growth Ventures	Redcliffe Labs	Diagnostics	3,518
Noida-based omnichannel diagnostic chain Redcliffe Labs has raised USD 42 Mn in a Series C funding. Redcliffe will use the funding to expand, particularly in tier II and tier III cities across India.			
Accion International, Fundamentum, Maj Invest, TIAA	FlexiLoans	NBFC (SME Loans)	2,900
Mumbai-headquartered digital lending platform FlexiLoans has raised INR 290 Cr in Series C funding from global and domestic investors			
Carlyle	SpiceJet	Aviation (Airline - Low Cost)	2,519
As a part of the ongoing restructuring of SpiceJet, Carlyle Aviation Partners will convert USD 30 Mn in lease arrears into SpiceJet equity at INR 100 per share, significantly increasing its stake in the airline.			

Sources: VCCircle ; INR to USD conversion rate considered at USD 1 = INR 83.77

DEBT MARKET

Debt Market Insights

Market Snapshot (%)	Current Week	1 month ago	3 months ago	6 months ago	1 year ago
Average Call Rates	6.57	6.59	6.69	6.98	6.74
Average Repo Rates	6.58	6.48	6.63	6.83	6.80
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	6.80	7.01	6.86
182 Day Cut-off Treasury Bill (T-Bill) (Primary) Yield	-	6.72	6.92	7.14	7.08
364 Day Cut-off Treasury Bill (T-Bill) (Primary) Yield	-	6.72	6.96	7.08	7.08
1-Year Government Securities (G-Sec) Yield	6.63	6.74	6.63	7.02	7.08
5-Year Government Securities (G-Sec) Yield	6.67	6.80	7.01	7.04	7.24
10-Year Government Securities (G-Sec) Yield	6.78	6.90	7.04	7.07	7.23
10 Year Benchmark Yield	6.74	6.87	7.01	7.04	7.20

Sources: The Clearing Corporation of India Limited (CCIL)

Other key highlights:

- Finance Minister Nirmala Sitharaman highlighted that India's external debt parameters are within the comfort zone and better managed, compared with many middle-income countries.
- CEA Anantha Nageswaran said the Indian economy is expected to grow at a rate of 6.50-7.0% in FY25 on a steady state basis.
- S&P Global Ratings retained India's FY25 growth forecast at 6.80% and said it expects RBI to start cutting interest rates in its October monetary policy review

MERCHANT BANKING

Market Scenario

Particulars	No. of Issues in the month of September	Amount (INR in Mn)
Public Issues (IPO, FPO)	12	1,15,082.50
Public Issues (IPO - SME)	40	16,866.50
Rights Issues	7	2,626.50
Public Issues (Debt)	4	26,000.00

Regulatory Updates by SEBI

Optional mechanism for fee collection by SEBI registered Investment Advisers (IAs) and Research Analysts (RAs)

Pursuant to public consultation and various discussions with stakeholders, the Centralized Fee Collection Mechanism for IA and RA (CeFCoM) is being operationalized to facilitate collection of fees by registered IAs and RAs from their clients. Under this mechanism, clients shall pay fees to IAs/RAs, through a designated platform/portal administered by recognized Administration and Supervisory Body (ASB). The mechanism has been co-created by BSE Limited with the help of various stakeholders. Though the mechanism is optional, ASB, in the interest of investors, shall take steps to encourage clients and the registered IAs and RAs to avail the services of this mechanism and registered IAs and RAs shall encourage their clients to use this mechanism.



SEBI (Issue and Listing of Non-Convertible Securities) (Second Amendment) Regulations, 2024

SEBI has notified the SEBI (Issue and Listing of Non-Convertible Securities) (Second Amendment) Regulations, 2024 which shall come into force on the date of their publication in the Official Gazette. With a view to facilitate ease of doing business and provide flexibility to Issuers, SEBI has amended the provisions of SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 to streamline the public issue process for debt securities and Non-Convertible Redeemable Preference share to provide:

- Reduction in the period for seeking public comments on the draft offer documents from 7 to 5 working days.
- Flexibility to issuers by providing discretion to issuers with regard to advertisement of public issue through electronic modes subject to containing a QR Code and Link to complete advertisement in newspapers.
- Reduction in the minimum subscription period to 2 from 3 working days

MERCHANT BANKING

Regulatory Updates by SEBI

SEBI proposes changes in computation of household savings via securities market

SEBI on September 04, 2024, had proposed 3 changes, including the category of investors and investment instruments used by participants for computation of household savings through the securities market. 3 sets of changes are proposed to the computation methodology:

1. regarding the category of investors,
2. regarding the instruments that such investor categories participate in, and
3. the components proposed for inclusion that are absent in the existing methodology,

as per the recommendation of a working paper on 'Household Savings through Indian Securities Market'. For mutual funds, the paper has proposed to take into consideration the net flows into mutual funds and ETF (exchange traded fund) transactions in the secondary market, as against just net flows into mutual funds. The paper also recommended that funds mobilised through Real estate investment trusts (REITs), Infrastructure investment trusts (InvITs) and Alternative Investment Funds (AIFs) should be considered.

Enabling T+2 trading of Bonus shares where T is the record date

As a part of the continuing endeavor to streamline the process of Bonus issue of equity shares, SEBI has decided to reduce the time taken for credit of bonus shares and trading of such shares, from the record date of the Bonus Issue under SEBI (ICDR) Regulations, 2018. The operational procedure to implement T+2 trading of Bonus shares is prescribed vide this circular.



Modification in the timeline for submission of status regarding payment obligations to the stock exchanges by entities that have listed commercial paper

In order to align the timeline of intimating Stock Exchanges regarding status of payment obligations for listed non-convertible securities and listed Commercial Paper, SEBI has amended paragraph 8.4 of Chapter XVII of the NCS Master Circular prescribing issuers of listed Commercial Paper to submit a certificate confirming the fulfilment of their payment obligations within one working day of payment becoming due.

MERCHANT BANKING

Regulatory Updates by SEBI

SEBI tweaks framework on margin trading facilities

In order to promote ease of doing business, markets regulator has allowed securities funded through cash collateral to be considered as maintenance margin for margin trading facility (MTF). The development took place after the SEBI received representations from market participants through the Industry Standards Forum (ISF) to relax the requirement pertaining to the margin trading facility. In a circular, SEBI said stocks or units of equity exchange-traded fund (ETFs) deposited as collateral with the brokers and those purchased using margin trading must be kept separate. There should be no mixing of these two types for calculating the funding amount.

SEBI (Delisting of Equity Shares) (Amendment) Regulations, 2024

SEBI has notified the SEBI (Delisting of Equity Shares) (Amendment) Regulations, 2024, which shall come into force on the date of their publication in the Official Gazette. Provided that the provisions of these regulations shall be applicable to such delisting offers whose initial public announcement is made on or after the date of coming into force of these regulations. Further provided that an acquirer may make the delisting offer in terms of the provisions of the SEBI (Delisting of Equity Shares) Regulations, 2021 as they existed before the coming into force of these regulations till the sixtieth day from the date of publication of these regulations in the official gazette.



Consultation Paper on proposed amendment to SEBI LODR Regulations, 2015 with respect to allowing only electronic mode for payment of dividend or interest or redemption or repayment amounts

SEBI has placed a consultation paper with an objective to seek comments or suggestions from the public and other stakeholders on the proposal to amend SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 for allowing only electronic mode for payment of dividend or interest or redemption or repayment amounts. Public Comments or suggestions are solicited on the aforesaid proposal along with rationale which should be by October 11, 2024.

A copy of all the afore mentioned circulars/Consultation Papers are available on SEBI website at www.sebi.gov.in

CASE OVERVIEW



NCLT | NCLAT

National Company Law Tribunal (NCLT)

Insolvency Proceedings Initiated Against A Personal Guarantor Under IBC Abate Upon The Death Of The Guarantor: NCLT, New Delhi

Case Background:



- The applicant, Apogee Enterprises, filed a petition under Section 95 of the Insolvency and Bankruptcy Code (IBC) in 2020, seeking insolvency resolution proceedings against Shri Anil Nanda, who acted as a personal guarantor for the debts of a Corporate Debtor (Akme Projects Ltd.).
- During the pendency of the proceedings, the personal guarantor, Shri Anil Nanda, passed away. The petitioner filed an interim application (I.A. 1362/2024) to substitute his legal heirs in the ongoing insolvency proceedings

Main issue Raised:



Does the insolvency proceeding against a personal guarantor under the IBC abate upon their death?

Can legal heirs be substituted in place of a deceased guarantor in insolvency proceedings?



Hon'ble NCLT Observations:



- The NCLT relied on key precedents, including ***Alchemist Asset Reconstruction Company vs Deepak Puri (2021)***, which established that insolvency proceedings under Section 95 of the IBC abate upon the death of the personal guarantor, as they are not for debt recovery.
- It also referenced ***Bank of Baroda vs Divya Jalan (2021)*** and ***Bank of Maharashtra vs Ashok Kumar Bansal (2022)***, which further clarified that legal heirs cannot replace a deceased personal guarantor under the IBC, leading to the dismissal of Section 95 petitions in such cases.
- The tribunal rejected the applicant's reliance on ***Sections 123 and 169 of the IBC***, stating they were irrelevant since no bankruptcy orders had been issued in this case.

Conclusion:



- The NCLT ruled that insolvency proceedings under the IBC abate upon the death of the personal guarantor and dismissed the request to substitute legal heirs.
- Consequently, the main petition and all other related interlocutory applications were **dismissed**.

The decision confirms that insolvency proceedings against personal guarantors abate upon their death, and legal heirs cannot be substituted, highlighting the limitations of the IBC in such cases.

National Company Law Appellate Tribunal (NCLAT)

NCLAT Declares Sale Agreement Not A Financial Debt, Dismisses Insolvency Petition: NCLAT Principal Bench, New Delhi

Facts of the Case:



- Appeals stem from a December 2023 NCLT order admitting ASREC (India) Ltd.'s Section 7 insolvency application against Shree Industries Ltd.
- Shree Industries bought GPPL's assets in 1990 after GPPL defaulted on loans from several financial institutions.
- The sale was initiated under Section 29 of the State Financial Corporation Act, with Shree Industries paying INR 3.88 crores.
- Shree Industries paid INR 50 lakhs upfront and agreed to pay the rest over five years.
- The dispute is whether the unpaid balance is a "financial debt" under the IBC.
- ASREC claims a default, with the debt reaching INR 92.35 crores by June 2022.

Main issue Raised:



The appellants maintain that the 1990 agreement was purely a sale of assets from GPPL, and therefore, Shree Industries is not liable for a financial debt, disputing ASREC's grounds for filing under Section 7 of the IBC. On the other hand, ASREC argues that the transaction involves overdue payments, making it a financial debt subject to insolvency proceedings under the IBC.

NCLT Observations and Decision



- The NCLT's December 2023 order ruled that the 1990 Agreement between Shree Industries Ltd. and financial institutions included financial debt elements per the IBC.
- It determined that unpaid amounts for the asset purchase involved the "time value of money," qualifying as financial debt under Section 7 of the IBC.
- The NCLT admitted ASREC (India) Ltd.'s Section 7 application, initiating corporate insolvency resolution proceedings (CIRP) against Shree Industries Ltd.
- Sandeep Mittal and Ravi Mittal appealed to the NCLAT, arguing the debt was not financial in nature.

Major Implication if NCLAT upholds NCLT's Decisions:

If the NCLAT upholds the NCLT's decision, Shree Industries Ltd. could enter insolvency, with control passing to the IRP for debt resolution.

This case may set a precedent by treating unpaid asset purchase agreements as financial debt under the IBC, expanding the definition beyond loans. It also highlights the challenge of distinguishing between financial transactions and asset sales in Indian insolvency law, potentially influencing future cases involving defaulted asset purchases.

MARKETS & COMMODITIES



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

AN OVERVIEW

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

Stock Indices	Closing (INR) (30 th September, 2024)	Opening (INR) (1 st September, 2024)	Change %
Sensex	84,237.83	82,725.28	1.83%
Nifty	25,786.60	25,333.60	1.79%
FTSE	8,236.95	8,376.63	-1.67%
Nikkei	37,919.55	39,025.31	-2.83%
Dow Jones	42,330.15	41,489.67	2.03%
Gold (INR/10 Grams)	74,673.00	71,651.00	4.22%
Silver (INR/1 Kg)	90,738.00	83,300.00	8.93%
USD (\$) (INR/Dollar)	83.77	83.86	-0.12%
Euro (€) (INR/Euro)	93.19	91.91	1.39%
GBP (£) (INR/British Pound)	111.82	110.12	1.55%

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

SEPTEMBER HIGHLIGHTS

Key highlights in the month of September 2024

Indcap at Conferences

Indcap Advisors Pvt. Ltd. was the Analytical Sponsor for the 17th Banking Colloquium organized by CII on 20th September 2024, where our Promoter, Mr. Samir Agarwal, was invited to deliver the concluding remarks for the inaugural session.



Our Managing Partner, Mr. Manoj Bansal was invited as a speaker in the event hosted by TravelMarket India on the growth prospective of the travel industry followed by an interactive session on the SME IPO opportunities. This event also saw the presence of dignitaries from NSE India.



Successful Deal Closure

- ✓ Indcap has successfully completed the debt syndication assignment of INR 700 Mn of one of the leading Coal Mining Contractor of India. In this assignment we have assisted the company in raising the Working Capital Limit of INR 700 Mn.
- ✓ Indcap has successfully completed the debt syndication assignment of INR 350 Mn of one of the leading organizations dealing in trading of iron & steel and manufacturing of plastic products. In this assignment we have assisted the company in raising the Working Capital Limit of INR 350 Mn.



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