



What's Made India an M&A Hotspot in 2020?



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Phoenix Legal is a full-service Indian law firm with offices in the country's two major cities and commercial hubs New Delhi and Mumbai. The firm offers an extensive range of transactional, regulatory, advisory and dispute resolution services and advises a diverse clientele which includes companies, banks and financial institutions, funds, promoter groups, public sector undertakings and individuals, both in India and overseas.

Phoenix Legal acts for some of the largest corporations from around the world in different areas, including Fortune 500 companies. The firm has advised on some of the most complex and headline matters in different practice areas.

For an update on M&A in India, we caught up with Manjula Chawla, the Co-founding Partner of Phoenix Legal, who concentrates her practice in the areas of strategic investments, M&As, corporate governance, finance and restructuring, and general corporate & commercial matters, Ritika Ganju, who's a partner with a practice focused in M&A, commercial transactions and corporate and compliance-related advisory and Kripi Kathuria - a Principal Associate whose areas of expertise include M&A, joint ventures, employment, commercial transactions and general corporate advisory.

BUSINESS & ECONOMY

Despite the pandemic, India has become a hotspot for M&A in 2020. What do you attribute this to?

India's ability to be a hotspot for M&A even during these times can be attributed to a gamut of opportunities that Indian businesses offered. These included scope for creation of high value with merged synergies, the constant need for investment in innovative and growing business setups and rescue or rejuvenation operations for financially distressed segments. This was coupled with the consistent belief in India's potential and the COVID crisis seen only as a temporary slowdown.

Considering the sector-wise activities on the Indian M&A plane in the last six months, the abovementioned opportunities seem to be concentrated in certain core sectors such as telecom, energy and natural resources, banking and IT & ITeS. Amongst the big-ticket transactions expected to create substantial business value, the acquisition of 10% stake in Reliance Jio Platform in the telecom sector by Facebook was the silver lining with a value of USD 62.43 bn. This was followed by an investment of USD 9.5 bn by nine global PE firms in Jio Platforms. The energy and natural resources sector saw some major domestic deals led by NTPC Ltd acquiring a majority stake in THDC India Ltd and a 100% stake in North Eastern Electric Power Corporation Ltd. Among the acquisitions of distressed businesses, SBI consortium took the lead by acquiring a majority stake in distressed Yes Bank. One of the biggest transactions in the IT sector was the 100% acquisition of Piramal Enterprises Ltd.'s healthcare insights and analytics business by US-based Clarivate Analytics Plc.

PE investment has also contributed significantly to the active M&A

scenario. Investments from PE picked up during the first half of 2020 at an increase of 27% over the investment recorded for this period in 2019. A substantial portion of this investment went into the booming startup sector engaged in a wide array of businesses including FinTech, HealthTech and EdTech.

Considering the current economic environment, do you think that this trend is likely to continue?

We are positive about the M&A and investment scenario in coming times despite the pandemic. Unlike the 2008 financial crisis, the international corporate world does not plan to abort expansion and investment opportunities, but perhaps put some of their plans on hold until the world is in a relatively better position.

Having said this, the nature of M&A transactions may not be typical in the very near future as deal structures are likely to be more innovative, keeping in mind the commercial uncertainties and ensuring that the survival of the business is the immediate goal.

Digital technology has come out as a winner in these times, opening up a whole lot of opportunities for novel ideas and innovations in the sector. PE investment, which emerged strongly during the initial pandemic period, is likely to continue to lead the investment forefront. With the Jio-Facebook deal getting the ball rolling in the digital platform market and the expected acquisition of a stake in Jio by Google, more investment and consolidation activity could be in and around the digital sector. The startup sector is likely to continue to receive high traction from PE investors, especially FinTech, EdTech, retail, HealthTech, enterprise infrastructure and logistics segments. This could prove to be good news for homegrown startups seeking investments and it could help them

remain afloat when many established enterprises struggle to survive.

Considering the uncertain current business environment, India is more likely to structure existing businesses to extract the best value from available resources while minimising costs. Therefore, internal restructuring and reorganisation of businesses could be very well expected in the coming days.

In addition to the above, acquisition of financially distressed businesses is likely to continue and add to the investment activity pool in the very near future.

Lastly, given that valuation of Indian businesses is likely to be more realistic until the world recovers, acquisition and investment opportunities may become all the more attractive for investors as well as corporates proposing to expand.

In what ways has the COVID-19 pandemic affected your work within M&A?

The corporate M&A lawyers of the firm have been fairly busy during the pandemic. We did not see any recession in M&A deals and proposals that were in the pipeline before the on-set of the pandemic and many of these were successfully closed during the months of April, May and June. These deals involved strategic acquisitions and divestitures, fresh PE investment, internal reorganisation of business as well as sale and purchase of distressed assets. Another aspect that contributed to the continuity of work on this front was the staggered closing of transactions which had their first closing prior to March 2020. There was an overall slowdown in the months of July and August 2020, but looking at the inquiries and propositions in discussions, we are confident that corporate and M&A life will not take long to be back on track.