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India's overseas investment down 15%, M&A value 46%

After GST, wait and watch mode continued in August, primarily to check the progress of implementation

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Corporate India's foreign direct investment (FDI) fell by about 15 per cent to $1.34 billion in last month, according to the Reserve Bank data.

The overseas investment by Indian companies in August last year stood at $1.57 billion.

The foreign investments were also down sequentially when compared with $1.77 billion July this year, showed the Outward Foreign Direct Investment (OFDI) data of RBI.

The investment break-up included $944.14 million in the form of guarantees issued, $184.44 million In loan and $210.68 million as equity infusion.

Among major investors, Wipro Ltd invested $500 million in a wholly owned unit in the USA and Sintex-BAPL Ltd, $102.50 million in a joint venture in Netherlands.

Tata Communications invested $78.75 million in a wholly owned subsidiary in Singapore and ONGC Videsh Ltd, $55.54 million in various joint ventures in Myanmar, Russia and Vietnam.

POOR ACTIVITY POST GST

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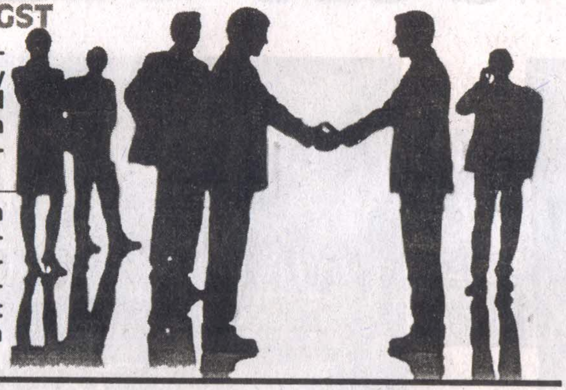
- The 46 per cent decline in August M&A value was primarily due to the absence of big ticket transactions. Moreover, cross-border activity fell by 65 per cent compared to level recorded in August 2016



Meanwhile, corporate India's merger and acquisition activity moderated by 46 per cent to $939 million in August compared to the same month last year as firms adopted "wait and watch" approach amid GST rollout, says a report.

According to assurance, tax and advisory firm Grant Thornton, there were 48 M&A transactions worth $939 million in August, while in the corresponding period last year saw an equal number of deals with value as high as $1.7 billion.

The 46 per cent decline in August M&A value was primarily due to the absence of big ticket transactions. Moreover, cross-border activity fell by 65 per cent compared to level recorded in August 2016.

"Though the number of M&A transactions remained stable, value of deals transacted declined by 45.81 per cent, primarily driven by reduced inbound transactions. It appears that the 'wait and watch' mode continued in August, primarily to check the progress on GST implementation," Grant Thornton India LLP partner Prashant Mehra said. Sectorwise, infrastructure sector led the deal activity by contributing over 27 per cent of total deal value.

This was primarily driven by Dilip Buildcon Ltd's stake sale in 24 road assets to Shrem Group for an enterprise value of $250 million, marking the largest transaction so far in this sector in 2017, the report said. Moreover, increasing consolidation drove deal volumes in the startup sector.

The month also witnessed some big ticket deals worth over $50 million in sectors such as agriculture, media and entertainment, retail and e-commerce.

"Consolidation in the core sectors such as IT & ITeS, media and entertainment, retail and consumer and startups continue to be the focus in M&A," the report said.

On a year-to-date basis (January-August), there were 280 M&A transactions worth $32.19 billion, a 49 per cent increase over last year, when it stood at $21.64 billion.

Telecom, e-commerce, energy, pharma and manufacturing sectors brought in large deals in the January-August period contributing over 88 per cent of total M&A values, while volumes continued to be dominated by the startup sector contributing 23 per cent of M&A volumes.

Mr Mehra said increasing application of Insolvency and Bankruptcy Code will bring more companies on the transaction tables to reduce the debt burden and also to get a share of good assets at a reasonable price.