

Mergers & Acquisitions

Road To Exponential Growth !!!



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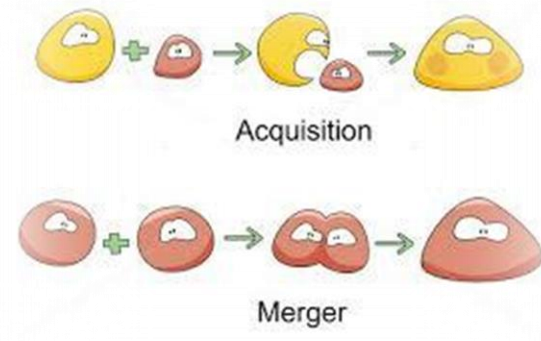
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Why M&A?

- ❖ Mergers and acquisitions means alliance of two or more companies. Where a merger leads to formation of a new company, acquisition leads to purchase of a company by other and no new company is formed.
- ❖ M&A is the area of corporate finances, management and strategy dealing which deals with purchasing and/or joining with other companies.
- ❖ M&A can generate cost efficiency through economies of scale, can enhance the revenue through gain in market share and can even generate tax gains. The principal benefits from mergers and acquisitions can be listed as increased value generation, increase in cost efficiency and increase in market share.

Companies also enter into M&As

- To enter a new market
- For product expansion
- For administrative & cost benefits
- For increased market share, Profitability & EPS
- To gain higher competitiveness
- For industry know how and positioning



Types of Expansions through M&As

Horizontal

- Joining of two or more companies that are in direct competition to each other

Vertical

- Joining of two or more company in the same line of production , i.e. merger with customer or seller

Conglomerate

- Joining of two or more companies from the business completely unrelated to each other

Market Extension

- Combination of two companies that sell the same products in different markets

Product Extension

- Combination of the companies that deal in products that are related to each other and operate in the same market



M&A in India

India has been a hot market for Mergers & acquisitions for global companies, reasons being:

Entry in Developed Markets: Outbound M&As help the Indian companies to tap the global developed markets.

Technology transfer: Main Reasons to do M&As. This helps Indian companies in gaining access to more developed and advanced technologies.

New Product Mix: To Expand product wise and market wise, becomes profitable for companies to manufacture products themselves which were not possible earlier due to cost constraints or requirement of huge investments. Such alliance give them the right to sell and diversify their product range.

Hedging Country Risks: Merger and Acquisitions are also attempted to reduce the reliance on the Indian markets and escape the local business cycles.



Year 2014 in India in terms of M&As

Top 5 Domestic M&As of 2014 till date

M&A Announced Date	Target/Issuer	Buyers/ Investors	Deal Value USD mn
Nov-14	ING Vysya Bank Limited	Kotak Mahindra Bank Limited	2,402
Sep-14	Himachal Baspa Power Company Limited	JSW Energy Limited	1,579
Aug-14	Udupi Power Corporation Limited	Adani Power Limited	982
Jul-14	Jaiprakash Power Ventures Limited, Three Hydroelectric Power Plants.	Reliance CleanGen Limited	1,997
May-14	Network18 Media & Investments Limited	Independent Media Trust	1,007



Top 5 Inbound M&As of 2014 till date



M&A Announced Date	Target/Issuer	Buyers/ Investors	Deal Value USD mn
Nov-14	Kotak Mahindra Bank Limited	Canada Pension Plan Investment Board	372
Jun-14	ALSTOM T&D India Limited	GE Energy Europe B.V.	278
Apr-14	United Spirits Limited	Diageo plc (LSE:DGE)	1,896
Jan-14	Aditya Birla Minacs Worldwide Ltd.	CX Partners; Capital Square Partners	260
Jan-14	Tirumala Milk Products (P) Ltd	Groupe Lactalis S.A.	275

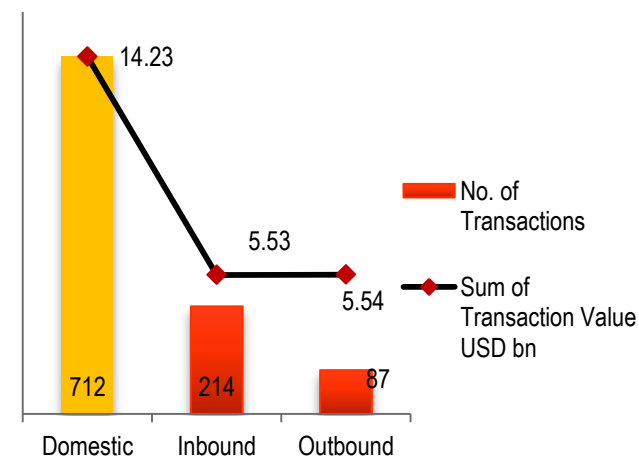
Note: Based on the data available upto Dec 12, 2014

Year 2014 in India in terms of M&As (Contd.)

Top 5 Outbound M&As of 2014 till date

M&A Announced Date	Target/Issuer	Buyers/ Investors	Deal Value USD mn
Sep-14	Merck Ltd., Tildrakizumab	Sun Pharmaceutical Industries Limited	80
Jul-14	Reckitt Benckiser Healthcare India Ltd.	Reckitt Benckiser (India) Ltd	121
Jul-14	Positive Packaging Industries Limited	Huhtamaki PPL Limited	336
Jun-14	Medreich Limited	Meiji Seika Pharma Co., Ltd	290
Apr-14	Ranbaxy Laboratories Ltd.	Sun Pharma*	4,342

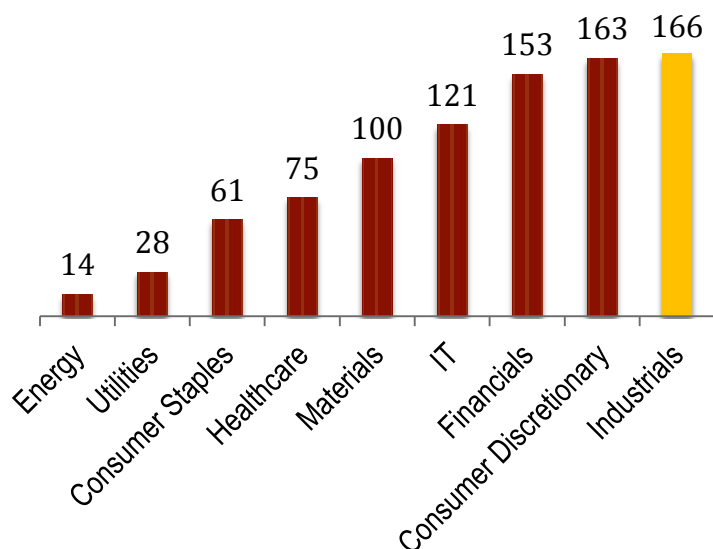
* Purchase from various international funds and LIC



Note: Based on the data available upto Dec 12, 2014

Year 2014 in India in terms of M&As (Contd.)

Most active sector Deal No. Wise

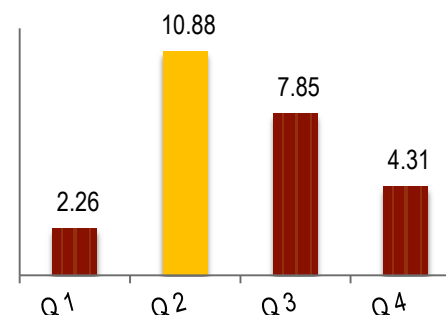


- India Inc. saw major reformations in its industries resulting in a large no. of domestic deals.
- The first slot was cornered by industrials (16.39 per cent), followed by consumer staples (16.09 per cent), together capturing a market share of 32.48 per cent.
- Second Quarter was the most active in terms of deal values and third quarter witnessed highest no. of deals(325).

Number of Deals by Transaction Ranges

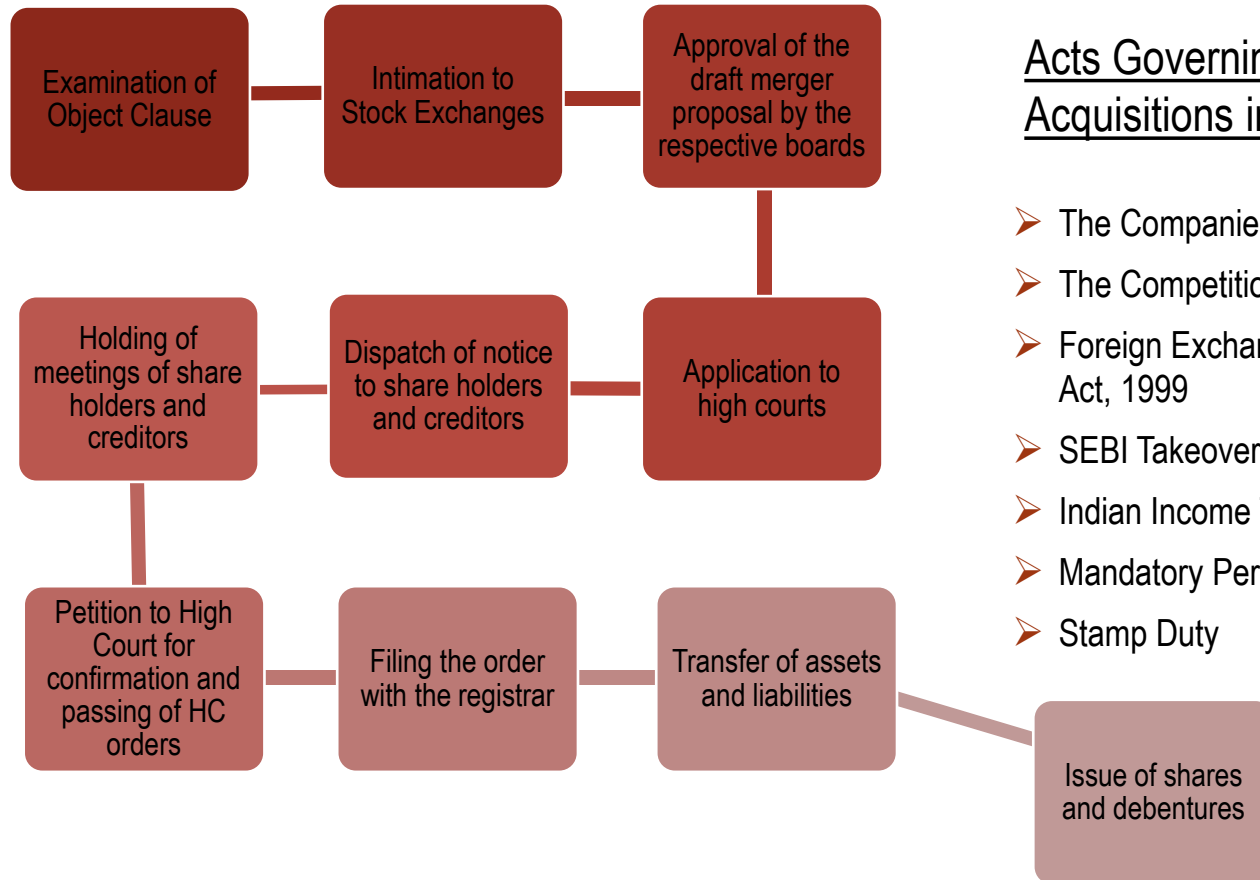
Range	No.
Greater than \$1 billion	6
\$500 - \$999.9mm	2
\$100 - \$499.9mm	29
Less than \$100mm	485
Undisclosed	491

Quarter-wise Transaction Value (USD bn)



Note: Based on the data available upto Dec 12, 2014

Regulatory & Procedure in India



Acts Governing Mergers & Acquisitions in India

- The Companies Act, 2013
- The Competition Act, 2002
- Foreign Exchange Management Act, 1999
- SEBI Takeover Code 1994
- Indian Income Tax Act, 1961
- Mandatory Permission by Court
- Stamp Duty

Regulatory for M&As in India Contd.

M&As in Companies Act 2013

- The Act have several provisions that would help companies implement “Scheme of Arrangements”(M& A, corporate restructuring etc) in a smoother and easier way.
- Some of the key provisions welcomed are:
 - **Establishment of NCLT:** special authority for such cases
 - **Fast Track Merger:** new provision for group companies and in-house mergers
 - **Cross Border Merger:** removes the barrier for Indian company to merge with a foreign company, allowing both way merger
 - **Merger of a listed company with an unlisted company:** does not make resulting company automatically listed, also in case of reverse merger, provides an exit opportunity for dissented shareholders with compensate for the loss of liquidity.
 - **Rehabilitation of sick companies:** substitution of “Inability to pay” over “Networth Erosion” to declare sick.
- **Limit for objection to scheme of arrangement:** On person holding 10% of shares or 5 % of outstanding debt can object.
- **Minority Squeeze Out:** In cases, where the acquirer becomes the shareholder of 90% or more stake of company, then compulsorily have to acquire the rest, giving minority shareholders an exit opportunity at fair price and faster consolidation of such companies



Future Outlook

India is becoming a highly sought after destination for M&A deals. But, it also makes it more vulnerable to the impulses and uncertainties of the global economic scenario. Considered to be the lifeblood of Indian business now, it needs the support and constancy to ensure that it remains progressive in the coming years.

E-commerce is the most attractive area with a larger number of both domestic and cross-border deals. Fund raised by **Flipkart, Proptiger, Bigdecisions.com & Primaseller** in recent times shows the high interest of investors in this sector. Snapdeal is also planning to raise more funds. Eventually the fund raised by these companies is likely to be invested in long term strategic investments in India, which can prompt more strategic consolidation in the sector.

Further, the economic & legal reforms in terms of FDI & new Companies Act, by the new government id also making it easier to invest in India.

Proposed Major M&A deals yet to conclude:

S.No.	Name of the Acquirer	Expected Deal Size	Target Company	Type	Industry
1	Amazon.com	1.2B USD	Jabong.com	Inbound	e-commerce
2	Adaani Power	680M USD	Korba West Power Co Ltd	Domestic	Power
3	Tech Mahindra	240M	Lightbridge Communications Corporation	Outbound	Information Technology
4	Balaji Telefilms	N.A.	Marinating Films	Domestic	Media & Entertainment
5	Majesco Inc (US arm of Mastek Ltd.)	N.A.	Agile Technologies	Outbound	Information Technology
6	Nihon Nohyaku	N.A.	Hyderabad Chemicals Ltd	Inbound	Chemicals
7	Pricol Limited	N.A.	Mellin do Brazil	Outbound	Auto Component
8	Tata Power	N.A.	Ideal Energy Projects	Domestic	Power

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