



Workshop on Mergers & Acquisitions

BCIC under the aegis of its Economic & Corporate Affairs Committee organized a Workshop on "Mergers & Acquisitions" on Thursday, February 25, 2010.

The basic objective for organising the above Workshop is to understand the best practice work flows for transactions from the buyer's and the sellers perspectives and the international perspective on M&As.

In his welcome address, Mr. K.R. Girish, President, BCIC said that M&A's of late have become an attractive proposition. As per the recent statistics, transactions to the value of US\$40 billion have taken place through M&A as at 31st March, 2009. Some of the major acquisitions include:-

- Bharti Airtel acquiring Bangladesh Telecom amounting to US\$ 300 billion
- Bharti Airtel acquiring Zain Telecom (Africa) amounting to US\$ 11 billion
- Renuka Sugars acquiring Waldo (Brazil) amounting to US\$240 million

Despite the global meltdown, all the major acquisitions/take over bids were successful. Mr. Girish added that Indian companies at present are cash rich and hence they are in a position to venture out acquisition not only in the domestic market but also in the international market. The classic example is Tata's successful acquisition of Tetley, Corus and Land Rover. He said that it is the right time for the Indian companies to look towards Europe and North American markets for acquisition.

Presenting the Indian scenario on M &A, Mr.H.V. Harish, Chairman, Economic & Corporate Affairs Committee, BCIC said that the Indian M&A scenario has come of age over the last decade, having survived two economic downturns. The change in government policies and the rise of large technology giants have encouraged M & As in the country. In 2009, the total value and volume of M&A deals reduced by 61% and 27% respectively as compared to 2008. However, the second half of 2009 saw some resurgence. According to a survey on "**Mergers & Acquisitions and Private Equity**" conducted by Grant Thornton in July 2009, 38% of the respondents say that their appetite for M&A has increased and over 88% believe M&A is an integral part of their strategy. Mr. Harish said that for the first time in the last 4 years, domestic deal values were higher than inbound or outbound. Domestic deals accounted for close to 60% of deal values at US\$7.2 bn.

Despite India contributing to over 10% of Global Real GDP growth and the BSE Sensex accounting for 2.7% of World Market CAP, the country contributed to only 0.6% of total value of Global M&A in 2009, Mr. Harish added.

Mr. Harish also said that India is an inbound and outbound destination for M &A because of the following factors:-

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- Large Growing Economy
- Largely untapped domestic market
- Availability of Domestic Skill sets
- Technology access
- Willing Promoters

Making a presentation on “M & A during current financial crisis – An Indian Perspective”, Mr. Lakshminarayana, Chief Strategy Officer, M & A, Wipro said that Wipro had more than 20+ acquisitions worth over \$ 1.5 Billion. As per Wipro's perspective, Mr. Lakshminarayana said that while going for M&A, the company looked at the global slowdown as an opportunity and they devised focused strategies. The Company never lost prudence, i.e. after significant scrutiny and assessing the business model fundamentals every decision were taken. The Company will not go for acquisition just because they are available cheap, he added.

He said that potential strategic moves companies can take to grow in downturn – divest, acquire, invest to gain share. He said that whenever an opportunity arises decisions are to be taken quickly and put aside conventional thinking and look out for opportunities. He advocated that strategy should drive M & A activity and not market movements.

Mr. Peter King, Partner, Weil Gotshal and Manges, London made a presentation on “Financing M&A transactions in difficult markets – an update.” Through the initial set of slides, Mr. Peter gave the audience a comparison on the availability of finances from banks in the pre-recession period, recession period and post recession period. He explained that earlier certain funds were available from many banks to facilitate M&A deals and exits. However, in the present difficult times, limited financing by few banks are only available. Nevertheless, through well-known deals, Mr. Peter King illustrated that financing is still available for the right deals and for right borrowers. Through the ensuing few slides, he explained on the caution exercised by bank financing at present (with higher margins and lower leverage; club deals replacing sole underwritings) where banks also seek active enforcement of security and inter-creditor agreements by the banks.

Mr. Peter King further explained on options other than bank financing that may be used to fund for M& A deals – like shares as acquisition money, shortening of European bridge risk (which involves shortening of the bridge loan process with bond financing), bond escrow structure, stapled bond structure etc. Though the presentation involved extensive diagrams to explain the ease of financing through the suggested options, Peter explained the concepts in simpler terms to ensure the reach to the audience.

Mr. N Raja Sujith, Partner, Majmudar & Co., made a presentation on “Legal Issues Relating to Structuring of M & A Deals” and in his synopsis explained on the provisions on Mergers & Acquisitions under the existing Companies Act, 1956. He also outlined on the several issues which are to be taken into consideration while going for M & A s :- Capital gains and exemptions of Tax Efficiency; Stamp Acts of different States; Adverse effect on competition, Prohibited

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combinations, Competition Commission, Pre-merger consultations of the Competition Act, 2002; Cross-border acquisitions etc.

An interesting Q & A Session followed after the Presentations.

Mr. H V Harish, Chairman, Economic and Corporate Affairs Expert Committee, BCIC proposed a hearty Vote of Thanks to all the participants and the Sponsors for their support and cooperation in making this event a grand success.

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