Chapter-3

Key Indicators: Selected Deals of Mergers & Acquisitions
CHAPTER – 3
KEY INDICATORS: SELECTED DEALS OF MERGERS AND ACQUISITIONS

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3.1 KEY INDICATORS : DEAL OF TATA STEEL-CORUS

COMPANY PROFILE (TATA STEEL LTD.)

- Established in 1907, Tata Steel is among the top ten global steel companies.
- It is now one of the world's most geographically-diversified steel producers, with operations in 26 countries and a commercial presence in over 50 countries.
- The Tata Steel Group, with a turnover of US$ 26.13 billion in FY 2014-2015, has over 81,000 employees across five continents and is the FIRST in
  - First Fortune 500 INDIAN company.
  - First to introduce 8 hour working days
  - First to introduce leave with pay
  - First to introduce pension system in India
- Tata Steel’s vision is to be the world’s steel industry benchmark through the excellence of its people, its innovative approach and overall conduct.
- Tata Steel invested in various other businesses as well such as Oil mills, Airlines, Publishing, Motors, and Consultancy services etc.

PRE-MERGER COMPANY PROFILE (CORUS)

- CORUS was formed on 6th October 1999. It is Europe’s second largest steel producer with a production of 18.2 million tones and revenue of 9.2 billion.
- Major manufacturing sites in UK, Netherlands, Germany, France and Belgium & sales/offices centers in over 40 countries
- The product mix consisted of Strip steel products, Long products, Distribution and building system and Aluminium.
- The Corus was having leading market position in construction and packaging in Europe with leading R&D
- The Corus was the 9th largest steel producer in the world. It opened its bid for 100% stake late in the 2006.
REASONS FOR TATA STEEL TO BID

- To tap European mature market.
- Cost of acquisition is lower than setting up of green field plant and marketing and distribution channel.
- TATA manufactures low value, long and flat steel products while Corus produced high value stripped products.
- Helped to feature in top 10 players in the world.
- Technology benefit.
- CORUS holds number of patents and R&D facilities.

REASONS FOR CORUS TO BE SOLD

- A chance to bail out of debt and financial crisis. Total debt of CORUS was 1.6bn GBP.
- Access to cheap high quality iron ore from India.
- Corus facilities were relatively old with high cost of production.
- Corus needed supply of raw material at lower cost.
- Though Corus has revenues of $18.06bn, its profit was just $626mn (Tata’s revenue was $4.84 bn & profit $ 824mn).

VIEW ON THE DEAL

- TATA steel acquisition of CORUS was a bold and smart move. Complementarities in scale, market geography, financials, technology and raw materials offered a strong rationale for the deal.
- The acquisition of CORUS has been timely done. Given the rising momentum of consolidation in the industry and rising valuations of steel companies, had TATA steel not acted when it did, the opportunity could have been lost forever.

SYNERGIES EXPECTED FROM THE DEAL

- Tata was one of the lowest cost steel producers & Corus was fighting to keep its productions costs under control.
Tata had a strong retail and distribution network in India and SE Asia. Hence there would be a powerful combination of high quality developed and low cost high growth markets

- Technology transfer and cross-fertilization of R&D capabilities.
- There was a strong culture fit between the two organizations both of which highly emphasized on continuous improvement and Ethics.
- Economies of Scale.
- Increase in profitability.
- Backward integration for Corus and Forward integration for Tata Steel.

NEGOTIATING TERMS

- September 20, 2006: Corus Steel has decided to acquire a strategic partnership with a Company that is a low cost producer.
- October 5, 2006: The Indian steel giant, Tata Steel wants to fulfill its ambition to Expand its business further.
- October 6, 2006: The initial offer from Tata Steel is considered to be too low both by Corus and analysts.
- October 17, 2006: Tata Steel has kept its offer to 455p per share.
- October 18, 2006: Tata still doesn’t react to Corus and its bid price remains the same.
- October 20, 2006: Corus accepts terms of £ 4.3 billion takeover bid from Tata Steel.
- October 23, 2006: The Brazilian Steel Group CSN recruits a leading investment bank to offer advice on possible counter-offer to Tata Steel’s bid.
- October 27, 2006: Corus is criticized by the chairman of JCB, Sir Anthony Bamford, for its decision to accept an offer from Tata.
- November 3, 2006: The Russian steel giant Several announces officially that it will not make a bid for Corus.
- November 18, 2006: The battle over Corus intensifies when Brazilian group CSN approached the board of the company with a bid of 475p per share.
December 18, 2006: Within hours of Tata Steel increasing its original bid for Corus to 500 pence per share, Brazil's CSN made its formal counter bid for Corus at 515 pence per share in cash, 3% more than Tata Steel's Offer.

January 31, 2007: Britain's Takeover Panel announces in an e-mailed statement that after an auction Tata Steel had agreed to offer Corus investors 608 pence per share in cash.

April 2, 2007: Tata Steel manages to win the acquisition to CSN and has the full voting support from Corus’ shareholders.

**REASONS FOR ACQUISITION**

- Increase Market Power Through Horizontal Acquisition
- Overcome Entry Barriers.
- Cost of New Product Development.
- Helped to feature in top 10 players in the world.
- Lower Risk Compared To Developing New Products.
- CORUS holds number of patents and R&D facilities.

**REASON FOR CORUS TO ACCEPT THE TATA BID**

- Saturated market of Europe
- To extend its global reach through Tata steel
- Favorability of shareholders over Tata’s deal
- To get access to low cost Indian Ore reserves
- Decline in market share and profit
- Total debt of Corus was 1.6 Billion
- Corus facilities were relatively old with high cost of production.

**ACQUISITION – SUCCESS OR FAILURE?**

- The following points can be attributed:
- TATA Steel Group rose to 5th position from 56th
- The production capacity increased from 4 million tones to 30 million tones by 2014
• Standard & Poor’s Rating cut it credit Rating to BB from BBB and removed them from the negative watch list

REASONS FOR SUCCESS OR FAILURE?

Success - Corus’s R&D Unit

• Strong Research & Development Unit
• Diversified presence
• Several Patent’s to its credit
• Produces high end steel
• Large Customer base
• The 2nd largest Company of Britain and one of the flagship companies of the Britain’s infrastructure industry

TATA’S IMPLEMENTATION OF THE DEAL

• Big boost to the Indian economy, as TATA was acquiring a company 3 times its size
• The R&D Unit of Corus complements that of TATA’s
• Links low cost Indian production and raw materials and growth markets to high margin markets and high technology in the West
• Help from financing institutions as $8 billion was raised through debt

CONCLUSION

• With Corus in its fold, Tata Steel can confidently target becoming one of the top-3 steel makers globally by 2015. The company would have an aggregate capacity of close to 56 million tonnes per annum, if all the planned Greenfield capacities go on stream by then.
• We can conclude that if the acquisitions well planned, Executed and the necessary precautions taken for the deal a company can achieve its strategic objectives and thus ensure its growth through Acquisition.
3.2 KEY INDICATORS OF VODAFONE-HUTCHISON ESSAR

COMPANY PROFILE (VODAFONE)

- The name Vodafone comes from voice data fone, chosen by the company to "reflect the provision of voice and data services over mobile phones."
- Vodafone Group plc is British multinational telecommunications company headquartered in London and with its registered office in Newbury, Berkshire. It is the world's 2nd-largest mobile telecommunications company measured by both subscribers and 2013 revenues (behind China Mobile), and had 434 million subscribers as of 31 March 2014.
- Vodafone owns and operates networks in 21 countries and has partner networks in over 40 additional countries. Its Vodafone Global Enterprise division provides telecommunications and IT services to corporate clients in over 65 countries.
- Vodafone has a primary listing on the London Stock Exchange and is a constituent of the FTSE 100 Index. It had a market capitalization of approximately £89.1 billion as of 6 July 2012, the third-largest of any company listed on the London Stock Exchange. It has a secondary listing on NASDAQ.
- Vodafone was established in 1982 when Racal Strategic Radio Plc, a subsidiary of Racal Electronics Plc.
- Later it was de-merged from Racal Electronics and named the Vodafone Group in 1991 by accounting its 20 percent shares of its value in to London stock Exchange.
- During its expansion in overseas it purchases Air Touch Communication Inc in the US and changed its name to Vodafone Air Touch Plc.

PRE-MERGER COMPANY PROFILE (Hutchison Essar Limited)

- HEL was one of the leading mobile operators in India.
- It was the fourth largest service provider in terms of customer numbers.
- HEL was a Joint venture between HTIL(Hutchison Telecommunication International Ltd) and Essar Group. They started their services under the brand name Hutch in 1994 after it acquired the cellular license for the Mumbai circle.
The company was initially set up as a joint venture between HTIL and Max India Ltd. The Parent Company of HTIL is Hutchison Whampoa whose headquarter was in Hong kong.

Sashi and Ravi Ruia, the Indian brothers behind the Essar conglomerate.

The Essar Group is a diversified business corporation with a balanced portfolio of assets in the manufacturing and services sectors of Steel, Energy, Power, Communications, Shipping Ports & Logistics, Projects.

Essar employs more than 50,000 people across offices in Asia, Africa, Europe and the Americas

In July 2005, Essar bought a 64 percent stake in BPL Cellular Ltd. for US$ 1.156 billion, making it the largest ever acquisition in the Indian telecom sector at that time.

REASONS FOR VODAFONE TO BID

- Accelerates Vodafone’s move to a controlling position in a leading operator in the attractive and fast growing Indian mobile market
- India is the world’s 2nd most populated country with over 1.1 billion inhabitants
- India is the fastest growing major mobile market in the world, with around 6.5 million monthly net adds in the last quarter
- India benefits from strong economic fundamentals with expected real GDP growth in high single digits
- Increases Vodafone’s presence in higher growth emerging markets
- Potential for Hutch Essar to bring Vodafone’s innovative products and services to the Indian market, including Vodafone’s focus on total communication solutions for customers
- Vodafone and Hutch Essar both expected to benefit from increased purchasing power and the sharing of best practices

WHY INDIA?

- Indian Telecom is the fastest growing sector – CAGR 22%
- Teledensity – 30.6
- Wireless Subscribers – 315 mn
• Lowest tariffs in the world after Bangladesh

**Figure-3.1 India: Avery Large Market**

**REASONS FOR HUTCHISON ESSAR TO BE SOLD**

• Urban markets in the country had become saturated.
• Future expansion would have had to be only in the rural areas, which would lead to falling average revenue per user (ARPU) and consequently lower returns on its investments
  • HTIL also wanted to use the money earned through this deal to fund its businesses in Europe
  • The sale of its interests in India will enable Hutchison Telecom to become one of Asia’s best capitalized companies
  • Relations between Hutchison Telecom and the Essar group of India will be key to the sale of Hutch’s 67% stake in Hutch-Essar

There are two main reasons which are responsible for Li Kashing to leave India. They are
• Hutch-Essar: Mutual Distrust
• Right time to quit Indian operations to finance other operations

**VIEW ON THE DEAL**

• Vodafone was looking to enter Indian market. But FDI Policies Were not Favorable
On Feb 11, 2007 a Vodafone Group Plc an UK Based Telecom Company Acquired Hutchison Essar LTD (HEL).

Vodafone Bought A 52% Stake for US$ 11.1billion from Hutchison Telecom International.

Enterprise value of Hutchison Essar is $18.8 billion

There Were Several Competitors like Reliance Communication, Essar and Hinduja Group.

The Biggest Deal Ever in the Indian telecom industry.

HEL had an 29.2million Subscriber base in july 2007 and had an PAN INDIA Presence in 13 of total 28 circles in the country.

Also had highest ARPU of Rs.340.15.

The Final Deal Price was a discounted amount of US$ 10.9 billion.

The Acquisition realized Vodafone’s desire to enter emerging markets in a big was as a counter to the markets developed countries that were saturated.

On March 22, 2007, Vodafone signed a shareholder agreement with its Indian partner, Essar, according to which

Vodafone - 52%

Essar- 33%

Minority shareholders, such as Asim Ghosh (Ghosh), Infrastructure development finance company (IDFC) and Analjit Singh together holds 15 per cent stake in the company.

Vodafone and Essar came to an agreement to run HEL jointly and agreed to change the name of the company to Vodafone Essar.

Vodafone sold back to Bharti its 5.6% direct stake in Bharti for US $ 1.6 bn.

Deal size and stake : Fourth largest deal of the year 2007 (to date) at $13.3 bn ($11.1 bn plus $2 bn debt)

Regulatory Approvals : Vodafone acquisition is subject to a number of approvals including from the Department of Telecommunications and the Government (FIPB).

Foreign Direct Investment Policy : Press Note 5 of 2005 provides that direct and indirect foreign shareholding in a telecom company cannot exceed 74%.
• Department of Telecom: The Department of Telecommunication has given its nod, all licensing conditions to be met by Vodafone.

• Foreign Investment Promotion Board: Application for an approval from the FIPB still not been approved due to issues relating to the total direct and indirect foreign holding in Hutchison Essar.

FINANCING THE DEAL

• VODAFONE’S successful bid for Hutchison’s 67 per cent stake in Hutch Essar may have been driven by its compulsions to enter the high-growth Indian market, but what clinched the deal for the UK-based company was the enormous booty of cash at its disposal.

• Analysts estimate that Vodafone was probably the least leveraged of all the bidders and this helped them bid aggressively. It already has $5 billion from the sale of its Japanese unit for $15 billion last year (the remaining $10 billion is expected to go back to shareholders).

• It will also get $1.62 billion cash from its 5.6 per cent stake sale in Bharti. This $6.62 billion may go towards funding the $11.1-billion price tag for the 67 per cent stake.

• In addition, Vodafone has free cash reserves (for the first six months of 2006) in excess of $3 billion. It has also sold its 25 per cent stake in Swisscom Mobile and exited Belgium. Therefore, the debt component in the deal is likely to be low, according to an analyst.

• Unconfirmed sources say that Reliance Communications was wary of raising too much debt, which may have acted as a deterrent. Whether the UK-based Telco overpaid is another question. Investment bankers in India, too, have underlined Vodafone’s advantage, thanks to its access to cash and its capability to strike the least leveraged deal.

SYNERGIES CLAIMED

• Vodafone gets access to the fastest growing mobile phone market in the world that is ex Cellular penetration in rural India is below 2%, but 67% of India’s population lives in rural India.
- Hutchison - Essar is not just the 4 player, but also one of the better run companies with higher average revenue per subscribers.
- 3G is set to take off in India, allowing data and video to ride on cellular networks.
- Vodafone already offers 3G elsewhere in the world. India is key to Vodafone strengthening its presence in Asia, a region seen as the big telecom story.

**Figure – 3.2 Problems of FEMA & Tax**

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**FOREIGN EXCHANGE AND MANAGEMENT (FEMA)**

- HTIL financed the loan to minority shareholders Asim Ghosh & Analjith Singh for 15% stake in Hutch-Essar
- The loan is a violation of External Commercial Borrowings (ECB) norms issued under FEMA. This is because the multi-layered transaction (for Ghosh and Singh’s stake) has been funded by a local finance company, backed by a stand-by letter of credit issued by a Hong Kong entity at the instance of HTIL.
• Since both the shareholders are fronting for HTIL, the 15% minority shareholding is interpreted as foreign stake.

**TAXATION**

• Finance Bill 2008 also proposes to ensure that capital gains tax should be levied on acquisitions in India.
• Buyer will be responsible for paying the tax after purchasing any capital asset - a share or debenture of a company in India.
• The buyer will have to deduct TDS and failure to do so would leave him liable to pay the tax. The tax will have to be paid with a retrospective effect from June 2002.
• Department sent a notice to Vodafone, asking for about $1.7 billion as capital gains tax in the sale of 52% stake in Hutchison Essar to Vodafone.
• It argues that the company should have deducted tax at source while making payment to HTIL Merger & Acquisition.

**IMMEDIATE CHALLENGES**

• The cellular telephony is extremely competitive, and India has one of the lowest ARPUs in the world. Besides, ARPU growth is slowing.
• It has an uneasy equation with Essar, which is one-third partner in Hutch-Essar. That could be a source of problem.
• The Vodafone brand is relatively unknown in the Indian market. Besides the brand will cost money and take time.
• Telecom valuations are at a high and this could mean it is years Vodafone recovers its multi-billion dollar investment.
• Its big competitors are home-grown majors, who can manage the ‘environment’ better.

**MEN BEHIND THE DEAL**

• Superman’ Shing at home in Hong Kong, 78-year-old Li Ka Shing is famed for his ability to exit businesses at the right price. His deal with Vodafone, would give
him $11.1 billion, a coup considering he entered the Indian entity for as little as $2.6 billion.

- Li Ka Shing, Chairman, Hutchison Whampoa.

- Vodafone's CEO since 2003, Sarin's bid would give him access to 24.4 million customers in one of the world's biggest and fastest growing markets.

- Arun Sarin, CEO, Vodafone

### 3.3 KEY INDICATORS OF HINDALCO-NOVELIS

#### FEATURES OF INDIAN ALUMINIUM INDUSTRY

- Highly concentrated industry with only five primary plants in the country.
- Bayer-Hall- Heroult technology used by all producers.
- Energy cost is 40% of manufacturing cost for metal and 30% for rolled products.
- High cost of technology is the main barrier in achieving high energy efficiency.
- Energy conservation and reduced consumption is main motive.
- Increased competition from imports of aluminium.

#### COMPANY PROFILE (Hindalco Industries)

- The Hindustan Aluminum Corporation Limited was established in 1958 by the Aditya Birla Group.
- In 1962 the company began production in Renukoot in Uttar Pradesh making 20 thousand metric tons per year of aluminium metal and 40 thousand metric tons per year of alumina.
- In 1989 the company was restructured and renamed Hindalco.
- Hindalco has a total 60 percent share in the growing Indian market for rolled products.
- The aluminium division's product range includes alumina chemicals, primary aluminium ingots, and billets, wire rods, rolled products, extrusions, foils and alloy wheels.
- Ranks among top quartile of low cost producers in the world.
Structured into two strategic businesses Aluminium and Copper.

It enjoyed domestic market share of 42% in primary aluminium, 63% in rolled products, 20% in extrusions, 44% in Foils & 31% in wheels.

Annual revenue of US $14 billion, market capitalization in excess of US $23 billion.

The aluminum division's product range includes alumina chemicals, primary aluminium ingots, and billets, wire rods, rolled products, extrusions, foils and alloy.

COMPANY PROFILE (Novelis)

It was born in early 2005 as a result of a forced spin-off from its parent, the $23.6 billion aluminium giant and Canada-based Alcan.

The US and European anti-trust proceedings ruled that the rolled products business of either Alcan or Pechiney had to be divested from the merged entity.

The company is No. 1 rolled products producer in Europe, South America and Asia, and the No. 2 producer in North America.

This involved extensive operations in over 35 plants in 11 countries and four continents.

Novelis is the world leader in aluminium rolling, producing an estimated 19 percent of the world's flat-rolled aluminium products.

The company recycles more than 35 billion used beverage cans annually.

Industry-leading assets and technology.

Alcan cast out its rolled products business to form Novelis.

WHY NOVELIS?

Entry into new markets.

40% of Al consumed is in the form of rolled products.

Will become 5th largest Al company in the world.

Entry into list of Fortune 500 Co.

Access to high technology

Move up to the high end of the value chain
• Access to new customer base

TROUBLED NOVELIS
• It had a simple business model. It buys primary aluminium, processes it into rolled products like stock for soft drink cans, automotive parts, etc., and sells it to customers such as Coke and Ford.
• In a bid to win more business from soft drink manufacturers, it promised four customers not to increase product prices even if raw material aluminium prices went up beyond a point.
• But the management’s wrong judgement led to losses of $350 million (in 2006).
• Inefficiency of the management and finance team.

IMPORTANT FACTS ABOUT DEAL
• Deal structure Divided into 2 parts-
  1) 100% of Novelis equity @44.93$ per share which add up to $3.6b
  2) $2.4b debt on Novelis balance sheet
• No Option of Leverage buyout unlike TATA Corus
• An all-cash transaction, enterprise value of approximately US $6.0 billion, including approximately US $2.4 billion of debt.
• By January 1, 2010, all the sales contracts will get expired.
• Hindalco shipped primary aluminium to novelis for downstream value addition.
• The debt component of novelis stood at us $2.4 billion and additional US $2.8 billion will be taken by hindalco to finance the deal.
• Crisil placed its outstanding long-term rating of ‘aaa/stable’ on hindalco.
• Paying us $44.93 A share.

MOTIVATION BEHIND THE DEAL

HINDALCO
• Followed an acquisition-led strategy along with forward & backward integration
• Wanted to increase its global presence
• To strengthen its downstream capabilities
• To fetch economies of scale
• To leg-up its technology
• To fetch the contracts of Novelis

NOVELIS

• It was the world leader in aluminum rolling
• It was the supplier of the highest quality aluminum sheet and foils
• World leader in recycling aluminum cans
• Yet it was incurring losses
• Unable to implement the escalation clause (fixed-price contracts)
• The output of HINDALCO was the input of Novelis; aluminum acting as a link
• To implement its vision effectively

THE BENEFITS FROM THIS ACQUISITION

• The company will get a strong global footprint.
• Joint entity will become insulated from the fluctuation of LME aluminium prices.
• Will give hindalco a strong presence in recycling of aluminium business.
• Recycling it requires only 5% of the energy needed to produce primary aluminium.
• Novelis has a very strong technology for value added products and its latest technology ‘novelis fusion’ is very unique one.
• Target of doubling its turnover to $ 20 billion three years in advance.
• Any change in the raw material price is directly passed on to the customers who range from coca cola to automobile companies like aston martin.
• It would have taken a minimum 8-10 years & us $12 billion to hindalco for building these facilities, if hindalco takes organically route.
• Novelis is in leader in rolling business with a market share of 20%.
• Hindalco was dependent on the aluminium prices and when the prices are high they make a larger margin, this not the case with rolling business which usually has a constant margin.

FUNDING STRUCTURE FOR THE DEAL
• With a debt-equity ratio of 7.23:1, Novelis couldn’t borrow any more.
• borrowed $2.85 billion, $300 million raised as debt from group companies and $450 million mobilised from its cash reserves.
• That is almost a third of the Rs 2,500 crore net profits Hindalco estimated to post in 2006-07.
• The second part of the deal is the $2.4-billion debt on Novelis’s balance sheet.

STRATEGIC RATIONALE FOR ACQUISITION

• Hindalco will be able to ship primary aluminium from India and make value-added products.
• Low-cost alumina and aluminium facilities combined with high-end rolling capabilities.
• Increasing scale of operation, entry into high-end downstream market and enhancing global presence.
• Access to customers such as General Motors Corp. and Coca-Cola Co.
• World’s leading aluminium maker.

VALUATION FOR ACQUISITION

• Too high a price for a company that incurred a loss of US $170 million for the nine months ended 30 September 2006.
• Its share prices never crossed US $30 in 2005-06.
• Target of doubling its turnover to $20 billion three years in advance.
• Novelis management has indicated a pre-tax profit of US $35 million-100 million for 2007, Hindalco was being optimistic.
• Novelis nearly 50% larger than Hindalco’s current market capitalization.

POST ACQUISITION RESULTS

• Hindalco is now a global player with a strong presence in five continents.
• Product portfolio which is a natural hedge against the volatility of aluminium prices.
Novelis has reported a net profit of USD 28 million (under US GAAP) for the period 16 May 2007 to 31 March 2008 vis-à-vis a loss of USD 265 million (under US GAAP) in FY2007.

- Total shipments increased from 3113 kt to 3150 kt.
- Novelis Reported revenue of US$10.2 billion in its 2009 fiscal year.

**CONCLUSION**

- To conclude the achievements in the financial year, the company recorded a commendable performance in an extremely difficult year that witnessed unprecedented events in the financial and commodity markets.
- This performance is because of the underlying strength of business operations & project management capabilities.

**3.4 KEY INDICATORS : THE DEAL OF RANBAXY-DAIICHI SANKYO**

**COMPANY PROFILE (Ranbaxy Laboratories Limited)**

- Established in 1937 by Ranjit Singh and Gurbax Singh
- India’s largest pharmaceutical company
- Ranked among world’s top 10 generic company
- It has a presence in 23 of world’s top 25 pharmaceutical market with export in over 125 countries
- Having manufacturing facilities in 11 countries.
- Annual Sales in FY’07: US$ 1.6 Bn
- Work Force: 12,000 comprising of 50 nationalities.
- Sales CAGR of 16.2% in 2002-2007 based on dollar sales
- Balanced geographic sales distribution
- Strong expertise in intellectual property and global regulatory affairs
- 180-day marketing exclusivity for four drugs with an annual sales potential of $8 billion
- “First to file” status for 18 drugs with annual sales potential of $27 billion
- 98 ANDA filings pending approval
- Focus on innovative research in anti-infectives, anti-malaria, metabolic disorders, respiratory diseases and urology
- Strong alliances with major global proprietary drugs manufacturers (such as the ongoing drug development collaboration with GlaxoSmithKline, which was expanded in 2007; and the joint research partnership with Merck in the anti-infectives segment; the co-marketing agreement with Ferring International for its endocrine drug; marketing agreement with Natco Pharma in Yemen; alliances with Krebs and Jupiter for fermentation-based products and peptides respectively)
- Affiliate Zenotech’s experience in biologicals
- Strong marketing expertise in one of the most competitive markets viz. India
- Manufacturing efficiencies – labor, infrastructure, quality
- R&D expertise – scientists, strong generics business, developing innovative drugs business, expertise in process chemistry.
- The company has a vision to become one of the top 5 generic companies in the world.

**STRENGTHS OF RANBAXY**

- Cost effective technology
- Drug delivery system management
- Production of generic drugs
- Pharmaceutical ingredients (apis) future growth drivers
Figure-3.3 Formation of Daiichi Sankyo

DAIICHI

- 1915 Arsemin Shokai, DAIICHI’s predecessor company, established in Japan
- 1982 DAIICHI establishes its US subsidiary in New York
- 2004 Daiichi establishes DAIICHI Medical Research, INC.in the United States

SANKYO

- 1899 SANKYO Shoten, SANKYO’s predecessor company, established in Japan
- 1985 SANKYO establishes SANKYO Europe in Düs Germany
- 2002 Acquisition of Laboratories Fornet S.A., France

2005 DAIICHI AND SANKYO ANNOUNCE IN FEBRUARY THEIR AGREEMENT TO MERGE DAIICHI-SANKYO COMPANY LIMITED

DAIICHI-SANKYO COMPANY LIMITED

- Established in Sept. 28th 2005.(JAPAN)
- CEO : TAKASHI SHODA
- Workforce : 16,237 People.
- Major Industry : Ethical Drug Manufactures.
The strengths of Daiichi-Sankyo:

- Japan’s second largest drug maker company
- Ranked 22nd drug maker in the world
- Providing a stable supply of top-quality pharmaceutical products

The synergies of the deal:

- Considering that Ranbaxy is a generics company and Daiichi Sankyo an innovator company, both businesses complement each other with negligible overlap. (Daiichi will support Ranbaxy's R&D efforts and contract research business)
- Ranbaxy provides a low cost manufacturing set-up to Daiichi Sankyo.
- Ranbaxy geographically diversified presence across the globe will enable it to provide a wider reach to Daiichi Sankyo's product portfolio, including India.
- Ranbaxy has a small presence in the Japanese market where the generics market holds good opportunities.
- Ranbaxy incurred lower interest costs, as it became debt-free company.
- The deal strengthened the financials of Ranbaxy (making it debt free and cash rich) and help it grow aggressively organic.
- Ranbaxy bypassed a lot of European and U.S. companies that were finding it difficult to enter the Japanese market, where safety and testing requirements are a lot higher.
- This deal made the amalgamated company to be the 15th largest pharma company in the world.
- The below equation solves for the minimum required synergy:

\[
\text{Pre – Merger Value of both the firms} + \text{Synergy} = \text{Post – Merger Stock Price}
\]

\[
\text{Post – Merger Number of shares}
\]

The deal:

- Daiichi-Sankyo acquired 34.8% stake in Ranbaxy on 11th June, 2008
- It will make an open offer to the Ranbaxy shareholders for another 20%
- It will pick up another 9.4% through preferential allotment
- It was an all cash transaction
- Size of the deal: US$3.4–4.6 Bn
- Deal values Ranbaxy at US $ 8.5

Table-3.1 How Did Daiichi-Sankyo Acquire Ranbaxy?

<table>
<thead>
<tr>
<th>Date of acquisition</th>
<th>Particulars</th>
<th>Number of Shares</th>
<th>% of shareholding</th>
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<tbody>
<tr>
<td>October 15, 2008</td>
<td>Acquisition of Shares under Open Offer pursuant to Regulations 10 &amp; 12 of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 @ Rs.737 per share</td>
<td>92,519,126</td>
<td>22.01</td>
</tr>
<tr>
<td>October 20, 2008</td>
<td>Allotment of Shares on Preferential basis @ Rs.737 per share (as per details herein below)</td>
<td>46,258,063</td>
<td>11.00</td>
</tr>
<tr>
<td>October 20, 2008</td>
<td>Acquisition of Shares from the then Promoters of the Company @ Rs.737 per share (First tranche)</td>
<td>81,913,234</td>
<td>19.49</td>
</tr>
<tr>
<td>November 07, 2008</td>
<td>Acquisition of Shares from the then Promoters of the Company @ Rs.737 per share (Second tranche)</td>
<td>48,020,900</td>
<td>11.42</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>268,711,323</td>
<td>63.92</td>
</tr>
</tbody>
</table>

FINANCING OF DEAL

- Daiichi-Sankyo funded the acquisition through debt and existing cash reserves.
- Daiichi-Sankyo has a taken a short and long term loans of 240 billion yens.
- That’s almost 50% of the total funding requirement of the deal.

RISKS IN THE DEAL FOR DAIICHI-SANKYO

- Ranbaxy’s exposure to the US dollar.
- US FDA invocation may affect overall business in the country.
- The anticipated synergies may fail to realize if Ranbaxy faces regulatory hurdles world over.
US FDA INVOCATION ON RANBAXY

- In September 2008, the U.S. FDA issued a warning letter that Ranbaxy’s production facilities in India at Paonta Sahib and Dewas were in violation of U.S. current Good Manufacturing Practice.
- It placed a ban on the importation of any products for the U.S. market from these two facilities.
- In February 2009, the FDA invoked its Application Integrity Policy (AIP) against the Paonta Sahib facility. An AIP is invoked when questions arise concerning the integrity and reliability of data in drug applications, and it requires the facility where the relevant data were obtained to re-apply for approval or to withdraw the application.

POST ACQUISITION OBJECTIVES

- To develop new drugs to fill the gaps and take advantage of Ranbaxy’s strong areas.
- To overcome its current challenges in cost structure and supply chain.
- To match the competitor's strategy

BENEFITS TO RANBAXY AFTER MERGER

- Company will become one of the top 5 in generic business.
- Access to Daiichi advanced R & D
- Access to Japanese drug market
- Infusion of an additional $1 billion into the company.
- Surplus cash of Rs.3,000 crore used for acquisition in generic place.
- Promoted as Independent generic arm of the company.

BENEFITS TO DAIICHI SANKYO AFTER MERGER

- Strengthen the position of the company
- Faces intense competition from generics in its home market
- Acquisition will provide low cost manufacturing
- Market access to over 60 countries
RANBAXY-DAIICHI

will be the 15th largest drug maker in the world with the market capitalization of $ 30 Bn.

CONCLUSION

- For Daiichi, it was important to have some kind of generic play that Novartis has with Sandoz, which is the second largest generic company in the world.
- Novartis is a USD 30-35 billion company. Maybe Daiichi at the very start of that graph is trying to do exactly that.
- They have a great play in Ranbaxy, which has a manufacturing and research base.
- It will also benefit from the cost-competitive advantage and then grow its business from the two angles.

3.5 KEY INDICATORS: THE DEAL OF ONGC-IMPERIAL ENERGY

COMPANY PROFILE (ONGC)

- Oil and Natural Gas Corporation Limited (ONGC) is the largest Indian state oil and gas corporation.
- The company was incorporated by the Indian Government on August 14, 1956.
- The Indian Government holds 69.23% equity stake in the Company.
- ONGC contributes 69% of India’s crude oil production and 62% of India’s natural gas production; it is involved in exploration and development of the fields in 26 sedimentary basins of India; it owns and operates more than 11000 km of pipelines in India.
- Presently, it is one of the largest oil and gas companies not only in India, but in the world.
- As per Platts 250 Global Energy Company List for 2013 ONGC ranked 3rd E&P Company in the world and 22nd among leading global energy majors.
• As per Forbes Global 2002 list 2010 ONGC occupied 155th rank among the leading world companies.
• Finance Asia 100 list ranks ONGC No.1 among Indian Blue Chips.
• The Company operates in the foreign market through its subsidiary ONGC Videsh Limited (OVL).
• Presently, OVL international investments comprise 16.75 billion USD, and its gross revenue composes 4.2 billion USD.

**Figure-3.4 ONGC Group of Companies**

**COMPANY PROFILE (ONGC Videsh Limited (OVL))**

• ONGC Videsh, a Miniratna Schedule “A” Central Public Sector Enterprise (CPSE) of the Government of India under the administrative control of the Ministry of Petroleum & Natural Gas is the wholly owned subsidiary and overseas arm of Oil and Natural Gas Corporation Limited (ONGC), the flagship national oil company (NOC) of India.
• The primary business of ONGC Videsh is to prospect for oil and gas acreages outside India, including exploration, development and production of oil and gas.
• ONGC Videsh was incorporated as Hydrocarbons India Pvt. Ltd. on 5 March 1965 to carry out exploration and development of the Rostam and Raksh oil fields in Iran and undertaking a service contract in Iraq.
• The company was rechristened as ONGC Videsh Limited on 15th June, 1989 with the prime objective of marketing the expertise of ONGC abroad.
The nineties saw the Company engaged in limited exploration activities in Egypt, Yemen, Tunisia and Vietnam

OVL is currently engaged in 32 oil and gas projects spread across 16 countries of the world: Brazil, Columbia, Cuba, South Sudan, Sudan, Kazakhstan, Iran, Iraq, Libya, Myanmar, Nigeria, Syria, Venezuela, Vietnam, Azerbaijan and Russia.

In 2001 OVL had acquired 20% share of the Russia’s Sakhalin-1 project.

OVL is engaged in development and commercial production in Sakhalin together with the largest worldwide oil and gas companies - Exxon Mobil, Rosneft, Japanese company SODECO.

OVL today operates in different regions of the world in partnership with the world-wide leaders in the industry: British Petroleum, CNPC, Ecopetrol, ENI, Exxon, Norsk Hydro, PDVSA, Petrobras, Petronas, Petrovietnam, Repsol, Rosneft, Shell, Sinopec, Total and TPOC.

COMPANY PROFILE (Imperial Energy)

Imperial Energy Group has started its operations in the territory of the Russian Federation since October 18th, 2004. The Group was founded by Russian and foreign investors as an independent middle size oil producer.

Imperial Energy is a company of international level. In 2004 Imperial Energy listed its shares on London’s AIM exchange, then moved to the main LSE market in May 2007 and became a constituent of the FTSE 250 Index.

In 2004-2007 Imperial Energy purchased the licenses for the undeveloped and poorly developed blocks in Tomsk region and Qostanay (Kazakhstan), and proceeded to vast program of exploration works on them, which has led to 7 new fields discoveries in Tomsk region.

In 2006, Imperial Energy established its own drilling company, RUS IMPERIAL GROUP (RIG), which now operates three heavy duty drilling rigs, three workover rigs and a coiled tubing unit. Shortly after, Imperial Energy also purchased 50% of charter capital of Imperial FracService (IFS) that provides hydraulic fracture services to improve production in its fields and service to the third parties.
The Group was acquired by ONGC Videsh Limited (OVL), the overseas arm of Oil and Natural Gas Corporation (ONGC), the flagship National Oil Company of India on January 13th, 2009. On March 9, 2009 Imperial was delisted from LSE.

Since 2007 Imperial Energy has constructed 366 km of pipeline infrastructure connecting its fields to the Transneft pipeline system. The completion of pipelines enabled the Company to transport its oil to both domestic and export markets.

Imperial Energy Group is a part of Indian National Gas Company, ONGC Videsh Ltd. (OVL). Imperial Energy includes 5 independent enterprises operating in the territory of Tomsk region including 2 oil and gas producing enterprises.

Imperial Energy is a modern company focusing on efficient oilfield development and long-term oil production growth. Scope of activities and core assets of the company are clustered in the North and West part of Tomsk region.

The head office of Imperial Energy is located in Tomsk. The company is run by the skilled management team with working experience in more than 18 countries. Executives and specialists of the company ensure successful implementation of advanced technologies, project and corporate management, and the best HSE practices.

Imperial Energy employs 725 people, the majority of whom are working at the oilfields of the company.

DEAL

Oil & Natural Gas Corp., India’s biggest exploration company, agreed to buy Imperial Energy Plc for 1.4 billion pounds ($2.58 billion) to tap Siberian deposits and make up for dwindling output at home.

The cash offer of 1,250 pence a share is 61.9 percent more than Imperial Energy's stock price on July 11, the day before the London-based company said it received a bid, according to a statement distributed by Regulatory News Service. China Petroleum & Chemical Corp. indicated today it may bid for Imperial Energy.

ONGC (Oil and Natural Gas Corporation) in India acquired Imperial Energy, the UK-based firm operating in Russia for $1.9 billion in 2008.
This acquisition was the second largest investment made by ONGC in Russia. Imperial Energy was an upstream oil and gas exploration and production company which had oil producing blocks in Western Siberia, which was considered to be the most productive oil producing part of Russia.

The acquisition deal began in August 2008. 98% of the shareholders of Imperial Energy approved the deal in December 2008 so the deal became unconditional for ONGC.

Raising finance for this deal was the biggest challenge for ONGC. The acquisition value in the oil and natural gas industry was normally decided by the prevailing crude oil prices at the time of the deal.

When ONGC made the bid, crude oil prices were hovering between $115 to $120 per barrel. However, with the subsequent fall in oil prices due to the global financial crisis, there were concerns regarding profitability of the deal.

With this acquisition ONGC added one more strong asset to its portfolio.

MOTIVES OF THE MERGER

The motives behind any merger/acquisitions are often numerous. Corporations may merge because they want to increase their market share, spread their costs and risks, become more international and also for the need to transform their corporate identity.

India's explorers have been outbid by Chinese rivals as the two most populous nations compete for energy assets globally.

The South Asian nation is looking to invest in oil projects in Russia, Kazakhstan, Iran and Africa as the government expects economic growth to accelerate to as much as 10 percent by 2012, fueling demand for vehicles and electricity.

India imports more than three-quarters of its oil requirements.

Imperial would be biggest overseas acquisition for ONGC, which has as much as 6.8 billion barrels of oil equivalent in reserves. The explorer paid $1.7 billion to buy a stake in Exxon Mobil Corp.'s Sakhalin-I field in Russia and $785 million for a stake in the Greater Nile project in Sudan, both in 2003. State-run ONGC owns 20 percent of Sakhalin-1, which began pumping oil in 2005 and produced 250,000 barrels a day in February 2007.
ONGC shares gained 1.35 rupees, or 0.1 percent, to 1,015.9 rupees at the close in Mumbai trading. Imperial Energy declined 2 percent to 1.215 pence in London after reaching a seven-month high last week.

Imperial Energy has 450 million barrels of Russian registered reserves, according to a July company statement. The company is seeking to bring these figures closer in line with its estimates based on Society of Petroleum Engineers standards after the country's government raised questions about differences between the two.

The company, which operates primarily in the Siberian region of Tomsk, had 920 million barrels of oil equivalent of proven and probable reserves as of December 2007, (according to an audit by DeGolyer and MacNaughton cited on Imperial Energy's)

KEY SUPPLIER

Drilling successes at the Kiev Eganskoye field on the east side of the Ob River came after the yearly DeGolyer and MacNaughton audit and will likely increase valuations when they are included in the next report, Artem Konchin, an oil and gas analyst at UniCredit Aton in Moscow, said Aug. 21.

Imperial Energy said in April it pumped 7,000 barrels a day in the first quarter. The company plans to produce 25,000 barrels of oil a day by the end of the year and expects to start output at the Kiev Eganskoye field in September.

ONGC reported a drop in output in the year through March, India's Oil Minister Murli Deora told lawmakers April 15. India estimates demand for oil will rise 62 percent over the next five years to 241 million tons a year, or 4.8 million barrels a day.

INVESTMENT PLANS

ONGC plans to invest a total 240 billion rupees ($6 billion) to boost output from its domestic and overseas fields, Chairman R.S. Sharma said in April. The company expects output of 8.5 million tons of oil and gas from overseas fields and production of 9 million tons in the year ending March 2009.

The explorer plans to produce about 20 million metric tons a year of oil equivalent by 2020 from its overseas fields from 8.76 million last year, Sharma said in June.
The company has increased its overseas assets to 38 from a single one seven years ago.

3.6 KEY INDICATORS: DEAL OF NTT DOCOMO-TATA TELE

COMPANY PROFILE: (TATA Group)
- A global business group with products and services in over 150 countries.
- Over 5,80,000 employees and operations in over 100 countries.
- Group revenue is $103.27bn with 67% generated in geographies other than India.
- Global leader in several sectors.

COMPANY PROFILE (Tata Teleservices Limited)
- Incorporated in 1996, Tata Teleservices Limited was the pioneer of the CDMA 1x technology platform in India
- Tata Teleservices Limited has also become the first Indian private telecom operator to launch 3G services in India under the brand name Tata DOCOMO.
- The Tata Teleservices Limited bouquet comprises four other brands as well—Virgin Mobile, Walky (which is the brand for fixed wireless phones), the Photon family (the company’s brand that provides a variety of options for wireless mobile broadband access, and T24.

PRE MERGERS COMPANY PROFILE (NTT DOCOMO)
- NTT DOCOMO, Inc. is the predominant mobile phone operator in Japan.
- The name is officially an abbreviation of the phrase, "do communications over the mobile network", and is also from a compound word dokomo, meaning "everywhere" in Japanese.
- Docomo provides phone, video phone (FOMA and Some PHS), i-mode (internet), and mail (i-mode mail, Short Mail, and SMS) services.
- The company has its headquarters in the Sanno Park Tower, Nagatachō, Chiyoda, Tokyo.
At the beginning of 2015, it was the fourth largest public company in Japan when measured by market capitalization.

Docomo was spin off from Nippon Telegraph and Telephone (NTT) in August 1991 to take over the mobile cellular operations.

It provides 2G (mova) PDC cellular services on the 800 MHz band, and 3G FOMA W-CDMA services on the 2 GHz (UMTS2100) and 800 MHz (UMTS800 (Band VI)) and 1700 MHz (UMTS1700 (Band IX)) bands, and 4G LTE services. Its businesses also included PHS (Paldio), paging, and satellite. Docomo ceased offering a PHS service on January 7, 2008.

DEAL

On November 12, Tokyo-based NTT DoCoMo announced it was entering into a strategic alliance with the Tatas.

The Japanese telecom giant which, with 53 million customers and 51.5% of the Japanese market, is one of the world’s largest players in the telecommunications industry, bought a 26% stake in Tata Teleservices Ltd (TTSL) for $2.7 billion.

DoCoMo will buy 6% from Tata Sons and other group companies and the remaining 20% will be new shares issued by Tata Teleservices.

NTT DoCoMo followed up this deal with an open offer for 20% in Tata Teleservices (Maharashtra) Ltd — TTML — the listed subsidiary of TTSL.

At Rs24.70 (50 cents) a share, this means another $191 million. The offer will open in January.

NTT DOCOMO’S STRATEGY FOR GLOBAL ACQUISITIONS

For international expansion, NTT Docomo had a four pronged strategy.

- The target country should have evidence of a strong gross domestic product.
- The target country should also provide opportunities for rolling out 3G.
- The acquisition price should not be high.
- The company was clear that it would not pursue hostile takeovers.
telecommunications equipment Manufacturers. They work to build strong relationships based on trust and mutual understanding with business partners in order to develop and provide quality products and services.

SYNERGY OF THE DEAL

- Tata Teleservices Limited also has a significant presence in the 2G GSM space, through its joint venture with NTT DOCOMO of Japan, and offers differentiated products and services.
- Tata DOCOMO received a pan-India license to operate GSM telecom services and rolled out GSM services in all the 18 telecom Circles where it received spectrum from the Government of India in the quick span of just over a year.
- One of the key milestones in October 2011 was the brand integration exercise at TTL, which saw the Company’s many brands being consolidated under its single flagship brand, Tata DOCOMO. This helped TTL leverage the benefits of brand synergies and capitalize on its vast retail and distribution network, which is the largest amongst all private telecom operators in the country.
- Tata DOCOMO marks a significant milestone in the Indian telecom landscape, and has already redefined the very face of telecoms in India, being the first to pioneer the per-second tariff option part of its ‘Pay for What You Use’ pricing paradigm.
- In association with its partner NTT DOCOMO, the Company finds itself favorably positioned to leverage this first-mover advantage with 3G.
- TTL entered into a strategic partnership agreement with Indian retail giant Future Group to offer mobile telephony services under a new brand name T24, on the GSM platform. Tata Teleservices also has a strategic tie up with Virgin Mobile that primarily caters to youth segment offering mobility services on both CDMA and GSM platform.
- Tata Teleservices is the undisputed market leader in the fixed wireless telephony market amongst private operators. In the wireless mobility space, the company in the past has been rated as the ‘Least Congested Network’ in India for eight consecutive quarters by the Telecom Regulatory Authority of India through independent surveys.
Today, Tata Teleservices, along with Tata Teleservices (Maharashtra) Limited, has a reach in more than 450,000 towns and villages across the country, with a bouquet of telephony services encompassing Mobile Services, Wireless Desktop Phones, Public Booth Telephony and Wireline Services.

The company in the recent past has won many awards. TTSL was named The Best Emerging Markets Carrier by Telecom Asia, and received 8 awards at the World HRD Conference, including 5th Best Employer in India.

The company also received 3 awards at the Telecom Operator Awards 2010 from Tele.net; Best Company, CEO of the Year and Best Quality of Service, and Business Standard award for 'Most Innovative Brand of the Year'.

Tata DOCOMO was recently recognized as the best “Utility VAS Service Provider” and “Best Mobile Broadband Service Provider” for the year 2012 by Frost & Sullivan.

3.7 KEY INDICATORS : DEAL OF HDFC BANK-CENTURION BANK OF PUNJAB

COMPANY PROFILE (HDFC Bank)

- HDFC Bank Limited is an Indian banking and financial services company headquartered in Mumbai, Maharashtra.
- In February, 2000, Times Bank Limited (another new private sector bank promoted by Bennett, Coleman & Co. / Times Group) was merged with HDFC Bank Ltd.
- It is the fifth largest bank in India as measured by assets.
- It is the largest private sector bank in India by market capitalization as of February 2014.
- The bank was promoted by the Housing Development Finance Corporation, a premier housing finance company (set up in 1977) of India.
According to the Brand Trust Report 2014, HDFC was ranked 32nd among India’s most trusted brands.

HDFC was ranked 45th on the list of top 50 Banks in the world in terms of their market capitalization.

**PRE MERGER COMPANY PROFILE (Centurion Bank of Punjab)**

- Centurion Bank was incorporated on 30 June 1994.
- Centurion Bank was a joint venture between 20th Century Finance Corporation and its associates, and Keppel Group of Singapore through Kephinance Investment (Mauritius).
- Centurion had a network of ten branches, which grew to 29 branches the next year.
- Also in 1995 Centurion Bank amalgamated 20th Century Finance Corporation.
- On 29 June 2005, the boards of directors of Centurion Bank and Bank of Punjab agreed to a merger of the two banks. The combined bank took as its name Centurion Bank of Punjab.

**OBJECTIVES OF THE DEAL**

- Increase in scale of operations
- Increase in geography
- Management bandwidth
- Potential of Business synergy and cultural fit
- HDFC’s Brand leverage and increased utilization of CBOP Branches
- CBOP’s SME focus complement HDFC’s Corporate focus

**THE DEAL**

- Merger Date : February 25th 2008
- Value of the Merger : $ 2.5 billion
- Horizontal Merger
- All stock deal
• CBoP share holders would get one share of HDFC for 29 shares of CBoP.
• 26,200,220 warrants convertible into an equivalent number of equity shares to HDFC Limited on a preferential basis at a rate of Rs. 1,530.13 each.
• Principal shareholders of CBoP – Bank Muscat, Sabre Capital and the Kephinance Investment (Mauritius) decided to move away from this partnership.
• No single lay off of employee
• Pooling of interest method used for accounting
• The merger was important to face competition from foreign banks looking to enter the Indian Banking front.
• Both banks had a strong foothold in various sectors like SME & retail Segments and Retail deposit franchise, vehicle financing, etc.

SYNERGIES OF THE DEAL

• Increased footprint and metro presence
• 7th largest bank with asset size of Rs.1097 billion
• Recorded growth figures as follows
  • Net profit by 44.6% to Rs. 4.6 billion
  • Net Interest Income by 74.9% to Rs.17.2 billion
  • Advances grew by 79.8% & deposits by 60.4%
• High level of write-offs due to bad asset quality of CBoP in personal loans and 2 wheeler loans
• Regional strength is one of the benefits that HDFC Bank was looking for, but the merger will also offer several others.
• Organic growth with a merger that would add scale, geographical reach and experienced staff, which are in short supply.
• HDFC Bank has 23,000 employees while CBoP has about 7,500.
• The deal will add 394 branches and 452 ATMs to HDFC Bank's existing 754 branches and 1,906 ATMs
• The new entity will have assets of about Rs1.5trillion, the merged entity will also have a deposit base of around Rs1.2trillion and net advances of around Rs850bn.
NAGATIVE EFFECTS OR ROADBLOCKS OF MERGERS

- Net interest margins and CASA were impacted adversely
- On the day the swap ratio was announced, CBoP shares, which had run up in anticipation, fell 14.5% to Rs48.25 per share in adjustment to the ratio.
- HDFC Bank shares fell 3.5% to close at Rs1,422.70 a share, reflecting investor concerns that CBoP's valuation was too high.
- CBoP's asset quality and resource profile, though healthy, are slightly weaker than HDFC Bank's own and could impact HDFC Bank adversely in the short term.
- According to rating agency CRISIL, the benefits of an expanded branch network and wider geographical coverage will more than offset any short-term negatives.
- Ongoing agitation by unions of public sector banks against consolidation of SBI
- Other roadblocks
  - Technological Issues – Finacle Vs Finware
  - HR Issues – Mapping of Employees
  - Operational Issues – Account opening, cheque book issue, net banking, Recurring Deposits
  - Infrastructural Issues – Multiplicity of branches, ATMs
  - Risk Issues – NPA

3.8 KEY INDICATORS : DEAL OF TATA MOTORS-JAGUAR LAND ROVER

COMPANY PROFILE (TATA Group)

- A global business group with products and services in over 150 countries.
- Over 5,80,000 employees and operations in over 100 countries.
- Group revenue is $103.27bn with 67% generated in geographies other than India.
- Global leader in several sectors.
COMPANY PROFILE (TATA Motor Limited)

- Tata Motors Limited (formerly TELCO, short for Tata Engineering and Locomotive Company) is an Indian multinational automotive manufacturing company and a subsidiary of the Tata Group headquartered in Mumbai, Maharashtra, India.
- Its products include passenger cars, trucks, vans, coaches, buses, construction equipment and military vehicles.
- It is the world's 17th-largest motor vehicle manufacturing company, fourth-largest truck manufacturer, and second-largest bus manufacturer by volume.
- Founded in 1945 as a manufacturer of locomotives, the company manufactured its first commercial vehicle in 1954 in collaboration with Daimler-Benz AG, which ended in 1969.
- Tata Motors entered the passenger vehicle market in 1991 with the launch of the Tata Sierra.
- In 1998, Tata launched the first fully indigenous Indian passenger car, the Indica.
- In 2008 launched the Tata Nano, the world's cheapest car.
- Tata Motors acquired the South Korean truck manufacturer Daewoo Commercial Vehicles Company in 2004 and purchased Jaguar Land Rover from Ford in 2008.
- Tata Motors has auto manufacturing and assembling plans are in Jamshedpur, Pantnagar, Lucknow, Sanand, Dharwad and Pune in India and as well as in Argentina, South Africa, Thailand, and the United Kingdom.
- Tata Motors' principal subsidiaries include the British premium car maker Jaguar Land Rover (the maker of Jaguar, Land Rover, and Range Rover cars) and the South Korean commercial vehicle manufacturer Tata Daewoo.

PRE MERGER COMPANY PROFILE (FORD Motor Limited)

- The Ford Motor Company is an American multinational automaker headquartered in Dearborn, Michigan, a suburb of Detroit.
- It was founded by Henry Ford and incorporated on June 16, 1903.
- Henry Ford was 39 years old when he founded the Ford Motor Company, which would go on to become one of the world's largest and most profitable companies.
• The company sells automobiles and commercial vehicles under the Ford brand and most luxury cars under the Lincoln brand.

• Ford is the second-largest U.S.-based automaker (preceded by General Motors) and the fifth-largest in the world based on 2010 vehicle sales.

• At the end of 2010, Ford was the fifth largest automaker in Europe.

• Ford is the eighth-ranked overall American-based company in the 2010 Fortune 500 list, based on global revenues in 2009 of $118.3 billion.

• Ford's former UK subsidiaries Jaguar and Land Rover, acquired in 1989 and 2000 respectively, were sold to Tata Motors in March 2008.

JAGUAR OVERVIEW

• JLR was a part of Ford's Premier Automotive Group (PAG) and were considered to be British icons.

• Jaguar was involved in the manufacture of high-end luxury cars.

• Jaguar Cars Ltd. (better known simply as Jaguar) is an automaker from England.

• United Kingdom that manufactures luxury and executive motor car.

• Sir William Lyons founded jaguar as the Swallow Sidecar Company in 1922, originally making motorcycle sidecars before switching to passenger cars.

• The name was changed to Jaguar after the Second World War due to the unfavorable connotations of the SS initials.

• The company also holds royal warrants from Queen Elizabeth II and Prince Charles.

LAND ROVER OVERVIEW

• British car manufacturer founded in 1948 as a marquee of the Rover Company.

• Known for superior off-road and road performance

• 1976 – 1 million cars running on the road

• In 1994 Rover Group is taken over by BMW

• sold to FORD MOTORS for $ 2.75 b in 2000.

• Used by military for projects and expeditions, Safe but less reliable, Makeover in recent times

• Land Rover manufactured high-end SUVs.
WHY IS FORD SELLING?

- Reports said losses at Jaguar stood at USD 715 million in 2006.
- Jaguar was not able to provide any profit for Ford because of the high manufacturing costs provided in the United Kingdom.
- The strong boy Land Rover's profit, on the other hand, was driven by the record sale of 2.26 lakh vehicles, an 18% YoY growth in 2007.
- Ford was combining both the brands since the products and manufacturing of vehicles for Land Rover and Jaguar was so intertwined.

THE DEAL PROCESS

- **12/06/2007** - Announcement from Ford that it plans to sell Land Rover and Jaguar.
- **August 2007** - Major bidders are identified
- **Likely buyers:** Tata Motors, M&M, Ceribus capital Management, TPG Capital, Apollo Management
- India’s Tata Motors and M&M arrive as top bidders ($ 2.3b & $ 1.9b)
- **03/01/2008** – Ford announces Tatas as the preferred bidders
- **26/03/2008** - Ford agreed to sell their Jaguar Land Rover operations to Tata Motors.
- **02/06/2008** – The acquisition is complete

THE DEAL

<table>
<thead>
<tr>
<th>100% stake in Jaguar &amp; land Rover Business</th>
<th>TAMO has acquired the business &amp; initially they will be operated independently of the partner.</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Plants in UK</td>
<td>These are well invested plants</td>
</tr>
</tbody>
</table>
### Key Indicators: Selected Deals of Mergers and Acquisitions

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2 advanced design &amp;</td>
<td>4-5000 engineers engaged in testing, prototype design &amp; powertrain</td>
</tr>
<tr>
<td>engineering center</td>
<td>Engineering, development &amp; integration</td>
</tr>
<tr>
<td>26 National sales company</td>
<td>Both existing national sales companies of jaguar/land rover &amp; also those that are carved out of current Ford operation</td>
</tr>
<tr>
<td>Intellectual property</td>
<td>This covers all key technologies to be transferred to JLR &amp; perpetual royalty free license on technologies shared with Ford</td>
</tr>
<tr>
<td>rights</td>
<td></td>
</tr>
<tr>
<td>Capital Allowance</td>
<td>A minimum guaranteed amount of $1.1 bn which will help managing in Tax going forward</td>
</tr>
<tr>
<td>Support from Ford Motor</td>
<td>Ford Motor Credit will continue to support the sales of JLR for around next 12 months</td>
</tr>
<tr>
<td>Credit</td>
<td></td>
</tr>
<tr>
<td>Pension Contributed by</td>
<td>Ford will contribute $600 mn of the Pension Fund</td>
</tr>
<tr>
<td>Ford</td>
<td></td>
</tr>
</tbody>
</table>

**WHY TATA BUYING?**

- Tata wanted to make a global impact and it thinks that buying these brands at a lower rate now, will give better value later on.
- This acquisition also eases the entry of Tata in European market which it has been eyeing for long.
Reduce the company dependence on the Indian market which accounted for 90% of its sales

Opportunity to spread its business across different customer segment

At the price staring from 63 lakh and going up to 93 lakh, it seems Tata has just got the right place to compete with the current market leaders in luxury brands – BMW, Audi, Mercedes

Publicity on an international scale

Access to large distribution network

JLR had many new models lined up for next 3 years, so no much work just profits

Strong R & D culture and facilities

PROBLEMS IN THE DOMESTIC MARKET

The profits for the first quarter for the year 2008-09 were at 3.26 billion

Q3 the sales of passenger vehicles went down to 41,287 units a drop of 14.14%

Tata Motors cut production across different categories.

FINANCING STRATEGY

Tata Motors could comfortably finance the acquisition of Jaguar and Land Rover. The Indian automaker was sitting on a cash pile of over Rs 6,000 crore and generated free cash of over Rs 1,000 crore during FY07. It could easily use these reserves to raise more funds without endangering its finances.

At the end of last financial year, Tata Motors’ debt-to-equity ratio was a low 0.56, giving it ample head room to raise more funds.

Low leverage of the auto biz provided funding flexibility

At the time financed the purchase through a $3bn, 15month bridge loan

Additional amount of US $ 0.7 billion was for engine and component supply, contingencies and working capital.

It intended to refinance the loan through long-term funds

valuable stakes in group companies

Owns $400m of Tata Steel at current prices

Owns stake in Tata Sons (Tata Group’s holding company) worth at least $600m
REFINANCING OF THE LOAN

The amount was repaid in following manner

- Rs 1.92 billion Underwriting agreement with JM financial consultants
- Rs 1.75 billion was raised through a deposit scheme from the public
- Additional subscriptions by promoter companies- Tata sons, Tata capital and Tata Investment Ltd.
- $1 billion aid package by British Government. (out of total $2.3 billion)

FOR WHAT TATA MOTORS PAID

- 3 modern plants in UK
- 2 advance design and engineering center
- 26 national sell companies
- Intellectual property: free license to share technology with Ford
- Support from ford motor credit: Ford motor credit will continue to support the sale of Jaguar and Land rover for next 12 months

POST MERGER

Following Cost Rationalization initiatives were taken to improve cash flows:

- Single shifts and down time at all three UK assembly plants.
- Supplier payment terms extended from 45 to 60 days in line with industry standard.
- Receivables reduced by £133 million from 38 to 27 days.
- Inventory reduced by £217m between June 2008 and March 2009 from 70 to 50 days.
- Labor actions –
  - Voluntary retirement to 600 employees.
  - Agency staff reduced by 800.
  - Offered leaves to 300 workers of Bromwhich and solihull plant.
  - Additional 450 job cuts including 300 managers.
• Agreement with Unions to implement pay freeze and longer working hours (equivalent to approximately 20% reduction in labor costs.)
• Engineering and capital spending efficiencies.
• Fixed marketing and selling costs reduced in line with sales volume.
• Reduction in all other non-personnel related overhead costs.

PROBLEMS

• Drop in share prices
• Failure of rights issue
• Huge debt burden
• Sales volume decreased by 35.2%
• Lack of consumer loans
• Issue of timing
• Operational freedom slows pace of change
• Depressed state of the global premium car market
• Jaguar/Land Rover lost 306 million pounds ($504 million) for the fiscal year ending March 2009
• Tata Motors reported a net loss of Rs3.29bn ($67 million) for the quarter to end-June
• Tata’s core commercial vehicles market in India is also suffering from slower sales
• Extremely high manufacturing costs in Britain
• Eliminated more than 2,200 jobs

BENEFITS

• Tata wanted to make a global impact and it thinks that buying these brands at a lower rate now, will give better value later on.
• This acquisition also eases the entry of Tata in European market which it has been eyeing for long. A previous JV with FIAT took place, this would further help them penetrate EU market.
• Reduce the company dependence on the Indian market which accounted for 90% of its sales
• Increase sales in emerging markets
• Reduce dependence on mature markets
• Opportunity to spread its business across different customer segment
• At the price staring from 63 lakh and going upto 93 lakh, it seems Tata has just got the right place to compete with the current market leaders – BMW, Audi, Mercedes
• Publicity on an international scale
• Access to large distribution network
• JLR had many new models lined up for next 3 years, so no much work just profits
• Strong R & D culture and facilities
• Component sourcing, engineering and design benefits

3.9 KEY INDICATORS: DEAL OF STERLITE- ASARCO

KEY FACTS

In line with our VEDANTA Group's strategy to simplify our corporate structure, Sesa Goa Ltd and Sterlite Industries (India) Ltd were merged to create Sesa Sterlite Ltd. Sesa Sterlite Ltd was renamed Vedanta Limited, effective 21 April 2015. As a part of the Group consolidation, Vedanta's stake in Cairn India and Vedanta Aluminium has moved under Vedanta Limited (Formerly Sesa Sterlite Ltd/Sesa Goa Ltd). The company will have operations across Zinc-Lead-Silver, Aluminium, Copper, Iron Ore, Silver, Oil & Gas and Commercial Power. It has a portfolio of world class assets in India, Australia, Namibia, South Africa, Sri Lanka and Ireland. Vedanta Ltd. is listed on the Bombay Stock Exchange and National Stock Exchange in India and the New York Stock Exchange in the United States.

The merger simplified the group structure and created a more efficient capital structure with better alignment of debt and cash flows. It will deliver significant synergies and unlock value for shareholders.

TRANSACTION HIGHLIGHTS
• Sterlite Industries and Vedanta Aluminium merged to form Sesa Sterlite Limited in September 2013.
• Sesa Sterlite Limited renamed Vedanta Limited effective 21 April 2015.
• The merger of Sesa Goa, Sterlite and Vedanta Aluminium created Sesa Sterlite, now renamed Vedanta Limited, some key facts about the merger are -
  ➢ 3 Sesa Goa shares issued for every 5 existing Sterlite shares
  ➢ Vedanta Aluminium Ltd (VAL) has been 100% consolidated into Vedanta Ltd (Formerly known as Sesa Sterlite Ltd/Sesa Goa Ltd)
  ➢ Vedanta’s direct holding of 38.8% in Cairn India Limited transferred to Vedanta Ltd, together with associated debt at cost. Sesa Sterlite now has a 58.9% shareholding in Cairn India
• Vedanta Limited (Formerly known as Sesa Sterlite Ltd/Sesa Goa Ltd.)- Key Highlights:
  ➢ It created one of the world's largest natural resources companies.
  ➢ It has a portfolio of world class, low cost, scalable assets generating strong and consistent profitability and free cash flows.
  ➢ Industry-leading production growth driven by substantially invested projects.
  ➢ The consolidation of our strengths, will lead to the creation of better opportunities and sustainable value for all stakeholders.
• Cairn India to merge into Vedanta limited in $2.3 bn all-share deal on 14 June, 2015.
• Shareholders in Cairn India, the country’s top private oil producer, will get one ordinary share and 7.5 per cent redeemable preference share of Vedanta Ltd with a face value of Rs 10.
COMPANY PROFILE (Sterlite Industries)

- Anil Agarwal founded Sterlite Industries, subsidiary of Vedanta Resources plc, in 1976 is based in Mumbai, India.
- Sterlite Industries, sesa goa and Vedanta Aluminium merged to form Sesa Sterlite Limited in September 2013.
- Sesa Sterlite Limited renamed Vedanta Limited effective 21 April 2015 just to simplify the structure of Vedanta Group companies.
- Recently, Cairn India to merge into Vedanta limited in $2.3 bn all-share deal on 14 June, 2015.
Shareholders in Cairn India, the country’s top private oil producer, will get one ordinary share and 7.5 per cent redeemable preference share of Vedanta Ltd with a face value of Rs 10.

PRE MERGERS COMPANY PROFILE (ASARCO)

- ASARCO was founded in 1899 as he American Smelting and Refining Company.
- ASARCO LLC is a mining, smelting, and refining company based in Tucson, Arizona, USA.
- The company is a subsidiary of Grupo México.
- Its three largest open-pit mines are the Mission, Silver Bell and the Ray mines in Arizona.
- Its mines produce 350 to 400 million pounds of copper a year.
- It is an over 115 year old company.
- And is currently the third largest copper producer in the United States of America.
- It produced 235,000 tons of refined copper in 2007.
- Asarco’s mines currently have estimated reserves of approximately 5 million tonnes of contained copper.
- For the year ended 31 December 2007, Asarco had total revenues of approximately $1.9 billion.

DEAL

- In May 2008, Sterlite had clinched the bid to buy the assets of Asarco, which went bankrupt in 2005, for $2.6 billion.
- Just a couple of months later in July, Sterlite's offer was set aside by Grupo Mexico, the parent company of Asarco, which was allowed to come up with a revival package.
- From July 1, 2008, global prices of copper tumbled by more than 60%.
- This was on the back of low demand in line with the global economic slowdown.
- The $2.6 billion offer for Asarco, which is in possession of about 5 million tonnes of copper reserves, looked a trifle expensive.
• It seemed like Sterlite would have been in a bit of a bother if the deal had gone through.

• Cut to March 2009, Grupo Mexico, by then, had failed to take back control of Asarco which made way for Sterlite’s re-entry.

• At this stage, Sterlite made a revised offer of $1.8 billion for Asarco’s assets in the light of a sharp fall in copper prices. The creditors (including government agencies), who were handed the control of Asarco, have since then accepted Sterlite's offer.

STERLITE-ASARCO DEAL

• Finally Sterlite Industries (India) Limited (“Sterlite”), a subsidiary of Vedanta Resources plc, the London-based metal and mining group, has signed a new agreement with ASARCO LLC (“Asarco”), a Tucson based mining, smelting and refining company, for purchase of substantially all the operating assets of Asarco at $1.8 billion.

• The purchase consideration comprises
  o A cash payment of US$ 1.1 billion on closing; and
  o A senior secured non-interest bearing promissory note (the “Note”) for US$ 600 million, payable over a period of nine years as follows:
    ▪ US$ 20 million per year from the end of second year for a period of seven years; and
    ▪ A terminal payment of US$ 460 million at the end of the ninth year, totaling to US$ 600 million.

• In the event that the annual average of daily copper prices in a particular year increases beyond US$6000 per ton, the annual payment in that year will be proportionately increased subject to a maximum of US$ 66.67 million and the terminal payment in the ninth year will be correspondingly reduced, keeping the total payment at US$ 600 million.

• The principal amount of the Note will be adjusted for any variations in working capital on closing.

• The obligations under the Note are secured against the assets being acquired and are without any recourse to Sterlite.
• The integrated assets to be acquired include three open-pit copper mines and associated mills and SX-EW in Arizona, USA, a copper smelter in Arizona, USA and a copper refinery, rod and cake plants and a precious metals plant in Texas, USA.

• The asset acquisition is on a cash free and debt free basis.

• Sterlite will assume operating liabilities but not legacy liabilities for asbestos and environmental claims for ceased operations. The consideration being paid is towards the gross fixed assets and working capital of Asarco.

Asarco is expected to create significant long term value for all stakeholders through:

• Leveraging Sterlite’s proven operational and project skills to develop and optimise Asarco’s mines and plants; „

• Access to attractive mining assets with long life; „

• Geographic diversification in the North American market;

• And Stable operating and financial platform for Asarco.

3.10  KEY INDICATORS : DEAL OF SUZLON-REPOWER

COMPANY PROFILE  (Suzlon Energy Ltd.)

• Suzlon Energy Ltd. Was established by the chief promoter Mr. Tulsi Tanti on 10th April, 1995.

• Suzlon's story began in 1995 when founder Tulsi Tanti was managing a 20-employee textile company but they face erratic availability of power locally and With the help of some of his friends in Rajkot, he moved into wind energy production as a way to secure the textile company's energy needs, and founded Suzlon Energy.

• **Suzlon Energy Limited**, ranked as the world’s fifth largest wind turbine supplier, in terms of cumulative installed capacity and market share.
• The Group – headquartered at Suzlon One Earth in Pune, India – comprises Suzlon Energy Limited and its subsidiaries.

• Core Business Area of Suzlon is Wind Turbine Manufacturing & Turnkey wind power solutions provider.

• Geographical presence of Suzlon is in 17 countries and 6 continents.

• Key Markets places of suzlon are in Asia Pacific (India, China, Australia, Sri Lanka), Americas (USA, Canada, Brazil, Nicaragua), Europe (Germany, Spain, Portugal, Romania, Turkey, Bulgaria, Sweden)

• Emerging Markets focus of Suzlon are on MENA Region, South Asian countries, Argentina, Chile and Mexico.

• Suzlon’s 14 Number of Production Facilities are available in India, USA and China.

• Key R&D Centres are in Germany (Hamburg, Osnabriick, Osterrénfeld, Rostock, Berlin), India (Pune & Vadodara), Denmark (Aarhus), Netherlands (Hengelo).

• Major products manufactured by sozlon are Generators, Rotor Blades, Control Panels, Tubular Towers, Nacelle, Nacelle Cover, Nacelle Service, Hub Castings, Plug, Mould, EMT, SPM & Blade Testing.

PRE MERGER COMPANY PROFILE (Repower Systems)

• Senvion SE (formerly REpower Systems SE) is a German wind turbine company founded in 2001, owned by Centerbridge Partners.

• Its product range comprises several types of turbines with rated outputs of between 1.5 and 6.15 megawatts.

• The headquarter of REPOWER is in Hamburg, Germany.

• Senvion was formed in 2001 from the merger of the company Jacobs energy with HSW (Husum Shipyard), "BWU" and "pro + pro energy systems" (a subsidiary of aerodyn energiesysteme and Denker & Wulf).

• In May 2007, after efforts by its largest shareholder Areva to take a controlling interest in the company, a series of protracted bidding rounds resulted in not Areva, but Suzlon Energy of India acquiring the majority shareholding in REpower Systems for $1.7 billion.
• REpower is one of the leading players in the fast-growing worldwide wind energy sector, specializing in high output turbine technology particularly suitable for offshore turbines.

THE DEAL

• Following the takeover offer, Suzlon owns 33.85% of REpower shares
• Due to the voting-pool arrangements with REpower-shareholders Martifer and Areva, Suzlon controls now in total 87.1% of the votes
• At the end of its takeover bid for the shareholders of the Hamburg-based REpower Systems AG, the Indian wind turbine manufacturer Suzlon owns 33.85% of the company’s shares. In the additional acceptance period, which lasted from 11th until the 25th of May, Suzlon received 25.46% of REpower’s capital.
• By this 25.46% and through so-called Voting-Pool-Agreements with the two REpower shareholders Martifer and Areva, Suzlon now controls 87.1% of the votes in REpower.
• At REpower’s enterprise value of USD 1.8 billion, this is reportedly the 3rd largest overseas takeover bid by any Indian company.
• The innovative structuring of the deal is designed to phase cash outflows for the entire controlling stake over more than two years, while immediately accruing synergy benefits.
• With the acquisition Suzlon will be accelerate its expansion into the European wind energy market, which constitutes approximately half of the of the global wind energy market.
• Additionally, the complementary product portfolios and R&D strategies will also drive the accelerated development of the next generation of more robust and cost effective wind power solutions, particularly in the offshore wind energy arena, where REpower has developed and commercialized its 5 MW wind turbine, currently the world’s largest.

IMPORTANT MILESTONES IN REPOWER ACQUISITION

The Sequence of events that took place before the acquisition of REpower was accomplished are presented below in chronological order:
• 5th Feb 2007
The largest single shareholder of REpower Systems AG, French AREVA S.A., announced its intention to make a friendly takeover offer to all shareholders of REpower Systems AG. This offer represented a cash offer of EUR 105.00 per share and a premium of 44 per cent on the three-month average of the stock price.

• 9th Feb 2007
Suzlon Windenergie GmbH announced a counteroffer to the takeover offer for REpower Systems AG released by the French AREVA S.A.. The counteroffer by Suzlon Windenergie – an affiliated company of the Indian wind turbine manufacturer Suzlon Energy Ltd. and the Portuguese steel construction company Martifer – represents a cash offer of EUR 126.00 per share (which corresponds to a market capital of EUR 1.02 billion). Suzlon bid for the company in a consortium with Martifer SGPS, SA, Oliveira de Frades of Portugal. A new special purpose vehicle was formed for the acquisition, with Suzlon holding 75 per cent and Martifer 25 per cent. Suzlon and Martifer have signed a legally binding agreement, which sets out the terms for this offer. Part of the agreement is that Suzlon will finance the offer and Martifer will support it. The offer that Suzlon made competes with the public tender offer of Areva for REpower. Suzlon’s counter-offer price exceeded the price offered by Areva by 20 per cent, with the offer price being higher than any historic share price of REpower. The offer price was at a premium of 76 per cent on the average volume weighted share price of REpower over the last three months prior to the offer announced by Areva on January 22.

• 28th Feb 2007
Suzlon Windenergie GmbH delivered the offer document regarding the acquisition of the shares of REpower Systems AG at the price quoted on 9th Feb bid.

• 15th March 2007
Areva increased its offer to EUR 140 a share. The improved offer price of EUR 140 in cash for each REpower share values REpower at a total equity
value of EUR 1,137 million Euro and represents a premium of 11.1 per cent to Suzlon Windenergie GmbH's offer. This also represents a premium of 95.9 per cent to the three-month average weighted share price.

• 10th April 2007
Suzlon Windenergie GmbH revised its offer from EUR 126 a share to EUR 150 a share in response to the EUR 140 offer made by Areva. The new deadline for the shareholders to take a decision has been extended further to 4th May 2007. There was a feeling that the there was a political dimension to this acquisition as the German Prime Minister might be in favor of Areva taking over REpower as Areva has a long and sound Past, unlike Suzlon which is a relatively new Indian company.

• 1st June 2007
Following the takeover offer, Suzlon owns 33.60% of REpower shares at the offer price of EUR 150 per share. Due to the voting-pool arrangements with REpower-shareholders Martifer and Areva, Suzlon controls now in total 87.1% of the votes. In the additional acceptance period, which lasted from 11th until the 25th of May, Suzlon received 25.46% of REpower’s capital.

• Shareholder Structure After Acquisition
  Suzlon: 33.60%
  Martifer: 23.00%
  AREVA: 29.90%
  Free-Float: 13.50%

RATIONALE BEHIND THE ACQUISITION

The partnership will create a combination poised for technological leadership in wind power solutions. Looking forward into the future the following benefits can be reaped from this strategic acquisition.

• REpower and Suzlon will together form the best team in the global wind energy industry
The combination brings together strong R&D, excellent technology teams and access to European markets with a vertically integrated supply chain, global market reach, strong technology and manufacturing base and financial muscle.

The combination promises to be a technology powerhouse capable of delivering and sustaining high growth with high margins.

The REpower – Suzlon combination has the potential to become the world leader in wind power solutions.

The partnership will create the most reliable product with the best life cycle cost.

CONCLUSION

In this chapter all ten sample companies discussed in brief with the overview of the mergers and acquisition deal terms and condition. So that we can easily analyze history, background and past performance with the financial performance analysis. This chapters also gives us the basic motive, objective and expected synergy of the companies from the M & A deals.
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