CHAPTER – IV

CASE STUDY OF SELECTED INDIAN CROSS- BORDER ACQUISITIONS

In this study, the major cross-border acquisitions of the country that took place during the US credit crisis (2007) were taken into consideration. Out of which, around 20 deals of 5 major sectors such as Energy, Metals and Mining, Services, Food and Beverages and Pharmaceutical were selected for this study. Among the sample firms, most of them have gone for takeovers (14), few controlling stakes (4) and only two of them had strategic acquisitions. The country-wise classification indicates that US and European targets were around sixteen, two were in the Asian region and one from Africa and Russia. It is focused that most of the acquisitions of the selected deals took place between 2007 and 2008. There were 5 deals in Energy, 5 in Services, 4 in Pharmaceutical and 3 deals each in other sectors like Metals and Mining and Food and Beverages.

This chapter gives detailed explanation of each acquisition in the form of case study. The major facts related to the acquired companies during and post-acquisition is given in Appendix C and D. The cases are discussed sector-wise henceforth.

A. Energy Sector
B. Metal and Mining Sector
C. Services Sector
D. Food and Beverages Sector
E. Pharmaceutical Sector

A. ENERGY SECTOR

Energy has been globally accepted to be a vital input to run our daily life and also the economy therefore there is a bi-directional association between economic growth and energy consumption. The Indian Energy Sector has observed tremendous growth over the years in an effort to satisfy the increasing demand. The energy intensity in India was more than double that of the developed countries (OECD countries) and elevated than the emerging economies (Asian countries, ASEAN member countries and China). But, since
1999, the intensity has seen a persistent decrease; which in turn has led to revolution and reforms in energy sector on resource exploration, capacity building and management. On the other hand, resource escalation and increase in energy supply have botched in meeting the growing demands fueled by mushrooming population and urbanization with economic progress. Hence, serious energy shortages persist to plague India, compelling it to depend profoundly on foreign companies to import. Indian companies started opting for cross-border alliances to satisfy current needs by consolidating both capital and human resources. In order to meet the escalating demand, government has permitted 100 percent FDI in many segments such as natural gas, petroleum products and refineries.

The Energy Sector primarily comprises of Petroleum and Natural Gas, Coal, Power, Energy Efficiency and Conservation and renewable energy industries. In this study, the major acquisitions in the energy sector (a) Reliance Industries acquiring Marcellus Shale; and (b) ONGC acquiring Imperial Energy (c) Suzlon Energy acquiring Hansen Transmissions; (d) TATA Power acquiring Kaltim Prima; and (e) GMR Infrastructure Ltd. acquiring IntraGen NV Power are analyzed. The acquisition story of each case along with the involved companies is discussed in detailed below.

(a) RIL - SHALE Deal

Reliance Industries (RIL) was established in the year 1966 by Dhirubhai Ambani in Mumbai, India and it is a holding company. It is the 2nd largest in terms of revenue and market capitalization and also publicly traded company. According to 2014 Fortune Global 500 rankings, the company was ranked 114th on the list of world’s biggest corporations. Currently it operates (i) exploration and production, (ii) refining and marketing, (iii) petrochemicals, (iv) retail and (v) telecommunications under Mr. Mukesh Ambani’s Chairmanship. The major products include crude oil, natural gas, petrochemicals, petroleum, polyster, textiles, etc. The company contributes nearly 20% of the total exports from India. The major milestones achieved by the company prior to Shale deal are:

- 1977 – RIL went public with IPO
- 1992- First ever international GRD issued by an Indian company
- 1995 – Net profit crossed Rs. 1000 Cr; incomparable to any Indian Private Company
- 1996-97 – First (Asian corporate) to issue 50 and 100 years bond in US debt market
- 1999-2000 – Jamnagar Petrochemicals and Integrated Refinery Complex were set up.
- 2001-02 – Merger of Reliance Petroleum Limited with RIL announced
- 2002-03 – Acquired control of Indian Petrochemicals Corporation Ltd. and discovered largest sources
- 2007-08 – Merger between RIL and Indian Petrochemicals Corporation Ltd completed.

The Deal Story

Reliance Industries acquired its first ever asset in Marcellus Shale in April 2007, which was considered to be the biggest overseas acquisition by a private firm during that time span. The deal was valued to be $1700 Million. Marcellus Formation is known to be a subgroup of Hamilton Group located in New York, USA. It is a unit of marine sedimentary rock found in eastern North America extending throughout the Appalachian Basin. Shale contains intact natural gas reserve, and its propinquity to high demand markets along the east coast of the US, make them a preferable target for energy development. It covers nearly 104,000 square miles with the largest sources of natural gas across the country.

Analysts proposed that the investment by RIL will enhance its access to resource as well as technological knowhow. The synergies for acquisition included; (i) Shale was an untapped eccentric source of natural gas, (ii) Prospect of developing Shale gas in India was high, (iii) Though RIL could garner high returns from the investment, they could also provide the necessary technology required to produce shale gas in India, (iv) Increase in the RIL resource base, (v) Provided new platform for exploration and production
business, and (vi) Enhanced ability to activate such resource projects in future. Post acquisition, the coalition formed was named to be Relaince Marcellus LLC. The drilling activity in Shale since 2008 had garnered both economic advantages and environmental concerns. In June 2010, RIL had bought 45 percent stake in Pioneer Eagle Ford Shale for $1.31 Billion. They also entered into two more partnerships using US subsidiaries Carrizo and Chevron; in total invested $7.9 Billion for all three projects. At present, there are nearly 92 operating companies in Shale Gas Assets. In May 2015, RIL decided to sell their stake in Shale assets due to decrease in crude prices and also there was a protest against Shale gas because of the ground water contamination through chemicals. Owing to which most of the companies are plummeting exposure of shale gas projects in their country reasoning environmental damage.

However, some major events that took place in RIL after the alliance were:

- 2011 – Strategic Partnership between RIL and British Petroleum (BP) announced. RIL entered into partnerships with Atlas Energy, Pioneer Natural Resources and Carrizo Oil and Gas of USA through separate joint venture agreements.
- 2012 – Found a rich gas resource in the Cauvery – Palar basin.
- 2013 – Received the prestigious ‘International Refiner of the Year’ award.
- 2014 – Discovery of gas in East coast (KG-D6 block).

As of 2015, around 24,930 are employed in RIL with 31,114 Cr operating income installed and net profit valuing to 23,566 Crore and it has 13 blocks in the international conventional portfolio.

(b) ONGC – Imperial Energy Deal

In order to develop the energy sector, government of India arranged the Oil and Natural Gas Commission (ONGC) in 1956 and became a statutory body named ONGC act 1959. Later in 1993, the commission transferred its assets to the ONGC and was administered by Ministry of Petroleum and Natural Gas as a public sector unit. It is headquartered in Dehradun, Uttarkand, India. Dinesh Kumar Sarraf is the Chairman and
managing head of ONGC. Their products include petroleum, natural gas, and other petrochemicals. Cross border acquisitions in the energy sector started with the formation of ONGC Videsh Ltd (OVL) in the year 1996. It is a 100 percent subsidiary of ONGC started with the aim to help India gain energy security. OVL was formed to promote increase in oil and gas assets overseas through acquisitions along with exploration, development, production, transportation and export of oil and gas. Being an upstream player in the sector was the pioneer in making cross border alliances; subsequently all other upstream as well as downstream players started acquiring energy assets abroad. At present 32,923 were employed in ONGC (2013). The important events that took place in ONGC after incorporation and before Imperial acquisition are listed below:

- **1994** – Company took over the business, assets and liabilities from the commission.
- **1996** – ONGC held 40 percent interest in 3 joint ventures for development of Panna-Mukta, Ravva, and Mid and South Tapti. The government approved the joint venture proposal of GAIL, IOC, and BPCL with ONGC for import of LNG Liquefied Natural Gas.
- **1997** – ONGC granted the ‘Navaratna’ status. They have started joint ventures with US, Russia, Vietnam, Yemen, Tunisia, Egypt and Kazakshtan. Ministry of Petroleum and Natural Gas initiated joint venture with ONGC for exploration. Royal Dutch Shell Group to join hands with ONGC to revive Neelam oil field.
- **1998** – ONGC negotiated a 50:50 joint venture deal with ACRO, an American company for exploration in Coal Bed Methane projects.
- **1999** – ONGC and Lukoil of Russia joined hands to explore and exploit oil in Central Asian countries.
- **2000** – ONGC entered into an agreement with Bank of America (Zero Million syndicated loan) to help them repay their expensive CITI Bank loan. ONGC and IOC proposed strategic partnership to explore and produce hydrocarbons and market them abroad. NTPC and ONGC joined together to set up gas residue based power projeets.
- **2001** – OVL signed a deal with Russian National Oil Company Rosneft to acquire 20 percent stake in Sakhalin – I oil field, Moscow for $ 1.7 billion. A training and
consultancy service centre was set up with IOC named ONGIO international pvt ltd.,

- 2002 – Acquired 20% in gas project of South Korean firm Daewoo International. Retained the biggest public sector company in terms of profit HPCL joined to buy Liquefied Petroleum Gas. OVL acquired 25 percent stake in Greater Nile Project, Sudan.
- 2003 – Started deep-water exploration project. Made a strategic alliance with Cairn Energy Plc. Government of India divested 10 percent of their equity in ONGC.
- 2004 – Market capitalization exceeded Rs. 1,00,000 Cr. Launched deep-water project named Sagar Samriddhi. Awarded Rs. 1,006 Cr project to Larsen and Turbo. OVL acquired 55 percent in Australian Oil Block. NLCL tied with ONGC.
- 2005 – ONGC confirmed an oil block deal in Nigeria. Tied up with Hinduja for executing Liquefied Natural Gas terminals.
- 2006 – Employees were given bonus in 1:2 ratio for the 50th foundation anniversary.
- 2007 – ONGC signed MOU with Taraska Geophysica Technologies, Russia for improving matured fields production. ONGC exchanged exploration blocks with ENI.
- 2008 – Started drilling in Cauvery deepwater block and had partnership with rock sources.

The Deal Story

In January 2009, ONGC through their international arm OVL acquired 96 percent stake in Imperial Energy for US $ 2.1 Billion shareholders accepting with an offer of 12.50 pound per share. Imperial comprised of seven blocks in Tomsk region. Imperial Energy Limited, previously known as Jarpeno Limited was found in 2004 is a UK based company with its exploration and production business centered in Siberia. It is headquartered in Leeds, UK. It had oil producing blocks in Tomsk region of western Siberia and Kastanai in northern-central Kazakhstan. In 2003, it bought 20 percent in Exxon Mobil Corp’s Sakhalin – I field, Russia for US $ 1.7 Billion and great Nile project.
in Sudan for US $ 785 Million. The company was listed in the London Stock Exchange for the first time in 2007, with operating income of US $ 39 Million and US $ 19.9 Million revenue. Imperial was producing 7000 barrels of oil per day (2008).

The deal was termed to be the biggest overseas acquisition ever made by OVL. It was funded through a combination of loan from ONGC (US $ 1.1 Billion at 5.96% interest rate) and the remaining was raised from domestic financial institutions. The reasons behind the acquisition were; (i) Imperial had reserves of 3.4 Billion barrels of oil equivalent, (ii) Exploration rate of Imperial was high which indicated increase in production, and (iii) Imperial had exceptionally high exploration success rate under British management, especially in block 80 to the north of river Ob.

After acquisition, Imperial Energy became a fully owned subsidiary of OVL set up in Cyprus. Its activities were centered mainly in Tomsk region of Western Siberia. Although post acquisition, exploration results under Indian Management were unsatisfactory; Imperial had large number of unexploited structures in all blocks. Thus, exploration of new wells and seismic data were planned for 2010 and invested nearly US $ 2335 Million in the project and its share of two petroleum assets in the project was 112.871 MMT. In 2012, ONGC planned to retreat from Imperial Energy as the predicted production levels were highly optimistic than realistic; the CAG audit confirmed that ONGC sliced proven reserves of Imperial by 1.527 Million tones post-acquisition which proved that the estimated reserve was inflated; and hence a impractical assessment resulted in loss accounting to Rs. 1,182 Crore by 2010. Although, in 2012, but planned to withdraw from Imperial; ONGC Senior Executives scoped for revival in production as they found some promising unexplored Bazhenov Shale fields. In 2013, the oil production counted to 0.560 MMT. Currently, OVL’s Imperial Energy comprises five independent companies functioning in Tomsk region including two oil and gas producing enterprises and service companies. Nearly 725 people were employed primarily working in oilfields of the company. The other notable events that took place in ONGC post – acquisition are listed below:

2010 – Granted ‘Maharatna’ status. Signed MOU with British Petroleum to promote business in India and overseas. Ranked number one among the world’s oil and gas exploration and production companies.

2011 – Sri Lanka gave 3 hydrocarbon blocks to ONGC. Sells 6,00,000 barrels of crude to Japan. Two new oil blocks discovered in Gujarat. ONGC surpassed RIL in terms of country’s most valued companies.

2012 – OVL agreed to acquire 8.4 percent stake for US $ 5 billion in Kashagan Oilfield, conferred to be its biggest acquisition till date. BHEL got Rs. 774 Cr contract from ONGC for supplying onshore drilling rigs.

2013 – Attained global recognition as oil major in Green rankings.

2014 – ONGC achieved highest market capitalization (Rs. 3.56 trillion) till date. OVL and Rosneft sign MOU over business in continental shelf of the Russian Federation. Spuds first well in Palar Basin. MOU signed between OVL and Turkish Petroleum Corporation. OVL permitted to explore in offshore New Zealand.

2015 – gave Rs. 27 Billion offshore contract for Bassein development project to L & T.

As of 2015, the operating income involved in ONGC was Rs. 53,566 Cr, the net profit amounted to Rs. 18647 Crore. Indian operations of ONGC include 11 assets, 7 basins, and 2 plants. OVL, the international arm of ONGC currently has 14 projects across 16 countries and produces 12 percent oil and 7 percent of natural gas of the country. ONGC produces more than 1.27 Million barrels of oil per day, which is around 70 percent of India’s crude oil, 62% of natural gas which caters 30% of Indian demand for the same. OVL contributes 12% of oil and 7% natural gas production of India.
Suzlon Energy Limited was established in 1995 by Tulsi Tanti, (chairman) of Suzlon Group (comprising Suzlon Energy Ltd. and its subsidiaries). At first, Tanti was managing a twenty employee textile company; which he was unable to run due to high electricity costs. Thus, he decided to start his own wind energy production in order to cater the energy needs of the textile business, and found Suzlon Energy. Suzlon Energy’s core business includes manufacturing and installing wind turbines. The company produces blades, panels, generators, in-house and offshore turbines through their overseas subsidiary. The firm is integrated downstream and delivers turnkey projects. The global sale is monitored in Aarhus, Denmark through its subsidiary Suzlon Energy A/S, which has branches in China, USA and Australia. Suzlon has its Research and development (R&D) centres in Germany, Netherland and India. Their customers include private firms like Bajaj Group, Birla Group, MSPL, DLF, etc.; public firms like HPCL, Indian Railways, Indian Oil, ONGC, NPCIL, GAIL, etc., some of their notable wind power installations include Jaisalmar Wind Park, Rajasthan; Wind Park in Kutch, Gujarat; Eastern Ghats, Tamil Nadu; and Satara district, Maharashtra. The major events in the history of Suzlon are:

- 2001 – Tanti sold the textile business
- 2003 – Received first saddles order from USA. An office set up in Beijing.
- 2004 – According to BTM Consult World Market, Suzlon Energy was ranked 6th biggest wind turbine manufacturer in world arena.
- 2006 – Suzlon Rotor Corporation started producing blades in Minnesota, US. Acquired Belgium firm Hansen Transmissions.
- 2007 – Bought a controlling stake in Senvion, Germany for US $ 1.6 Billion. Signed a contract to supply 150 wind turbines to Edison Mission Energy, US.
- 2009 – Sold 35% of Hansen for US $ 370 Million.
- 2010 – Ranked 5th largest wind turbine supplier.
- 2011 – Got an order for constructing 1000 MW wind energy products from Caparo Energy Ltd. Sold its remaining stake (26.06 %) in Hansen
Transmissions. Acquired full control over German subsidiary RePower Systems (now Senvion)

- 2012 – Decided to sell their stake in Chinese manufacturing unit to reduce debt.
- 2013 – Won two new UK orders. Crosses 1000 MW in Kutch, becoming India’s biggest wind park.
- 2015 – Sold their wholly owned subsidiary Senvion SE to Centerbridge Partners to ease debt. Dilip Shanghvi Family and Associates agreed to purchase 23 percent stake in Suzlon for Rs. 1800 Crores.

The Deal Story

In 2006, Suzlon Energy Ltd. acquired 100 percent control over Belgium firm Hansen Transmission’s Eve holding in an all cash transaction worth US $ 565 Million from Allianz Capital Partners and Apax Partners (Pvt Equity firm). Hansen Transmission has a track record from 1923. In 1929, the company started manufacturing specialized transmission units under the leadership of David Hansen. Later on, the company focused on supplying gearboxes to wind energy generation sector. After a series of takeovers, on March 17, 2006, Hansen Transmissions along with UK, Australia, Brazil, US and South African subsidiaries was acquired by Suzlon; and was termed the second largest overseas acquisition by an Indian company that time. During the acquisition, Hansen was engaged in design, development, manufacturing and supply of industrial and wind gear boxes and their manufacturing capacity was measured to be 3600 MW of wind turbine gearboxes and 3000 units of industrial gearboxes per year. The acquisition was carried by Suzlon’s Netherland subsidiary AE Rotor Holdings. The transaction was financed by debt worth US $ 450 Million taken as loan from ICICI Bank Ltd., SBI, Deutsche Bank AG and Barklays Bank Plc. The remaining amount was taken from Suzlon’s internal cash reserves. The role of financial advisor was played solely by YES Bank, whereas Linklaters Oppenhoff and Radler, Cologne and Khaintan and Co. were the legal advisors. UBS Investment Bank and Hengeler Mueller were from the seller’s side respectively. The rationale for Suzlon in the acquisition is listed below:
i. Access to supply of gearboxes.

ii. Allowed Suzlon to integrate Hansen’s gearbox technology which is highest in quality into their products in order to make reliable and competitive products.

iii. Working with Hansen’s competent management team, Suzlon could develop supply chain synergies, expand capacity in Belgium and develop additional capacity for emerging markets in Asia.

iv. Hansen’s strong presence in the market gave Suzlon the opportunity to strengthen their place in market.

On the other hand, Hansen hoped to gain regional knowledge and expertise from Suzlon Energy Ltd. for expanding in India. Post deal, Hansen Transmissions NV became a subsidiary of AE- Rotor Holding. Subsequent struggle with debt led Suzlon in selling its Hansen stake in pieces. In November, 2009, Suzlon sold its 35 percent stake for US $ 370 Million in order to repay an outstanding loan related to the acquisition. By March 2011, Suzlon had a net debt of Rs. 10, 000 Crore. The remaining 26 percent stake was sold to ZF Friedrichshafen AG for US $ 187 Million in September 2011. According to Tanti, it was a step taken to optimize and strengthen Suzlon’s balance sheet. Nevertheless in 2013, brokerages had expressed concerns regarding Suzlon’s e-debt repayment which may be postponed due to the financial crisis causing decline in the installations in global markets. According to the 2014 reports, Suzlon grossed revenue of US $ 3 Billion, debt was above Rs. 8000 Crores; due to which Suzlon sold Senvion SE to Centerbridge Partners for Rs. 7200 Crores in January 2015. In addition, Dilip Shanghvi Family and Associates agreed to buy 23 percent stake in Suzlon for Rs. 1800 Crores in order to infuse more equity. Currently, Suzlon has installations in 31 countries globally and eight manufacturing facilities within India with a workforce over 10,000 employed globally. It has retained its leading position in the industry for past eight years.
(d) TATA Power’s Indonesian Venture

TATA group was found by Dorabji Tata; from 1911, TATA Power is an electric utility company headquartered in Mumbai, Maharashtra. The services of the company include generation and distribution of electricity, exploration, production, transportation and distribution of natural gas. The core business of the firm is concentrated in generating, transmitting and distributing electricity. They also have the credit to comprise all aspects of power from fuel and logistics to trading. Being India’s second largest private power producer, it has made significant presence in wind, solar, hydro and geothermal energy space. The company had its inception in 1911 and was named TATA Hydroelectric Power Supply Company. Later in 1915, the firm was merged with Andhra Valley Power Supply Company. In 1915, the first largest hydro electric project in India was commissioned in Khopoli for 72MW; the second in Bhivpuri for 78 MV (1919) and the third in Bhira for 300MV (1922). TATA Power is known for generating electricity in India since nine decades. Being pioneers in power production in India, they have also been leaders in many other aspects, namely:-

- Commissioned the first 4000MW “Ultra Mega Power Project” in Mundra by using super critical technology
- Commissioned India’s first 150 MW and 500 MW Thermal Unit
- Distributed touch screen based digital control and energy management systems
- 220 KV transmission lines on four-circuit towers and 220 KV underground cable transmission network
- Fuel gas desulphurisation plant by means of sea water
- 150 MW and 500 MW operators training simulators
- Switchyard Operations and Thermal Power Plants
- Proposed Fly-ash Aggregate Plant that produces 2,00,000 tonne per year (fly-ash converted into building material)
- Commissioned “Reversible Hydro Pumped Storage Unit” (150 MW)

They also have shown responsibility towards environmental conservation by planting 1 Crore saplings in last 3 decades, installed pollution control equipments in their
thermal power plants, involved in building and maintaining gardens and parks in Mumbai Metropolis and breeding of Masheer fishes in their hydro plants.

TATA Power has operations in 35 places in India; and their major power plants include Mundra Ultra Mega Power Plant, Gujarat; Trombay Thermal Power Station, Maharashtra; Maithon Power Plant and Jojobera Power Plant, Jharkhand. Their strategic engineering division is involved in India’s defence system for the past 40 years by providing products and solutions for the country’s defence requirements and has also won Rs. 1000 Crore contract for upgrading thirty airbases of Indian Airforce. Their International presence includes Indonesia, Singapore, South-Africa, Australia and Bhutan.

The Deal Story

Indonesian coal mines have been one of TATA Power’s notable acquisitions in the firm's history, named to be their prime international takeover. On June 27, 2007, the firm confirmed their completion of 30 percent takeover in one of Indonesia’s biggest coal producers, PT Bumi Resources Tbk for US $ 1300 Million. The stake included purchase of PT Kaltim Prima Coal, PT Arutmin Indonesia and their related trading companies. Established in 1973, Bumi Resources primarily named as PT Bumi Modern prior to 2000 is one of the biggest mining companies of Indonesia controlled as a holding company and its majority stake was owned by Barkie Group. In 1990, their first public offering took place which transformed its core business from hospitality and tourism into oil, natural gas and mining.

On 30\textsuperscript{th} March, 2007, the definitive agreement was signed valuing the deal at US $ 1100 Million initially before calculating working capital and other adjustments. The transaction constituted of loan given by group of banks led by Barclays Bank PLC worth US $ 950 Million. The bridge loan eased the acquisition for TATA Power by increasing shareholder value. The subsidiaries involved were Special Purpose Vehicles formed in Mauritius and Cyprus [TATA Power (Mauritius) Limited and TATA Power (Cyprus) Limited]. The agreement enables TATA Power to purchase 10.1 Million tones of coal per annum in the initial years up to 2021. Mr. Prasad R Menon, the then Managing Director,
listed the positive hinges behind the takeover; which are (i) Maximized shareholder value and secured India’s fuel requirement for the future, (ii) The target firms were the top three thermal coal mines in terms of exports [PT Kaltim Prima Coal and PT Arutmin Indonesia together contribute to 95% of world exports], (iii) The targets had outstanding export infrastructure to comply for India’s increasing demand, (iv) In the present scenario of inflated coal prices, the targets enjoyed financial escalation. The other prospects projected by the company’s top heads were, the purchase would enhance TATA Power’s upcoming power projects on the Indian West coast which is to be developed in the succeeding 5 years and the project would entail nearly 21 Million tones of imported coal.

Post- acquisition, both PT Kaltim Prima Coal and PT Arutmin Indonesia became Indonesian subsidiaries of TATA Power. The takeover led TATA Power to win 4000 MW Mundra Power Project which was based on coal imports. TATA Power planned to procure coal from Indonesia when the prices were $ 40 per tone in 2006. But post acquisition, the prices sore up to 100 per tonne in 2011, which led the Indonesian government to ban exports below a notified price as of September 2011. This in turn led to the unavailability of coal for TATA Power. Commenting on the situation, Managing Director, Anil Sardana said that, “The investment was based on securitisaion of coal and to procure fuel at discounted price”. After three consecutive years of losses in the Mundra Power Project causing stress on TATA Power’s balance sheet, had led the company to sell its Indonesian stakes. TATA Power sold 30 percent stake in PT Arutmin Indonesia for $ 500 Million in January 2014 in order to increase its cash flow to revive its regional project. Consecutively in July, the company proposed to sell 5 percent stake in PT Kaltim Prima Coal for $ 250 Million. After Kaltim Prima, other notable acquisitions of TATA Power include:-

- 2007 – Coastal Gujarat Power, India
- 2008 – 10% in Geodynamics, Australia
- 2014 – 100% in Energy Projects limited, India
- 2015 – 50% in Itezhi Tezhi Power Corporation, Zambia
At present, TATA Power is India’s biggest integrated power company with commendable international spread. Celebrating 100 years, the company has grown multi-fold and stands to be the largest renewable energy player of India. Dedicating invincible goodness to the country, they have devoted the TPSDT (TATA Power Skill Development Institute) for the betterment of the nation. As of 2015, the total turnover is valued at Rs. 2,164.92 Crore with 2986 capable employed. The markets served by TATA Power include Delhi License area, Gujarat, Haryana, Himachal Pradesh along with 9 other states. The major customers include Mumbai Port, Refineries, Textile Mills, Fertilizer Factories, etc. The service territories comprise greater Mumbai and suburbs, Maharashtra Rajgad district, Belgaum in Karnataka and Jojobera, Jamshedpur. In March 2015, the firm commissioned its first 126MW cross-border Hydro Power Project at Dagachhu in Bhutan. Some of the major awards include Greentech Safety Award 2011, BML Munjal Award 2011 in private sector category, International Maritime Award 2013 acquired by TATA Power Singapore subsidiary and Best Private Discom’ Award 2013. TATA group plays a major role not only in Power but also in telecommunication particular broadband, energy and auto industry. The gross generation capacity of the firm along with its subsidiaries is 8560 MW as of now.

(e) GMR Infrastructure - InterGen Deal

GMR Group was established in 1978 by Grandhi Mallikarjuna Rao. It is an infrastructure company having its headquarters in Bangalore. GMR Infrastructure Limited (GIL) is involved in power; mining and exploration; highway developments, maintenance and operations of airports and special economic zones; construction (engineering and procurement) and its related contracting aspects. Engaging in public private partnership model, they have ventured numerous iconic infrastructure projects in the country. Initially, the company concentrated in agri-based industries such as jute, sugar and breweries and latter moved focused on infrastructure arena. In the past decade, their presence was definite in Airports, Highways, Energy and Urban Infrastructure. The firm has been an integrated player in energy sector which has led to change in fuel tariffs. It is a holding company which supports various infrastructure related projects with capital requirements and the development of these projects are monitored by their various
subsidiaries. Their major contributions include construction of Rajiv Gandhi International Airport, Hyderabad; Indira Gandhi International Airport, New Delhi; and Sabiha Gökçen International Airport, Turkey. Their global presence includes Turkey, South Africa, Indonesia, Singapore, Maldives and Philippines. Some of the major activities of GMR are listed below:

- 2000 – GMR Groups was changed to GMR Infrastructure Limited;
- 2004 – Location of registered office changed from Andhra Pradesh to Karnataka. Started engaging in infrastructure projects through special purpose vehicles.
- 2006 – GMR Hyderabad International Airport awarded in-flight catering contract.
- 2007 - GMR Hyderabad International Airport (GHIAL) awarded contract for operating and maintenance of food and beverages outlet to HMS.
- 2008 – Signed MOU for setting up Hydro Electric Project in Nepal worth 300 MW. GMR and DIAL ties up with Indraprastha Apollo Hospital to install medical amenities in Delhi Airport.

The Deal Story

Another notable event in the track record of GMR Infrastructure was the purchase of 50 percent stake in US power company InterGen NV Power. InterGen was incorporated in 1995 with employees from J. Makowski Associates, one of the independent power producers of US. It is headquartered in Burlington, Massachusetts. In June, 2008, GMR announced the acquisition of Dutch power utility InterGen NV for US $ 1100 Million, named to be the biggest overseas energy acquisition made by a company in India. The acquisition completed in October 2008 for a value of US $ 1700 Million. The stake was bought from AIG Highstar Capital II L.P, a fund owned by American International Group Inc. The remaining 50 percent was retained by Ontario Teachers Pension Plan. GMR Infrastructure (Malta) Ltd. (GIML) was the subsidiary engaged in the purchase, and N.M. Rothschild and Sons advised the transaction. GMR has procured loan of US $ 1100 Million for a period of two years to finance the acquisition. InterGen had a 12,766 MW production capacity comprising 4,680 MW worth projects during the sale. The major synergy for the acquisition was access to the target’s 12 operating plants in...
US, Mexico, Netherland, Australia and Philippines which together contributed to US $1.65 Billion of annual sales. GMR Chairman, Mr. Rao noted that, “The purchase is an integral part of GMR’s global strategy to be the world’s leading energy and Infrastructure Company and provides platform to expand in InterGen’s existing geographies and new geographies”. Christopher H. Lee, AIG Highstar’s managing partner in a separate statement stated that, “They stopped their investments from InterGen leaving it as a strong, well-capitalized company under the exceptional leadership of current CEO Neil H. Smith and team”. Post- acquisition, InterGen NV Power became a subsidiary of GIML till 2011.

In 2010, GMR decided to divest their stake in InterGen due to high debt. In April, 2011, GMR divested their share to China’s Huaneng Group for US $1.23 Billion. Under such financial condition, the divestment proved to be a positive development and the announcement henceforth led to positive stock reactions. With the proceeding divestment, nearly 1 Billion dollar from the sale will be used for funding current road and power projects without dilution. More precisely, the sale relieved GMR from high-debt position.

Two decades from its inception, InterGen has developed, financed, constructed and operated portfolio of over 20 power plants, compression stations, pipelines and other related infrastructure projects. Currently, it has completed projects in 15 countries in five continents. The company operates 11 power plants with 7,686 MW gross generation capacity, three compression facilities and 65 km gas pipeline. Their facilities are installed in UK, Netherlands, Mexico and Australia. Their unique operating strengths are diversity, technological know-how, and asset management. They also consistently contribute towards integrated health, safety and environmental practices in the current power sector.

On the other hand, GMR Infrastructure post-acquisition have some credits to their record, namely:

- 2009 – Procured Hyderabad – Vijayawada Highway Project. GMR subsidiary purchased Indonesian coal firm valued Rs.400 Crore. Acquired 100 percent ownership in Singapore’s Island Power Project.
2010 - Bagged another highway project in Karnataka from National Highways Authority of India. Granted expansion and management contract of Male International Airport, Maldives.

2011 – Added 384 MW to andhra Pradesh Grid. Tied up with Schulich School of Business, York University to infrastructure Schulich campus in Hyderabad. Awarded first mega highway project.

As of 2015, GMR Group has guaranteed Rs, 1540 Crore towards improving education for the underprivileged. GMR Varalakshmi Foundation was commissioned to monitor their Corporate Social Responsibility activities. GMR today possess 2135 MW in operations and 5043 MW in various stages of implementation involved in coal, natural gas and hydro projects. They also have seven operating assets in Highway sector. Urban infrastructure projects include SEZ in Krishnagiri, Kakinada, aviation and logistics SEZ in International Airports in Hyderabad and New Delhi. They are also engaged in promoting Indian Premier League – Delhi Daredevils. The revenue for the previous financial year is Rs. 11,807 Crore with 10000 odd employees.

**Findings and Conclusion**

The cases discussed in the Energy sector indicate that, the companies have taken up overseas acquisition in order to acquire technology and expertise, increase their reserves and expand their geographical spread. The findings from the cases state that, most of the deals failed to perform in the long-run invariable of stake and size of the deal. Though RIL had a minimum stake in Shale, they had to sell off Shale assets owing to decrease in crude oil prices. ONGC suffered from its Imperial stake as they had overestimated the production capacity of Imperial during the acquisition which was more optimistic than realistic. From two years of acquisition, Suzlon and GMR suffered debt, which led them to divest their stakes in their foreign assets. TATA Power sold their Indonesian asset owing to reduction in coal supply from the target contrary which was intended to meet their domestic demands. The choice of sale of foreign assets acquired by Indian firms was affirmative considering the losses incurred from their overseas purchase.
Currently, India’s energy sector attracts both domestic and overseas investment, which is confirmed with the presence of Reliance Industries Ltd. and Crain India; while ONGC dominates the upstream segment (exploration and production). At present, the domestic production fulfills three-fourth of the needs of the Indian gas market. The country majorly relies on imported LNG; in 2013, India was the fifth biggest importer which is 5.5% in the global share; and forecasted to increase by 33% in 2017. With India developing in gas-fired power stations, consumption has risen to 160% compared to 1995. Gas consumption is expected to increase by 21% in 2017. With rising domestic demand above the supply level, it is necessary to rely on foreign resources. Though the cases discussed above have given a negative impact on cross-border alliances; there is still much more scope for overseas opportunities that are yet to be exploited with care.

B. METALS AND MINING SECTOR

With growing urbanization, development of infrastructure is in the forefront of every developing county. The contribution of metals and mining sector towards infrastructure development has increased over the years. The Indian Steel sector contributes 2 percent of Domestic GDP and has an employee base of 6, 00,000. Its production includes 89 minerals and the country’s mining resources and reserves are among the top 10 global producers. India is the 3rd largest producer of coal and steel and ranked 4th in iron ore production. India’s abundant cost effective labour force and plenty of iron ore material was the reason for the development. Subsequently, the Indian steel sector became the major contributor to the country’s manufacturing sector. Further the metallurgy sector has constantly attracted foreign direct investments since the inception of the New Mineral Policy in 1993. At present, FDI cap for exploration in this sector for all non-atomic and non-fuel minerals have been completely opened to 100%. According to DIPP reports, the investments into this sector accounts US$ 8.7 Billion for the period 2000 to 2005. With ever rising demand for steel, aluminum and other mining products from industries such as power, infrastructure and transportation; the imports of these resources has seen a steady increase over the years. This has led to alliances with global and domestic players to improve their operational performance through technological improvement and cost optimization.
The Metals and Mining Sector includes segments such as; Iron and Steel, Coal, Aluminum, Bauxite, Base Metals, Precious Metals and Minerals. In this study, two deals in Steel segment (TATA Steel acquiring NatSteel and Corus) and one in Aluminium segment (Hindalco – Novelis Deal) is discussed. The deal story of each case is analyzed below.

(a) Singapore and UK ventures of TATA Steel

TATA Steel primarily known to be TATA Iron and Steel Company Ltd. (TISCO) was established in 1907 by Dorabji Tata, but started operating in 1912. It is an Indian multinational steel making company headquartered in Mumbai, Maharashtra with operations and marketing based in Jamshedpur, Jharkhand and Kolkata respectively. It is a subsidiary of TATA Group established by Jamsetji Tata, and through TATA Steel, the group had started investing in several businesses such as; Oil Mills, Publishing, Consultancy Services, Airlines, Motors, etc within 30 years from inception. It has a unique place in Indian business history, with introduction of certain concepts such as eight hour working days, leave with pay, pension system, etc. that have become lawful and compulsory practices for all Indian employees at a certain point. It is also one of the initial players of rapid industrialization process in India. Their business is established worldwide with products ranging from steel, flat steel products, long steel products, wires and plates. Their customers include firms engaged in automotive, consumer goods, construction, energy and power, aerospace, ship building, railways, packaging, lifting and excavating, and public sectors like defence and security sectors. From British period 1939 it operates. In 1951, it launched an imperative modernization program. In 1971 and 1979, the company failed in nationalizing itself. With the new liberal policy, they started expanding overseas and their first overseas subsidiary was incorporated in New York. In 2005, its name was changed from TISCO to TATA Steel. Their overseas acquisitions include NatSteel and Millennium Steel in 2005, Corus and two rolling mill companies in Vietnam in 2007.
TATA – NatSteel Deal

In August 2004, TATA Steel signed an agreement for US $ 486.4 Million in an all cash deal to acquire Natsteel a Singapore based company is a leading Pan-Asia company having a lineage from 1961. It was primarily established under the name National Iron and Steel Mills, partnered Singapore’s nation building. Their construction projects are placed throughout the island from the iconic Changi International Airport to public housing and various other landmarks. NatSteel delivers premium reinforcement steel products and solutions for the construction industry. In 1990, the name was changed from National Iron and Steel Mills to NatSteel. It has both integrated upstream and downstream operation, which manufactures and fabricates recycling scrap according to customer needs. Prior to the acquisition, NatSteel grossed a turnover of US $ 1.4 Billion at the end of 2003 with market capitalization $ 874 Million. During the acquisition, its production capacity was two Million tonnes per year. TATA Steel announced the completion of the acquisition of NatSteel along with its steel assets in Singapore, Malaysia, Thailand, China, Vietnam, Philippines and Australia and also its 26 percent equity stake in Southern Steel Berhad, Malaysia in February 2005. As part of the transaction, the assets of NatSteel were transferred to its fully-owned subsidiary NatSteel Asia Pte Ltd., following which TATA Steel acquired 100 percent equity interest in NatSteel Asia. The transaction was fully funded through internal accruals; with Standard Chartered Bank playing the corporate advisor while Baker and McKenzie and AZB and Partners were the legal advisors. Deloitte and Touche, Singapore were the accountants for the deal.

Post acquisition, B. Muthuraman became the non-executive chairman. The synergies for TATA Steel from the acquisition are compiled below:

i. Enhance market position in South East Asia.
ii. Access to Asian steel markets including China.
iii. Capacity of TATA Steel will increase to six Million tonnes per annum.
iv. Manufacturing footprint in seven new Asian countries.
v. Access to significant resources.
vi. Future scope of synergy benefits from the transaction.

Oo Soon He, the then President of NatSteel commented that, “With the transaction, NatSteel Asia will be well-positioned to weather the volatilities in the steel industry as it will be part of a much larger, full integrated steel group with extensive resources”. Mr. B. Muthuraman, stated that, “The deal is an important step in TATA Steel’s globalization initiative, it will act as a beachhead investment for TATA Steel in high growth geographies and the acquisition will prove to be a good strategic fit and create value for TATA Steel shareholders”. He also said that, “NatSteel sources scrap for producing its products. Post-acquisition, TATA Steel will supply semis to NatSteel from its resources in India”. In 2005, TATA Steel was awarded the world’s best steel producer (World Steel Dynamics).

Today it operates in Asia Pacific in 12 countries with 3000 employees across the region. After the acquisition, NatSteel launched its first Corporate Social Responsibility program named ‘Building Beyond Borders’ in 2007. In 2011, it was awarded Safety and Health Excellence Recognition from World Steel Association.

TATA – Corus Deal

In October 2006, TATA Steel signed an agreement with Anglo – Dutch company Corus to buy 100 percent stake in an all cash deal. Corus Group was formed with the merger of British Steel and Koninkijke Hoogovens on 6th October 1999. In the deal, British Steel owned two-thirds of Corus Group. Corus had integrated steel plants and rolling mills in United Kingdom and Netherlands. They were also a constituent of FTSE 100 Index until the acquisition. In 2005, the turnover was £ 10.142 Billion. In August 2006, Corus sold its aluminium rolled products and extrusions businesses to Aleris International Inc. for £ 570 Million. In January 2007, TATA Steel won the bid for Corus against Companhia Siderúrgica Nacional. The deal was valued at US $ 11.3 Billion offering 608 pence per share. The final deal structure constituted of (i) US $ 3.5 – 3.8 Billion infusion from TATA Steel (Equity - US $ 2 Billion and Bridge loan - US $ 1.5 – 1.8 Billion) and (ii) US $ 5.6 Billion through leveraged buyout (Senior term loan - US $ 3.05 Billion and High yield loan - US $ 2.6 Billion). At the time of transaction, Corus had
an employee base of 47,300 people worldwide and had a steel production capacity four times bigger than TATA Steel; it was also the world’s 9th largest steel producer whereas, TATA Steel was in the 56th position. But this took TATA steel to fifth position. The probable gains for both the parties arising out of the deal are listed below:

i. As Corus was trying to lower their production costs and as in search for iron ore, and TATA steel happened to be a low cost producer they accepted the deal for their own benefit.

ii. The sturdy retail and distribution networks of TATA in India and South East Asia attracted Corus to emerge in Asian markets.

iii. With increasing demand for value added steel products in the Indian Auto industry and being their suppliers, TATA Steel by gaining technology and cross-fertilizing Research and development capabilities with Corus could create high quality low cost products to satisfy growing demand.

iv. The strong cultural fit between the two companies with their in house continuous improvement programs ‘Aspire’ and ‘The Corus Way’, the new entity will blossom in improving standards and work ethics.

After the transaction, Corus became a fully owned subsidiary of TATA Steel Ltd. The new board comprised of Mr. R. N. Tata as Chairman; Mr. Jim Leng as the Deputy Chairman; Mr. B. Muthuraman, Mr. Ishaat Hussain, and Mr. Arun Gandhi and two other from Corus Group as other board members. TATA Steel became the second most profitable private company with the revenue of Rs. 1,32,110 Crore and net profit Rs. 12,350 Crore (2008). In January 2009, Corus announced job cuts of 3,500 employees worldwide due to economic downturn causing decrease in steel demand. On 27th September 2010, the name Corus was changed to TATA Steel Europe and the TATA logo was adopted. As of March 2012, the company garnered revenue of US $ 16.15 Billion with an operating income US $ 349 Million. Owing to restricting proposals, the firm again announced 900 job cuts in UK. Currently, 50,000 are employed in TATA Steel Europe Ltd. At present, it is the second largest steel maker in Europe with operations in Port Talbot, South Wales; Scunthorpe, North Lincolnshire; and Ijmuiden, Netherlands. In addition, they have 13 rolling mills, 7 tube mills and 70 service centres.
around the world. Their products are mainly construction and electrical related steel products. The company also acts as the sponsor for “TATA Steel Chess Tournament”, “SC Telstar” in Netherlands and “UK Triathlon Team”. Due to the decline in the European Union, TATA Steel has planned to sell its UK wing in parts.

TATA Steel – Current View

TATA Steel has a production capacity of 28 Million tones per annum with major footprints in India, UK, Netherlands, Thailand and China. It is listed in BSE and NSE, with 82,700 employed worldwide. Some of their prominent notable alliances include those with Arcelor and Nippon Steel. Besides steel products, TATA Steel is a key player in Ferro-alloys industry globally. TATA Group had 31.35 percent stake in TATA Steel in 2013 and LIC of India was the largest shareholder with 15% stake. It ranked the eleventh largest steel producer in the world and seventh most valuable brand in India. According to 2014 Fortune Global 500 Ranking, TATA Steel was placed in 486th position among the world’s best corporations. As of 2015, TATA Steel garnered a revenue of Rs. 1,35,278 Crore and profit of Rs. 3,955 Crore. It has manufacturing plants in 26 countries and its presence in 50 countries.

(b) Hindalco - Novelis Deal

Subsidiary of Aditya Birla Group, Hindustan Aluminium Corporation Ltd. (Hindalco Industries Ltd.) is a flagship company of Birla Group in metal business, Established in the year 1958, it started operations in 1962 in Renukoot, Uttar Pradesh, India. Later on, the M &A with Indal, and Nifty and Mt. Gordan Copper mines, Australia; strengthened in value-added, aluminium and copper products. The firm is headed by Kumar Mangalam Birla with its headquarters in Mumbai, Maharashtra with its R&D centres in Belgaum, Karnataka and Maharashtra. Some of the major milestones in the history of Hindalco prior to Novelis deal are listed below:

- 1962 – Initiation of production in Renukoot, Uttar Pradesh.
- 1965 – Commencement of downstream activities (rolling and extrusion mills) in Renukoot.
• 1967 – Renusagar power plant commissioned.
• 1991 – Launch of major expansion program.
• 1995 – Mr. Kumar Mangalam Birla appointed as Chairman.
• 1999 – Aluminium alloy wheels production started in Silvassa. Brownfield expansion of metal capacity in Renukoot.
• 2000 – Acquired 74.6% controlling stake in Indian Aluminium Company Ltd. (Indal).
• 2002 – Indo Gulf Corporation Limited’s copper business and Birla Copper merged with Hindalco.
• 2003 – Acquired Nifty Copper Mine. Stake in Indal rose to 96.5%. Brownfield expansion of aluminium smelter in Renukoot.
• 2004 – Expansion of copper smelter to 250,000 tonnes per annum.
• 2005 – Excluding Kollur foil plant al Indals business were amalgamated with Hindalco. Signed MOU with Odisha and Jharkhand state governments for conception of Greenfield alumina refining, smelting and power plants.
• 2007 – Acquired 100 percent stake in Novelis and 45 percent equity stake of Alcan in Utkal Aluminium project.

**The Deal Story**

Purchase of Novelis Inc. in 2007 was a landmark acquisition by Hindalco making them one among the top five global aluminium majors. Novelis Inc. is an industrial aluminium company with its headquarters placed in Atlanta, Georgia, United States. It is a frontline producer in rolled aluminium and international leader in beverage can recycling. The company was spun off from Alcan Inc. and established in 2005. Novelis operated in UK, Italy, Germany, France, Canada, China, Malaysia, China and Vietnam.
Post spin off, Novelis adopted diversified product portfolio to serve their customers in the four continents. Their customers in sectors included automotive, electronics, construction and foil and packaging; and popular brands include Agfa-Gevaert, Coco-Cola, Ford, General Motors, Crown Cork and Seal and others. They were the world’s largest producer of aluminium rolls, contributing to nearly 19 percent of global production; and were ranked first in Europe, South America and Asia; and second in North America. The firm recycled more than 35 billion used beverage cans per year. As of December 2005, the company had 36 operating facilities in 11 countries. On 11th February 2007, Hindalco entered into an agreement to buy 100% of the Canadian firm Novelis. In 2007, Hindalco’s bidding for Novelis was considered to be largest investment in North America and the second largest cross-border investment by an Indian company. In May 2007, Hindalco completed the purchase of Novelis for US $ 5730 Million [Loan (ABN Amro Bank, UBS and Bank of America) - US $ 2.8 Billion + US $ 450 Million from Hindalco treasury + US $ 300 Million contributed as debt by SL Iron Ore Mining] in an all cash transaction by paying $ 44.93 per outstanding share of common stock (75, 415, 536 shares). AV Metals Inc. (a wholly owned subsidiary of Hindalco) was the subsidiary involved in the transaction. Torys of Canada were the legal advisors, and Morgan Stanley advised Novelis during the deal process. The major synergies for the acquisition are listed below:

i. Rising demand for aluminium and persistent improvement in emerging nations, urbanization and increasing aluminium substitution for other materials.

ii. Global market share of Novelis’s aluminium flat rolled products (FRP) business was 19%.

iii. Hindalco would attain a strong position in world aluminium industry, as Novelis was the largest producer of rolled aluminium sheet with 12,000 employees and operations in 11 countries.

iv. Post-acquisition, the joint entity would be safe from LME Aluminium price fluctuations.

v. Hindalco would attain a strong presence in aluminium recycling business.
vi. Acquired ‘Novelis Fusion’, latest technology of Novelis; which would take 8-10 years for Hindalco to indigenous such technology.

vii. The deal would double turnover and gave ticket to enter Fortune 500 companies.

viii. 50% of the Hindalco’s business would be contributed by operations outside India, which is 30% in 2007; and 20% of labor force would also be from outside India.

After acquisition, shares of Novelis controlled by AV Metals Inc. were transferred to their wholly owned subsidiary AV Aluminium Inc; which in turn made Novelis a subsidiary of Aditya Birla Group. Hindalco achieved some credits post deal, namely:

i. Hindalco became biggest aluminium rolling company in the world and Asia’s largest producer of primary aluminium.

ii. Hindalco became India’s largest vertically integrated firm and is at the vanguard of India’s non-ferrous metal sector.

The journey post-acquisition of Hindalco are listed below:

- 2009 – Received Vision Award for Keep America Beautiful.
- 2011 – Received Innovation Award from BMW. Refinanced Novelis debt with US $ 4 Billion to enhance strategic flexibility; which in turn made Hindalco get back 50% of the invested equity within four years of acquisition and also opened up a funding avenue between the companies.
- 2012 – Received Aluminium Award for Innovation Leadership and American Metal Market Award.
- In 2012, the sustainability report submitted by Novelis received A rating from Global Reporting Initiative. The report stated that; (i) 19% and 11% cutback in energy and water intensity, (ii) 7% decline in greenhouse gas emissions, and (iii) 18% up gradation towards goal of reducing waste to landfill.
- 2013 – Novelis named Metal Company of the Year and its CEO, Phil Martens received CEO of the Year award in Platts Global Metal Awards in London.

• In July 2014, Reynolds Consumer Products Inc. (Subsidiary of Rank Group Ltd.) bought the North American consumer products division of Novelis for CAD $ 33.75 Million.

At present, Novelis recycling capacity has increased to 50 billion cans per annum. Hindalco is the only metal powerhouse present in two rapidly growing metal segments (Aluminium and Copper). Its copper smelter is one of the biggest single location custom smelter in the world. It has footprints in 13 countries and a turnover worth US $ 14.8 Billion. The company sales are valued to be US $ 15 Billion with a workforce of 20,000 employees. As of 2013, Adithya Birla Group held 32% share in Hindalco, and the company is listed in BSE and NSE. Its GDR are listed in Luxembourg Stock Exchange. For the year ending 2015, Hindalco garnered revenue and net profit of US $ 6,150 Million and US $ 140 Million respectively.

Findings and Conclusion

The companies taken for study in the Metals and Mining sector had taken up overseas acquisition in order to claim synergies such as technology expertise, increased production and market expansion. All the deals reported positive effects post-acquisition. The foreign targets fueled TATA Steel’s performance. Though their performance was stagnant during the crisis situation, it started to increase in the revival period. Novelis boosted Hindalco’s profits in the long run. Though the crisis had minor impact in this sector, no asset sale was reported.

At present, demand for steel is estimated to rise by 7% owing to improving economic activity. Massive scope of growth in this sector is estimated due to augmented infrastructure construction and flourishing automobile and railways sectors. Though there is untapped potential yet to be explored in this sector, there are certain domestic challenges that hinder exploration such as social license to operate, infrastructure access,
regulation constraints, capital project execution, etc. Therefore, many Indian firms are looking for an external support to strengthen their long term sources.

C. SERVICES SECTOR

Known to be the tertiary sector of an economy; it engages in transfer of funds from government to contractual profit, non-profit and hybrid sectors of the economy. In the past century, economies around the world have undergone a development progression from agriculture, mining and manufacturing towards a more service oriented structure. Currently, the Service sectors in western and other parts of the world are fast growing. The Indian service sector contributes nearly 52 percent towards GDP and is the highest grosser of FDI for the past 15 years. India’s share in the global service export which was 0.6% in 1990 has increased to 3.3% in 2013, which is far more than its share towards global merchandise exports. The Indian Software industry is growing at a rate of 35 percent per annually.

The Indian Service Sector comprises of IT and ITeS, Telecommunication, Financial Services, Community Services and Hotels and Restaurants. In this study, cases related to IT and ITeS [(a) WIPRO acquiring infocrossing; (b) HCL-AXON Deal; and (c) TCS – CGSL Deal], Telecommunication [(d) TATA Communication journey with Neotel], and Hotels and Restaurants [(e) Indian Hotels acquiring The Campton place] are analyzed below.

(a) WIPRO – Infocrossing Deal

Wipro Ltd. (formerly known as Western India Products Limited) is a multinational IT company headquarterd in Bangalore, India. It was incorporated by Mohamed Hasham Premji in 1945. At present, the company heads include Azim Premji (Chairman) and Abidali Neemuchwala (CEO). It is a renowned company for its dedication and innovative approach towards sustainability. Wipro optimally utilizes natural resources, capital and talent. The company serves worldwide (nearly 175+ cities across 6 continents) and its services include Digital Strategy, Business Consulting and IT Services. The Wipro Group of Companies includes Wipro Ltd. and Wipro Enterprises
They entered into the technology business in 1981. Their core services include Systems Integration, Consulting, Information Systems Outsourcing, IT Enabled Services and R&D Services; and they are also resellers of components such as desktops, servers, notebooks, networking solutions, storage products and packaged software for international brands. Their model is an industry allied customer facing model that provides industry specific solutions according to customer’s business. The major milestones are listed below:

- 1945 – Established as Western India Vegetables Product Ltd. in Amalner, Maharashtra.
- 1946 – Issued IPO
- 1981 – Entered in the fledging IT industry
- 1983 – Wipro Systems Ltd. established, which is a software products and exports subsidiary
- 1985 – Pioneered in marketing personal computers
- 1989 – Joint venture with GE
- 1990 – Pioneered in developing “Offshore Development Concept”
- 1998 – Software business appraised at SEI-CMM Level 5
- 2000 – Listed in NYSE
- 2001 – First company to be estimated at “PCMM Level 5”
- 2002 – Got into BPO business
- 2003 – Received “National Award for Excellence in Corporate Governance”
- 2008 – Got into Eco-energy business
- 2012 – Received NASSCOM Corporate Award for excellence in Diversity and Inclusion.
- 2014 – Selected member of Dow Jones Sustainability Index consecutively for 5th year

The key acquisitions of Wipro include:

- 2005 – Newslogic, Austria for US $ 56 Million
- 2006 – Enabler, Europe for US 52 $ Million and cMango Inc, US for US $ 20 Million
- 2011 – SAIC’s Oil and Gas Technology Business, US for US 150 $ Million
- 2012 – Promax Application Group, Australia for US $ 36 Million
- 2013 – Opus CMC, US for US $ 75 Million

**The Deal Story**

Infocrossing Inc. is the biggest acquisition made by Wipro till date. Infocrossing Inc. is IT and Services Company headquartered in United States, which was established in 1984. It specializes in IT Infrastructure Outsourcing, Mainframe Outsourcing and Data Centre Outsourcing. Their customer’s are UNIX and LINUX servers. In 2004, they acquired health care services business of Verizon Information Technologies Inc. and system management business of ITO acquisition Corporation. In November 2005, it acquired Structure for US $ 82.26 Million, which was later named as Infocrossing LLC. As of 2006, Missouri Department of Social Services contributed to 10% of Infocrossing’s consolidated revenue.

On 7th August 2007, Wipro Ltd. decided to buy 100% of Infocrossing Inc. On 18th September 2007, Wipro Ltd. announced the completion of the acquisition. The deal was valued to be US $ 600 Million in an all cash transaction by paying US $ 18.70 per share, and the second purchase by Wipro in 2007. During the deal, Infocrossing had assets worth of US $ 300 Million, cash reserves US $ 22.3 Million and debt burden US $ 132 Million. Roxy Acquisition Corporation was the subsidiary involved in the transaction.
Citigroup were the advisors, and Wilson Sonsini Goodrich and Rosati were the legal advisors on the buyer’s side; and Credit Suisse Securities (USA) LLC were the advisors, Gibson, Dunn and Crutcher LLP were the legal advisors on the seller’s side. Infocrossing expected from the deal that they would intensify their presence in US with five state-of-the-art data centre locations. As part of the deal, 926 employees of Infocrossing joined the Wipro league. The rationales for Wipro in the acquisition are listed below:

i. Infocrossing provided services to the premium clients globally that helped to bridge the gap hosted services in Infrastructure department.

ii. Expansion of Wipro’s services in US.

iii. Broaden Wipro’s mainframe capabilities with infocrossing’s Platform Based Solutions.

iv. Would gain expertise from Infocrossing’s senior level executives.

v. Infocrossing with processing 175 million claims per year and providing contracted services to 90 organizations would improve Wipro’s ADM and BPO offerings to their healthcare customers.

vi. Wipro would lead in providing end-to-end IT infrastructure management solutions.

After acquisition, Infocrossing became a wholly owned subsidiary of Wipro. In 2011, Wipro chose to sell the Infocrossing’s data centers, which they bought during acquisition as they termed it to be ‘non-core’. On 16th November 2016, Infocrossing decided to buy an existing structure in Cleveland, North California and convert it into State-of-the-art Data Centre.

Currently, Wipro is a trusted partner and co-innovator to businesses and helps customers in their makeover journey by identifying new growth opportunities and assisting into new sectors and markets. In 2014, Infocrossing got US $ 275 Million worth of contract to provide fiscal agency service for Missouri HealthNet Program. As of March 2015, Wipro garnered revenue of US $ 6.9 Billion and profit of US $ 1.3 Billion with 1,70,664 employees.
(b) HCL – AXON Deal

HCL Technologies Ltd. is a part of HCL (Hindustan Computers Limited) Enterprises (established in 1976); and is a global IT service provider with its headquarters placed in Noida, Uttar Pradesh, India. HCL Technology Ltd. emerged into an independent entity in 1991, when it decided to concentrate in software services business. The key people of HCL Technologies Ltd. include Shiv Nadar (Founder, Chairman and CSO) and Anant Gupta (President and CEO). Primarily, HCL Technology Ltd. was started to take care of the research and development activities of the HCL Enterprise. Originally incorporated as HCL Overseas Ltd., changed its name in 1994 as HCL Consulting Ltd.; later again changed to HCL Technology Ltd. in 1999. Subsequent to rebranding, the company went public by issuing 14.2 million shares. From its inception till 1999, the company expanded itself in software development capacities and spread in US, European and APAC markets. In 2000, for KLA-Tencor corporation an offshore campus of development centre was initiated in Chennai, and acquired Gulf Computers Inc., USA in 2002. They are expert in providing services such as – IT Consulting, Remote Infrastructure Management, Enterprise Transformation, Engineering and BPO. The company is spread over 34 countries on various industries such as aerospace, defence, automotive, energy and utilities, lifesciences and healthcare, financial services, etc. their major strategic alliances include Microsoft, Cisco, EMC, and SAP. The notable acquisitions of HCL Technologies Ltd. are listed below:

- February 2008 – Capital Stream Inc., USA
- July 2008 – Liberata Financial Service, UK
- August 2008 – Control Point Solutions inc., USA
- December 2008 – Axon Group Plc., UK
- July 2009 – UCS Group’s Enterprise Solutions SAP Practice, SA
- June 2015 – Part of Volvo IT, Sweden
- October 2015 – Concept to Silicon Systems, India
The Deal Story

Acquisition of Axon proved to be the greater value addition for HCL. Axon Group Plc. was established in 1994 by Mark Hunter, Donald Kirkwood and Paul Manweiler. It is a UK based small size company known for its consultancy and high-end application implementation. They used Enterprise Resource Planning (ERP) system modeling tools (SAP and Oracle) to serve their customers. Prior to acquisition, Axon was listed in London Stock Exchange and was a constituent of FTSE 250 Index. In 2005, Axon acquired Feanix and had operations in Europe, USA and Asia pacific. In 2008, Axon was in search for an Indian IT company, as part of its expansion strategy. During the pre-crisis period, Indian IT firms were valued high, which in turn made Axon take the opposite route to spread out. Axon agreed to be acquired. In August 2008, Infosys Technologies proposed to pay £407 Million to acquire Axon, later in September, HCL Technologies offered £441 Million. Being the highest bidder, HCL sealed the deal in December 2008. Steve Cardell, the then CEO of Axon commented on the deal that, “The strategic objective was achieved, but the other way round”.

On 15th December 2008, HCL Technologies bought 100% of AXON Group Plc. for US $ 658 Million in an all cash deal by paying £650 per share. HCL EAS Ltd., a fully owned by HCL Bermuda was incorporated in the United Kingdom solely for the purpose of acquiring Axon Group Plc. Standard Charted Bank, UK granted loan worth GBP 400 Million to HCL EAS in order to complete the purchase. The synergies for the acquisition are stated below:-

i. HCL would be able to address US $ 23 Billion SAP market.
ii. The combined entity would pursue business worth US $ 1.2 Billion.
iii. HCL Axon would have control over 4500 SAP consultants (1700 from HCL)
iv. Axon’s skill would complement HCL’s capabilities in application maintenance and infrastructure management segments.
v. Would aid HCL to expand in Europe, which in turn would reduce dependence on US.
vi. The deal would combine Axon’s expertise in consulting business with HCL’s services for the SAP market delivered at a reduced cost from India.

The deal had a reverse integration process, where HCL’s EAS business was integrated into Axon. After Axon, the new entity was named HCL AXON, which became a wholly owned subsidiary of HCL Technologies Ltd. Prior to the deal both the companies were providing SAP services at different prices. Axon’s price was double that of HCL. The customers of the newly formed entity demanded Axon’s services at HCL charges, which was the first challenge faced by the combined entity. In order to overcome the challenge, the company had to convince their clients regarding the high-end services, only then the clients accepted paying higher rates. As of September 2008, consolidated revenue of HCL along with its subsidiaries was US $ 2 Billion. The deal had positive impact on the company’s financials; their revenue and net profit grew by 63% and 51% respectively in 2011; which was higher than their industry competitors. HCL’S EAS business which contributed 9% towards revenue prior to acquisition reported 22% rise in 2011. After the companies came together, HCL started lugging Axon into every deal they made thereafter. In July 2009, HCL AXON acquired UGS Group’s Enterprise solutions SAP unit, South Africa. In July 2010, HCL AXON was announced the Enterprise Application Services segment of HCL Technologies establishing SAP, Oracle and Microsoft offerings. In 2011, HCL’s market share grew by 50%. In 2013, the entities capital stream was sold to Line Data. At present, HCL AXON is headquartered in Egham, Surrey and is headed by Anant Guta (CEO – HCL Technologies) and Stephen Cardell (President – HCL AXON). As of 2015, the company reported US $ 5.952 Billion revenue and US $ 1.164 Billion profit with 1,06,107 employed.

HCL Technologies is a constituent of “Forbes Global 2000” and one amongst “Asia’s Fab 50 Companies”. As of 2015, it grossed revenue of US $ 6 Billion. Some of the notable awards obtained by HCL Technologies post AXON deal are listed below:-

- 2014 – Named “Outstanding Company of the Year” “Best Governed Company” by Asian Centre for Corporate Governance and Sustainability; and won The “HR Excellence Award” for deploying innovative HR practices.
o 2015 – Won Aecus Innovation Award.

(c) TCS – CGSL Deal

Tata Consultancy Services Ltd. (TCS) is a multinational company with its headquarters in Mumbai, Maharashtra. It belongs to the Tata Group. TCS is part of the Indian IT industry specialized in providing IT services, consulting and business solutions. Established in 1968 by J. R. D. Tata, is headed by N. Chandrashekaran (CEO and Managing Director). TCS along with its 67 subsidiaries serve globally by providing wide range of IT related products and services; such as application development, consulting, capacity planning, enterprise software, payment processing, technology education services, etc. TCS BaNCS and TCS MasterCraft are their established software products. The important achievements of TCS post its inception is listed below:

- 1968 – Provided punch card services to TISCO and bureau services to UTI.
- 1979 – Delivered electronic depository and trading system (SECOM) to SIS SegalInterSettle, Switzerland. Developed System X for Johannesburg stock exchange.
- 1981 – Established the first ever software R&D centre in India.
- 1985 – Launched the first ever client dedicated offshore development centre in India. Created factory model for Y2K conversion.
- 2004 – Became a publicly listed company.
- 2005 – First Indian company to enter Bioinformatics market.
- 2006 – Designed ERP system for Indian Railway Catering and Tourism Corporation.
- 2011 – Provided cloud-based offerings to small and medium enterprises. Ranked first with highest market capitalization among India companies.
- 2013 – Awarded six-year contract worth Rs. 1100 Crores to provide services to Indian Postal Department.
- 2014 – First India company with Rs. 5 lakh market capitalization.
- 2015 – Beats RIL’s 23 year record and became India most profitable firm.
The overseas acquisitions by TCS include Financial Network Services, Australia and Pearl Group, UK in October 2005. Acquisition of Comivrom, Chile; Citigroup Global Services, US; and AltiSA, France took place in November 2005, 2008 and 2013 respectively.

**The Deal Story**

In December 2008, TCS acquired Citigroup Global Services Limited (CGSL) – a captive arm of Citigroup Enterprises based in US for US $ 505 Million in an all cash deal; where Merril Lynch played advisor for TCS. CGSL was the Indian based BPO wing of Citigroup. Citi, a global leading company in financial services, operates in more than 100 countries with 200 million customers. Their services include wide range of financial products, consumer banking and credit, corporate and investment banking, securities brokerage, etc. CitiBank, CitiFinancial, Smith Barney, Banamex and Nikko are some of their popular brands. CGSL is one among the largest provider of outsourcing services to Banking and Financial Services Sector; they are specialized in providing end-to-end process management across the BFS gamut and services to corporate and wealth management firms worldwide. CGSL operates in service lines such as BPO, KPO and LPO and is spread over 16 centres in India. CGSL is located in Mumbai, Maharashtra headed by Rahul Singh. As of 2008, they had manpower of 11,692; served 97 international clients with offices in Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Gurgaon and expected revenue approximately to US $ 278 Million. Prior to the deal, CGSL revenue was contributed by clients in North America (42%), India (27%), Europe (26%) and other Asia Pasific regions (5%). In the year ended March 2008, announced consolidated revenue of US $ 5.7 Billion. Prior to the deal, there is a long standing relationship between TCS and Citigroup since 1992. It was one of the largest IT service partners of Citigroup and delivered BPO services to Citigroup and its operations in Europe, Japan, North America, India, Singapore and other Asia Pacific regions. In addition to the purchase, TCS signed a contract for 9.5 years worth US $ 2.5 Billion to provide infrastructure support, help desk, application development and other process outsourcing services to Citigroup and its affiliates through CGSL. The deal was expected
to increase the efficiency of both the companies. Other rationales expected by TCS from the deal are listed below:

i. Enable TCS to proffer end-to-end domain led third party solutions, IT and BPO services to clients in Banking and Financial Services sector.

ii. Drive growth by creating platform for future by combining strong expertise of both companies.

iii. Acquire new capabilities in banking domain, thereby strengthening long-term relationships with big customers.

iv. Reduction in operating expenses.

Don Callahan, CAO of Citi commented with reference to the transaction that; the deal would permit them to concentrate on their core financial services competencies and also reduce its headcount by 12,000. He further stated that, “Our customers require access to increasingly complex processing solutions and the deal will create a ‘best in class’ technology model that capitalizes on both CGSL’s and TCS’s expertise in financial services and process optimization. TCS will offer CGSL stronger growth potential and superior continued services to Citi clients around the world”.

Post-acquisition of CGSL, TCS became the second largest global BPO player next to IBM. At present, it has 230 offices in 46 countries and 147 delivery centres across 21 countries with 58 subsidiaries around the world and one among the ‘Big 4’ most valuable IT service brand in the world. It is ranked 64th among the most Innovative Companies. It is the second largest employer listed companies in India. As of March 2015, TCS reported revenue and profit of US $ 15.5 Billion and US $ 3.5 Billion respectively with 3, 35,620 employees. They sponsor Amsterdam Marathon, New York City Marathon, and Indian Premier League Rajasthan Royals.

(d) TATA Communications South African Venture

TATA Communications Ltd., a global telecom Indian based company is a part of TATA Group. Established as Videsh Sanchar Nigam Ltd. (VSNL) in the year 1986 by the Government of India; is currently headed by Vinod Kumar (CEO and Managing
Director) with its headquarters placed in Mumbai, Maharashtra. TATA Group became a part of VSNL in 2002 by acquiring 25% stake in VSNL. In 2004, VSNL launched their VSNL International. In February 2008, TATA Group acquired complete control over VSNL and renamed VSNL as TATA Communications Ltd. In 2009, TATA Communications along with Tyco Communications finished TGN – Intra Asia Cable System. In 2012, TATA Communications agreed to provide official communications, data centres and live timing services for Formula 1. Their communication networks include sub-sea, terrestrial communications network and data centres specialized in providing fixed line and wireless services. Their subsidiaries include TATA Communications Transformation Services, TATA Communications Data Centres Ltd., and TATA Communications Payment Solutions Ltd. Some of their notable acquisitions are listed below:

- July 2003 – Gemplex, US
- March 2004 – Dishnet DSL’s ISP division, India
- September 2005 – TATA Power Brand, India
- April 2007 – Transtel Telecoms, South Africa
- June 2008 – China Enterprise Communications Ltd., China
- January 2009 – Neotel, South Africa
- January 2010 – BT Group’s Mosaic Business, UK

The Deal Story

TATA Communications made its presence in South Africa first in 2005; when TATA Africa and VSNL bided and acquired 26% stake in SNO (later named Neotel in August 2006). Neotel (Pty) Ltd. is a private company established in 2006 is the second national operator of fixed line telecommunication services in South Africa. The journey of Neotel began in 2001, when South Africa’s Telecommunication Act permitted the formation of a competitor to Telkom, country’s monopoly telecom operator in fixed – line services. Initial shareholders of Neotel included Eskom and Transnet. In August
2005, the bidding for remaining stakes completed in which TATA Group held the major stake; and on 31st August 2006, the official company was unveiled. TATA Group bought the stake for US $ 250 Million in 2007, making the investment their first Greenfield project overseas. After Neotel’s inception, they started providing international transit services to wholesale customers. Compared to its former identity SNO, Neotel became an exemplar in South Africa by creating the transformation from internationally benchmarked services to innovative world-class products. Neotel’s portfolio comprised a wide spectrum of telecom services (except full mobile services). As of April 2007, Neotel’s shareholders constituted of TATA Group (26%), Nexus Communications (19%), Eskom (15%), Transnet (15%), Communitel and Two Consortium (12.5% each). In December 2007, Neotel bought Transtel Telecoms, telecommunications wing of Transnet. Commenting on the deal, the then Managing Director of Neotel, Ajay Pandey stated that, “The integration process aimed at maximizing the assets, infrastructure and competencies of both the organizations”. In July 2008, TATA Communications increased their stake in Neotel to 56% by acquiring 30% stake from Eskom and Transnet and became the controlling stakeholder of Neotel. Mr. Pandey estimated to cover 80% of the population by 2012. TATA Communications expected certain rationales from the deal namely:

i. Place in South African market.

ii. Neotel possessed the strategy to become the preferred telecom provider of South Africa such as offering service at low price.

iii. Neotel intended to launch customer-centric products and services.

On the contrary, Neotel expected to access international best practices through TATA Communications, which in turn would help them from escaping the slow learning curve. Processes borrowed from TATA would make them a key player in the telecom market, as well as equip them in offering advanced customer interface and superior services. In June 2011, TATA increased their stake in Neotel to 61.5% and again in 2012; the stake was increased to 68.5%. As of April 2014, it comprised of the following syndicates; (i) TATA Communications – 68.5%, (ii) Nexus Connexion - 19%, and (iii) Communitel – 12.5%. In May 2014, TATA Communications decided to sell their stake in
Neotel expect spectrum and licences to Vodacom SA, a subsidiary of British Telecom major Vodafone Plc for US $ 676 Million; in which Standard Chartered advised TATA Communications regarding the sale. It was one of the major divestment planned by TATA Group. TATA Group Chairman, Cyrus Mistry stated that, “The sale is in line with the company’s strategy to exit non-core projects. TATA Group no longer wants to engage in long-term financial commitments in a highly competitive market. The sale also puts the $ 100-billion group’s globalization in the reverse gear, as it joins several other Indian corporates feeling the heat of foreign acquisitions”. Further, Vinod Kumar commented that, “The sale helps TATA Communications to cut down its Rs.11,000 Crore debt to certain extent; and also the sale in line with the companies financial objectives, while paving way for Neotel to improve its value proposition in the South African market”. The deal furthermore requires approval from government of India as they hold 26% in TATA Communications. The sale is considered to be a win-win situation as TATA Communications can concentrate more on their domestic business, whereas Vodacom will have access to 10 MHz of airwaves that could be used for 4G services; will have access to15,000 km of Neotel’s fibre optic cable; further they won’t have to take on Neotel’s debt. As of December 2015, the sale was still in talks, the value of the deal had come down to US $ 479 Million due to value depreciation in South African and compared to May 2014. The revision in financial details is yet to be disclosed.

Currently, Neotel is headed by Sunil Joshi (Managing Director) and Steve Whiley (CFO). Neotel’s services include domestic and overseas leased line services, suite of voice data (VPN) and internet offerings delivered across their converged next generation network. Their international relations include managing landing station for SEACOM and participating in EASSy and WACS. They have a customer base of 1,52,000 and 1000 employees.

At present, TATA Telecommunications holds stake in Neotel, South Africa; TATA Communications Lanka Ltd., Sri Lanka; United Telecom, Nepal; and TATA Teleservices Ltd., India. According to 2014 annual report, 77% of their revenue is generated by offices outside India. Nearly 8000 are employed globally, with 30% outside India ranging over 40 nationalities. Their networks contribute nearly 24% of world’s
internet routes. As of April 2015, their Indian holding is the sixth largest mobile provider in the country with 62.75 Million subscribers. In January 2016, Windstream Communications declared that they are planning to extend their 100G network from New Jersey to Ashburn (held by fiber operator NJFX, TATA Cable Landing Station); claimed to be the internet hub of Virginia, which contributes 70% of world’s internet traffic. In February 2017, Tata Communications completes sale of Neotel for Rs.3200 Crore.

(e) TAJ Hotels acquires The Campton Place

Indian Hotels Company Limited (IHCL), branded as Taj Group is a group of hotels and resorts incorporated by Jamsetji Nusserwanji Tata in 1902. Currently headed by Rakesh Sarna (managing Director and CEO), IHCL is a part of India’s biggest conglomerate Tata Group and is Asia’s largest and finest group of hotels. It is headquartered in Mumbai, Maharashtra. On 16th December 1903, first hotel of Taj Group was opened in Mumbai named Taj Mahal Palace. Since then, they have developed and prospered under the captainship of Tata Group. Milestones achieved by Taj Group are listed below:

- 1974 – First international five star deluxe beach resort opened in Goa – “Fort Aguada Beach resort”. Opened Taj Coramandel, a five star deluxe hotel in Chennai.
- 1977 – Acquired equity interest for operating Taj President (now Vivanta).
- 1978 – Taj Mahal Hotel opened in Delhi.
- 1984 – Opened Taj West End in Bengal; Taj Connemara in Chennai; and Hotel Savoy in Ooty.
- Late 1980’s – Acquired St. James Court in London.
- 1989 - Opened five star deluxe hotel named Taj Bengal in Kolkata.
- 1990 – Became the first in Indian hotel industry with presence in all the six metros of India.
- 1990’s – Expanded their geographic and market coverage in India.
1993 – Launched Institute of Hotel Management in Aurangabad.

Since 2000’s – Started organizing their hotels into various brands based on market segmentation strategy; and the brands formed were Taj/Taj Luxury, Taj Exotica, Taj Safaris, Vivanta by Taj, The Gateway Hotels and Resorts and Taj Luxury Residences.

2003 – Completed their centenary.

2013 – Rambagh Palace and Taj Mahal Palace were ranked in Condè Nast Traveler.


Twelve hotels of Taj located in Africa, India, Maldives and North America are members of the Leading hotels of the World. Their hospitality brands include Vivanta by Taj, The Gateway Hotels and Resorts, and Ginger Hotels. Other notable ventures of Taj include Jiva Spa, Taj AIR, Taj Khazana, Taj SATS, and Taj Yatchs. Each Taj outlet presents unmatched combination of warm Indian hospitality, first-class service and modern luxury. Their operations comprises of luxury hotels, wildlife lodges, salons, separate hotels for business and leisure travelers, lifestyle boutiques, private jet operations, and air-line catering services. Their trusted associates include Singapore Airport Terminal Services, Roots Corporation and Inditravel. They have developed “Building Sustainable Livelihoods” to promote corporate social responsibility and have initiated ‘EARTH’ program to create environmental awareness in their hotels. Some important overseas acquisitions of Taj are catalogued below:

- December 2005 – Starwood Group (W Hotel), Sydney
- November 2006 – Ritz Carlton Hotel, US
- April 2007 – Campton Place Hotel, US

The Deal Story

On April 2007, IHCL announced that they have signed a definitive agreement to buy The Campton Place in San Francisco for US $ 58 Million. It is a 110 room luxury European style hotel located along the St Stockton Street on the esteemed Union Square
since 1909. It has two historic buildings dated back to 1909 and 1910 with 101 rooms, 9 suits, and a celebrated restaurant, bar, fitness centre and in-room spa services. Eighteen months prior to purchase by Taj, it was acquired by Kor Hotel Group, a Los Angeles based hotel operator well known for their upscale properties in major locations for US $ 44 Million. Kor Group is a privately held real estate development and management firm with operations focused in hotels, resorts and multi-family real estate. Their hospitality division Kor Hotel Group has a diverse property portfolio that includes Viceroy Santa Monica, Viceroy Palm Springs, Avalon Hotel, Maison 140 in Beverly Hills, The Tides South Beach, Chamberlain in Hollywood, etc. It was Kor’s belief that converting Campton to a Kor-branded property would have tainted its unique identity and diluted the exceptional place it held in the heritage of San Francisco. They accepted Taj’s offer when they were seeking for a third party management to take care of hotel operations. As Taj had a high-end market positioning, it was the best choice they could get.

Acquired from Kor Hotel Group, The Campton Place was third in row of Taj’s acquisition in North America and the first on the West Coast. As part of global expansion strategy, IHCL expanded its presence in the US market with acquisition of The Pierre in 2005 and Ritz-Carlton Hotel in 2007 prior to Campton’s purchase. The US subsidiary of IHCL (known as Taj Hotels, Resorts and Palaces) was involved in the transaction. North America was termed a key source market; and San Francisco one among the top five markets in US. The rationales for acquisition were:

i. San Francisco had a special connection with India, particularly in technology industry, which in turn would offer a substantial potential for trade.

ii. Campton Place, situated at the heart of San Francisco’s well acclaimed retail market for shopping and entertainment would be a best spot for customer attraction.

iii. San Francisco was on the brink of robust growth in the job market and increased their venture capital spending; which in turn would attract the rising passenger number of corporate and leisure travelers alike.

iv. Restaurant and Bar of Campton Place was rated one among the 10 finest restaurants in San Francisco by Wine Spectator Magazine in October 2006.
v. According to the 2007 Zagat Survey, the restaurant of Campton Place received highest possible score. It was also ranked among “World’s Best 500 Hotels for 2006” by Travel+Leisure; and even found place in “Condè Nast Traveler’s” elite Gold List.

Commenting on the deal Brad Korzen (the then CEO and Founder of Kor Group) stated that, “The sale was based entirely on an opportunity that arose due to the property’s raising real estate value”; and Raymond Bickson (MD and CEO of Taj Hotels) said that, “The acquisition after completion will not result in any job losses or large-scale personnel changes, and Taj will honor all previous bookings”. Vikram Singh Aditya was appointed as the new General Manager of The Campton Place post-acquisition. Bickson further pledged that, “Taj will enhance the enviable reputation of Campton Place in its 24-year history”. As of 2015, Taj Group operates 108 hotels in 63 locations including 17 international hotels located in UK, US, Australia, Maldives, Malaysia, Bhutan, Sri Lanka, Africa and Middle East. In 2016, Campton received 2nd Michelin Star.

Findings and Conclusion

The acquisitions related to the Service sector analyzed above point out varied conclusions based on industries. The common rationales for acquisition in this sector concluded are; Technology up gradation and Increase in customer base. The acquisitions related to the IT and ITeS industry report performance escalation to the acquirer firms in the long-run. TATA Communications sold their Neotel stake in 2014, due to debt burden and expected the fund raised from the sale would ease the burden. The Campton Place has become an inevitable component of the Taj Group over the years.

Currently, with the recovery in industrial growth, the Service sector is expected to grow up to 7.4% by 2016. The Indian service sector depends on both domestic and global factors. Some of the big software and telecom companies have created a brand image for Indian companies in the global forum. In order to obtain technological expertise and expand their market, the service companies opt for global alliances, which is also projected to increase in the future.
D. FOOD AND BEVERAGES SECTOR

The Indian Food Industry plays a major role in the global food market, India is ranked 6th in terms of market size, while the retail sector contributes nearly 70% of sales. In India, this sector has developed into the fastest growing high profit sector owing to huge potential for value addition, especially within the food processing industry. It is ranked 5th in production, consumption, export and expected growth and accounts for 32 percent. As of 2015, India is acclaimed to be the leading beverage market in terms of volume. India is ranked 1st, 2nd and 5th in production of buffalo meat, agriculture-based commodities and poultry respectively. Shortage of skilled manpower with regard to specialist jobs and poor infrastructure facilities in this industry has led the companies to go for strategic alliances in order to procure technology knowhow.

The Indian Food Processing Industry includes Dairy, Fruits and Vegetables, Grains and Cereals, Fisheries, Meat and Poultry, Consumer goods including Alcoholic and Non-alcoholic Beverages. In this study, the cases discussed are (a) United Spirits acquiring Whyte and Mackay, and (b) TATA Global Beverages acquiring Vitax and Grand.

(a) USL – Whyte and Mackay Deal

United Spirits Limited (USL) is a subsidiary of United Breweries Group (UBG) headquartered in Bangalore, Karnataka. It is an alcoholic beverages company found by Angus McDowell, a Scottish freebooter; and was recognized as a trading firm in 1826 near Chennai (previously Madras). McDowell and Company was the predecessor of USL prior to 2006. The major events in the history and heritage of USL are time lined below:

- 1898 – McDowell and Company Limited incorporated.
- 1951 – Vittal Malaya acquired McDowell and Co.
- 1959 – The first distillery established in Chertala. The company started bottling Bisquit Brandy and Dorville French Brandy.
- 1961 – India’s first distillation plant opened to produce Extra Neutral Alcohol. Began bottling beehive French Brandy for the Anglo Thai group.
- 1968 - McDowell No.1 Wisky launched. Commissioned the company’s Hyderabad distillery.
- 1971 – Commissioned distillery in Ponda, Goa.
- 1977-80 – Acquired distilleries in Udaipur, Alwar, Mirganj, Serampore. Set up a plant in Puducherry (previously Pondicherry).
- 1980 – Royal Challenge blended to perfection by bringing together selected Scotch Whiskies with fine Indian Malts.
- 1983 – Vijay Malaya became Chairman of UB Group and McDowell.
- 1987 – Headquarters shifted from Chennai to Bangalore.
- 1990 – Launched McDowell’s No.1 Rum named ‘Celebration and Caribbean’.
- 1992 – Launched Asia’s first ever Malt, Duet Gin and Vodka variants. United Distillers India Ltd. created from the joint venture between United Distillers Plc, Black Dog 12 YO Deluxe Scotch, Black and White, VAT 69 and White Horse; which was the first joint venture in India’s alcohol beverages industry.
- 1995 – Carew Phipson Ltd. and Consolidated Distilleries Ltd. merged into McDowell.
- 1998 – McDowell and Co. Ltd. celebrated its centenary with five millionaire brands in its portfolio.
- 2005 – Acquired Shaw Wallace and Co., which was its long-time competitor.
- 2006 – United Spirits Ltd., flagship of UBG created from merger between McDowell and Co. Ltd, Herbertsons Ltd., Triumph Distillers and Vintners
Pvt. Ltd., Baramati Grape Industries India Ltd., Shaw Wallace Distilleries Ltd., and four other companies. Acquired Bouvet Ladubay.

- **2007** – USL acquired Whyte and Mackay and became world’s third largest spirits group. Also acquired 100% of Liquidity Inc., producer of Pinky Vodka and 26% stake in Air Deccan.
- **2008** – Introduced Romanov Red Vodka in the prestige vodka market. Sale touches 90 Million mark.
- **2009-10** – Launched Black Dog 18 YO and Four Seasons Barrique Reserve. Ranked 2nd in volume globally.
- **2011** – Created history with 114 Million sales and became the market leader. Launched McDowell’s No.1 Platinum, 100% grain based whisky.
- **2013** – Diageo acquired 10% stake in USL for US $350 Million. Later in July, acquired an additional 14.98% stake for US $250 Million through their subsidiary Relay BV. Diageo stake rose to 25.02%. By end of 2013, Diageo held 36.3% stake in USL, making them the largest shareholder easing them to pressure USL for changes in management.

The technical centre of USL was opened in 1989 in Bangalore. It was reorganized by DSIR as an in-house Research and Development Laboratory. The centre expertise in fields like microbiology, analytical chemistry, bio-technology, sensory sciences, food technology; and uses instruments like gas chromatography, high performance liquid chromatography, and spectrophotometers in order to analyze sensitivity and quality.

**The Deal Story**

One of the major acquisitions of USL was the 2007 deal of Whyte and Mackay for US $ 1.2 Billion. Whyte and Mackay was a Scottish company established in 1844, Glasgow. Their major products included Scotch, Whisky, Liquors and Vodkas with an employee base of 500. Their self-branded whisky held about 3% of UK whisky market. The brand was acquired by Hugh Fraser’s SUITS Group in 1971, later Lonrho acquired SUITS in 1981 and afterward Whyte and Mackay was purchased by Brent Walker in 1988 and then by American Brands in 1990. The brand received the ‘Gold Quality
Award’ in 2006. The popular brands of Whyte and Mackay included The Dalmore, Isle of Jura, Glayva, Fettercairn, Vladivar Vodka, Mackinlays, John Barr, Cluny and Claymore among others. Prior to acquisition, Whyte and Mackay recorded sales of 9 million cases and USL recorded sales of 66 million cases. In 2007, USL acquired the brand through their subsidiary United Spirits UK Ltd. The finance for the transaction was offered by ICICI Bank and Citibank. UBS, ICICI Bank and Standard Chartered advised USL; whereas Citigroup advised Whyte and Mackay. Vivian Imerman remained the strategic advisor and CEO of Whyte and mackay. The synergies related to acquisition for USL included:-

i. Prospect of increased revenues and consolidated sales of 75 million cases per year.
ii. Under the leadership of Vivian Imerman since 2003, Whyte and Mackay delivered strong revenue and profit growth due to internationalization of their premium brands.
iii. Whyte and Mackay had bulk scotch inventories of 115 million litres which would help USL satisfy domestic as well as global rising demand.
iv. Invergordan Distillery is one among the biggest Scotch whisky distilleries with production capacity of 40 million litres per year.
v. Whyte and Mackay had 4 malt whisky distilleries in Scotland with state of the art bottling facility with production capacity of 12 million cases per year.
vi. Due to shortage and inflating prices of Scotch Wisky, the acquisition would increase the supply to USL.
vii. Demand for Scotch in India was estimated to be very high.
viii. Prospect of increase in exports.

Vivian Imerman commented on the deal that, “The UB Group will provide access to India and other large emerging markets, allowing an acceleration of Whyte and Mackay’s growth plans. It is further forecasted that Whyte and Mackay’s annual operating income to increase by 20% and revenue to grow by 30%”.

146
Following the acquisition, Whyte and Mackay became a subsidiary of UBG and was introduced in India, Dubai, Taiwan and New York. In 2009, the whisky brand had been rated the best blended whisky by two global level prestigious whisky competitions. In August 2010, the brand started replicating whisky from 1907 expedition of Antarctica explorer Ernest Shackleton’s supplies. In October 2010, they sold two bottles of their 64-year old un-replicable Dalmore Trinitas malt whisky for 1,00,000 Pounds. In 2011, an import company was formed in US to manage their portfolio in the US market. As of March 2013, USL held 140 liquor brands and exports to over 37 countries. After Diageo started controlling USL, key members of the brand started resigning including USL CEO Vijay Mallay, and Whyte and Mackay CEO John Beard. On 16\textsuperscript{th} September 2013, Bryan Donaghey (former MD of Diageo) was appointed the new CEO of Whyte and Mackay. In May 2014, Diageo announced the sale of Whyte and Mackay to Emperador Inc., a Philippine based brandy manufacturer and a unit of Alliance Global for £430 Million. Following the announcement, Board of USL was asked to sell entire issued share capital of Whyte and Mackay Group to UK based subsidiary of Emperador. In July 2014, Diageo bought 26% stake in USL from public shareholders for £1.11 billion, thereby increasing their stake to 54.78%. The sale of Whyte and Mackay Group was completed in November 2014.

**(b) Poland and Russian ventures of TATA Global Beverages**

TATA Global Beverages (previously known as TATA Tea Ltd.) is a non-alcoholic beverages company headquartered in Kolkata, West Bengal. A subsidiary of the Indian conglomerate TATA Group, TATA Global Beverages (TGB) is a multinational company ranked as world’s 2\textsuperscript{nd} largest manufacturer and distributor of tea and foremost producer of coffee. It was established in 1964 by J. R. D. Tata. Their products include tea, coffee, diary products, water, pepper and other plantation crops. Their subsidiaries comprise of Good Earth Teas, Tata Coffee Ltd., Tetley, Eight O’ Clock and Tata Starbuck (50%), Tata Tea Extractions Inc., and Zhejiang Tata Tea Extraction Company Ltd. Tata Tea, Tetley, Good Earth Teas, Vitax, and JEMČA are their popular tea brands; Eight O’ Clock coffee, Himalayan, Grand Coffee and Joekels are notable coffee brands. Tata Tea is the biggest-selling tea brand in India; Tetley ranks 1\textsuperscript{st} in Canada and 2\textsuperscript{nd} in
UK and US; and JEMČA is rated 1\textsuperscript{st} in Czech Republic. On a daily basis approximately 250 million servings of TGB brands are consumed around the world. TGB garners 65% of their consolidated revenue from overseas; whereas branded products contribute 90% of the turnover. Development in TGB is through innovation, strategic alliances and acquisitions and organic growth. TGB along with Starbucks ventured in the Indian Café Business thus creating - “Starbucks Coffee – A Tata Alliance”. Their strategic alliances include:-

- 50:50 partnership with Starbucks in Café Business and have outlets in 6 Indian states.
- Produces ready to drink beverages along with PepsiCo.
- Joint venture with NourishCo Beverages Ltd. in producing water brands like TATA Water Plus, TATA Gluco Plus, and Himalayan.
- Along with Tetley Harris produces private brands ranging from Black to Herbal, Speciality and Green.

The history and heritage of TGB is catalogued in below:

- 1964 – TATA merged with Indian tea giant James Finley and TATA Finlay was formed.
- 1976 – Took over production and marketing sections from Finlay
- 1983 – TATA tea incorporated
- 1991 – Entered brand business
- 1993 – TATA Tetley formed after merging with Allied Lyons plc.
- 2000 – Acquired Tetley Group Ltd.
- 2005 – Acquired Good Earth
- 2006 – Acquired Eight O’Clock Coffee, JEMČA and 33% stake in Joekels Tea.
- 2010 – TATA Global Beverages corporate brand established.
• 2011 – Acquired stake in The Rising Beverage Company LLC. Joekels became its subsidiary. Merged with PepsiCo.
• 2012 – Joint Venture signed with Starbucks. Eight O’ Clock signs agreement with Green Mountain Coffee Roasters Inc.
• 2014 – Acquired MAP Coffee, a famous Australian brand.

**TGB acquired Polish Brand Vitax**

On 27th April 2007, Tata Tea (later known as TGB) announced the acquisition of polish brand Vitax from Premium Foods SA for an undisclosed amount, marking the deal to be fourth in line of speciality tea segment for Tata Tea. Premium Foods SA, a consumer goods company headquartered in Krakow, Poland was found in 2000 that specialized in fruit and herbal tea production. Vitax was one of the most entrenched fruit and herbal tea brand in Poland. It came into existence 28 years before with fruit blend products and over the years extended their presence in fruit, green, red, herbal, and functional tea segments. In Poland, Vitax is a celebrated fruit tea brand especially for its intensity, fragrance, color and aroma. The brand came under the TGB banner in 2007. The transaction was carried out by Tetley group (subsidiary of Tata Tea), making Tetley the second best brand in the Polish tea market. Premium Foods were distributors of Tetley brand in Poland prior to the deal which was to be continued post-acquisition according to a press release. The reasons for the acquisition of Vitax are listed below:-

i. Vitax had 16% of market share and reported a turnover of US $ 23 Million before acquisition.
ii. Vitax was a well-acclaimed fruit and herbal tea brand in Poland
iii. Vitax brand was recognized for its innovation and variety in products.
iv. They were specialized in extracting fruit flavours.
v. Celebrated by intense fruit flavor lovers, especially women consumers.
vi. Increased the market share and turnover of Tetley to 10.5% and US $ 36 Million in Poland.
vii. Tetley already was a well-established black and earl grey tea brand in Poland; the acquisition of an established fruit tea brand would yield a significant potential to gain name with existing brand advantage in the polish market.

viii. Stagnation in black tea segment increased the space for speciality tea segment; in consequence the acquisition supported the strategy.

After acquisition, Vitax became a brand of TGB. Their brand family comprises of Vitax Inspirations, Vitax Family, Vitax Superfruits, Vitax Herbs, and Vitax Health Secret. Currently, Vitax is building its market share in green tea segment as well as intensifying their previous position. Their unique recent innovations include; Inspirations – diverse fruit and herbal blend, Spicy fruit – unique blend of fruits and spicy seasonings, and Cold Brew – teas that can be dissolved in cold water especially for summer season. They have also innovated fruit flavored syrups.

**Grand Coffee Comes Under TGB Banner**

Tata Tea along with European Bank of Reconstruction and Development acquired 51% stake in SuntyCo Holding, a Russian based company which owned ‘Grand’ tea and coffee business. The value of transaction was undisclosed. Grand was involved in branding, packing and distributing tea and coffee. In the 16th century, Grand was introduced in USSR by the Chinese, but in 1970’s the relationship with China turned sour, consequently USSR started importing tea from India and Ceylon. Grand was a major player in the economy segment and mainly focused on small cities in the outskirts namely Urals, Siberia, and Southern Russia. The timeline of major events in ‘Grand’ prior to the deal are listed below:

- 1996 – Started selling instant coffee.
- 1998 – Commissioned own packaging unit in Minto.


2008 – Launched Colombian coffee ‘Grand PRADO’.

In March 2009, the Indian beverage giant acquired 51% in the Russian palate. The remaining 49% was retained by ‘Grand’ founder and long-term associate of Tata Coffee, Alexander Borisov. The management team of Grand was also retained after acquisition. Tata Coffee Ltd. was the subsidiary involved in the transaction. The rationales of acquisition for TGB are listed below:

i. Tea was the national beverage drink of Russia.

ii. The average beverage consumption of a Russian was 1.2 Kg per year when compared to the global average 0.3 kg per year.

iii. Grand instant coffee had affordable prices.

iv. Grand is one of Russia’s heritage brand known for its value products.

v. Grand Coffee one among top 10 in Russia’s instant coffee market.

vi. Grand Coffee offered taste equal to a barista-made coffee from coffee shop.

vii. TGB presence in Russian market to be strengthened.

Tata’s investment in Grand would modernize production facilities which in turn would increase quality and quantity of the output; thereby opening new market prospects for them. According to Tata Tea spokesman, “The acquisition is in line with TGB’s strategy to invest in and grow beverage brands identified key markets, through both acquisition and organic growth”. Post-acquisition, Grand became a coffee brand of TGB. In 2009, Grand along with TGB established a joint venture named “Santa”. On 21st August 2012, TGB acquired the remaining 49% in Grand. In 2013, Grand launched natural instant coffee. As of September 2013, Grand Coffee was re-launched with upgrade in blends, new packaging and marketing strategy. The coffee brands of Grand include; ‘Grand Melange’, ‘Grand Aroma De Brazil’, ‘Grand Extra’, ‘Grand Gold’, ‘Grand Premium’, and ‘Grand Classic’. Their tea brands include; Great Tiger Tea Bags, Generalissimo, Seven Elephants, Emerald Island and Grand Flavoured Tea Bags.
**TGB – Present outlook**

TGB are global leaders in the ‘health category’ of beverage sector. With 3000 employee base worldwide TGB has brand presence in 40 countries. They have tea extraction process- manufacturing facilities in India, USA, China, has a joint venture with Zhejiang Tea Group Company Ltd in this regard. Their business associates are Amalgamated Plantations Pvt. Ltd.; Kanan Devan Hills Plantations Co. Pvt. Ltd.; and Estate management services Pvt. Ltd. Their global operations comprises of projects; tea buying and blending; coffee buying and blending; and manufacturing; and their locations include UK, Africa, Europe, Middle East, Russia, USA, Canada, Australia, South America and South Asia. TGB plants are located in India, UK, US, Australia, Canada, Poland, Czech Republic, Russia, Pakistan, Bangladesh and South Africa. TGB is an active member of ‘Ethical Tea Partnership’. ‘Jaago Re’ is a social initiative started by TGB to oppose corruption. As of March 2014, TGB grossed revenue of US $ 2.27 billion. Currently, TGB is headed by Cyrus P. Mistry (Chairman) and Ajoy K. Misra (MD and CEO).

**Findings and Conclusion**

The common synergies for the acquisitions in the Food and Beverages Sector discussed above are; Increase in Sales and Brand Positioning. After Diageo started controlling USL, they sold off Whyte and Mackay to Emperador Inc. for £430 million. Vitax and Grand are well acclaimed brands under the TGB banner. The brands are appreciated their innovative product lines and variety of choice.

Going forward, the Indian food market aspires to touch the US $ 482 Billion mark by 2020. The sector has been a rising star in the recent years. With rising consumption level and production of quality products, India is being widely acknowledged as a promising market. The household consumption level is estimated to triple by 2030. In order to satisfy the estimations, overseas alliances will prove to benefit the firms to create a truly international brand in India.
E. PHARMACEUTICAL SECTOR

The Indian Pharmaceutical market is ranked 3rd and 13th in terms of volume and value on the global forum. India is the biggest generic drug provider contributing nearly 20% towards global exports. Presently, the market size of the pharma sector accounts for US $ 20 Billion. Indian manufacturing facilities registered with US FDA was 523, highest for any country outside US (2014). The industry is largely dominated by foreign companies and their subsidiaries as they enter India owing to accessibility of low cost labour. Foreign investments in this sector is encouraged up to 100% without compulsory licensing from the government. The challenges in this sector include, high disbursement of revenue on research and development when compared to their western counterparts; lack of qualified molecular biologists hindering drug discovery; and lack of funding. All these factors have stimulated the firms to go for cross border acquisitions.

The cases to be discussed in the Pharmaceutical sector include, (a) Dr. Reddy’s Laboratory acquires Betapharm, (b) Ranbaxy acquires Terapia, (c) Jubliant – Draxis Deal, and (d) TATA Chemicals acquires General Chemicals.

(a) Dr. Reddy’s German Deal

Dr. Reddy’s Laboratory (DRL) was found by Dr. Anji Reddy in 1984. DRL is a multinational pharmaceutical firm headquartered in Hyderabad, India. The company products include; 190 medications, 60 active pharmaceutical ingredients for manufacture of drug, diagnostic kits, critical care and biotechnology products. Started with a supplying interest, the company later started exporting to less-regulated markets. The timeline of the major events in DRL from its inception is catalogued below:

- 1984 – Produced active pharmaceutical ingredients.
- 1986 – Commissioned operations on branded formulations
- 1987 – Started exporting to Europe. Transformed from supplier to manufacturer.
• 1993 – Entered into joint venture with Middle East firms. Two formulation units opened in Middle East and Russia.
• 1995 – Dissolved the joint venture with Biomed.
• 1997 – Filed Abbreviated New Drug Application in USA. Out-licensed a molecule for clinical trials for a Danish company named Novo Nordisk.
• 1999 – Acquired American Remedies Ltd. Became 3rd biggest drug firm in India. Their product spectrum included bulk drugs, finished dosages, diagnostics, intermediates, chemical synthesis and biotechnology. Submitted Para 4 application for Omeprazole.
• 2000 – Set up an American laboratory named Reddy US Therapeutics Inc. in Atlanta. First commercial generic product launched in USA.
• 2001 – Listed in NYSE, the first ever non-Japanese company from Asia Pacific. First Indian company to launch Fluoxetine. Completed US IPO of US $ 132.8 Million.
• 2004 – Acquired Trigogenesis Therapeutics Inc., a dermatology company in US.
• 2005 – Conducted clinical trials of RUS 3108 in Belfast, Northern Ireland. Spun off their research wing into a separate company named Perlecan Pharma Pvt. Ltd. Acquired Roche’s API business for US $ 59 Million.
• 2007 – Had 6 FDA plants in India, and 7 FDA inspected and certified plants (2 in UK and 5 in India).
• 2008 – Absorbed Perlecan Pharma, making it an in-house research facility.
• 2009 – Transferred their discovery, research and related intellectual property to their Bangalore based subsidiary.
• 2010 – Linked to Glaxo Smithkline, UK drug multinational company.
2011 – DRL’s generic Simvastatin recalled.
2014 – 1, 00,000 bottles of Toprol XL recalled. Listed among 1200 most trusted brands in India.

The Deal Story

In March 2006, DRL acquired 100% of Betapharm Arzneimittel GmbH, a German-based pharma company for 480 Million Euros; which was rated as the largest-ever overseas acquisition made by an Indian drug company. Betapharm was established in 1993 in Augsburg. In 1988, Betapharm formed. Beta Institut Gemeinnützige GmbH, a non-profit organization was established in 1999. 3i acquired Betapharm in 2004. Later in 2006, DRL bought Betapharm from 3i. The deal was funded by internal cash reserves (US $ 200 Million) and reliable credit facilities (debt from domestic financial institutions). As of March 2006, Betapharm was Germany’s fourth-biggest generic pharma company, which held 3.5% market share and had 150 active pharmaceutical ingredients. Betapharm distributed high quality generics at affordable prices. It was the fastest growing pharma company in Germany for the past five years. The other prospects of the deal are listed below:

i. Aimed to become a mid-sized global company with presence in key markets.
ii. Betapharm possessed strong growth platform.
iii. Would be easy to develop strategic presence in Europe.
iv. The Investment would generate significant opputunities for long-term value creation for both firms.
v. Influence DRL’s global product development and marketing strategy.
vi. Betapharm would expand its development trajectory.

Since the acquisition, Betapharm is a subsidiary of DRL. Many analysts expressed doubt that the price paid for the deal was very high. After few months, their prediction turned positive with the introduction of Economic Optimisation of Pharmaceutical Care Act (1st may 2006). The act applied some price caps which in turn affected Betapharm’s margin. Analysts predicted that DRL would get the payback from
the deal after some more years. That made DRL shelf their other European projects. Regarding Rx drugs, Betapharm focused on diseases related to cardiovascular, neurology and pain or palliative. Until 2008, the company sold under its brand name ‘beta’. From 2009, the company started to focus on tender driven market. Since 2011, the company established ‘target’ oriented sales force in areas like Gynecology, Neurology and Pain. As of November 2012, the value of Betapharm was US $ 108 Million – 75% fall compared to its purchase value in 2006. Umang Vohra (VP and CFO) commented on the status that; “We should make acquisitions that improved in-house capabilities rather than buying a company in some market that merely increased turnover”. The company also decided not to consider the bidding route in any acquisition.

As of 2014, DRL garnered revenue of US $ 2.3 Billion. As of 2015, the employee base of DRL was 20,000. Currently, the company is headed by G. V. Prasad (CEO) and Kallam Satish Reddy (Chairman).

(b) Ranbaxy – Terapia Deal

Ranbaxy Laboratories Ltd. (RBL) was an Indian-based multinational company headquartered in Gurgaon, Haryana. RBL was an integrated, research based pharmaceutical company having its existence since 1937. Started as a drug distributor company by Ranbir Singh and Gurbax Singh, it was later purchased by Bhai Mohan Singh in 1952. The company saw a rise in sales after Parvinder Singh (son of Bhai Mohan Singh) joined RBL in 1967. Their product spectrum was known for its quality and affordable generic medicines trusted by healthcare professionals and patients world-wide. Their consistent focus in research and development had resulted in significant drug discoveries which in turn were approved in world’s developed markets. RBL’s ‘Novel drug Delivery System’ venture had led to proprietary “platform technologies”, which resulted in number of products under improvement. The major events that took place in RBL prior to their acquisition by Sun Pharma are catalogued below:

- 1961 – RBL incorporated as a company in Indian pharmaceutical industry.
- 1973 – Launched their first IPO.
- 1985 – Commissioned Ranbaxy Research Foundation.
1997 – Crossed INR 10,000 Million turnover and unsurpassed exports of INR 5000 Million.
1998 – Entered US market with its own brand name.
2001 – RBL sales crossed US $ 100 Million in US. Became the fastest developing pharma company in the world.
2003 – Allianced with GSK for drug discovery and development.
2006 – Announced largest FCCB worth US $ 440 Million in India.
2008 – Redefined business model by making Daiichi Sankyo Co. Ltd. as a predominant partner.
2011 – Became the first ever Indian drug company to gross global revenues of US $ 2 Billion.

The acquisition and alliances related to RBL are listed below:

- 1992 – Allianced with Eli Lilly and Co. to form a joint venture in India.
- 1993 – Entered into an agreement to form a joint venture in China.
- 1995 – Acquired Ohm Laboratories Inc., USA.
- 2000 – Acquired ‘BASICS’, the generic business of Bayer’s, Germany.
- 2006 – Acquired Terapia, Romania for US $324 Million and Be Tabs Pharmaceuticals, South Africa for US $ 70 Million. Also acquired the unbranded generic business of GSK in Italy and Spain.
- 2014 – Sun Pharma acquired RBL for US $ 4 Billion.

The Deal Story

On 29th March 2006, India’s foremost drug-maker RBL purchased 96.7% stake in Romania’s largest independent pharma company Terapia SA for US $324 Million. Terapia was established in 1920 under the name Terapia Medication Company and headquartered in Cluj-Napoca, Romania. The company started expanding during the Interbellum, and soon began producing generic medicines. Throughout the Second World
War, the company played a prominent role in supplying medicines to army camps. It was the first pharma company in Romania to have GCP accredited bioequivalence laboratory. In November 1990, Terapia became an anonymous company. As a result of the privatization process in 1996, Romferchim SA bought 3, 96, 208 shares of Terapia. Owing to the economic depression in 2004, the company underwent an enormous restructuring process. Thousands of employees were fired and production of nearly 40 medicines stopped. Later that year, Advent International bought 95% of stake in Terapia; which was named the greatest transition in Romanian pharma sector. In 2006, Advent sold 90% of stake in Terapia to RBL, thereby changing the brand name to Terapia Ranbaxy. The advisors for the transaction were ABN AMRO Corporate Finance Ltd. and Merrill Lynch International for RBL and Advent International respectively. The acquisition was funded through US $ 400 Million recently raised through FCCB by RBL. The deal terms included; 96.7% stake in Terapia along with its two manufacturing units, bioequivalence centres, 60 products, and access to Terapia’s Romanian coverage of 4000 pharmacies and 450 hospitals. As of 2005, RBL had customers in 125 countries, ground operations in 46 countries and manufacturing operations in 7 countries. They were present in 23 out of top 25 pharmaceutical markets world-wide. Their sales were reported a US $ 1.2 Billion (7% invested in research and development), and they were one among the top 10 generic pharma companies in the world. RBL was the largest Indian pharma company in terms of sales and market share. Prior to the sale, Terapia had 30% of its product group registered in 15 countries including developing markets like Russia, Ukraine and Poland. As of 2005, Terapia reported sales worth US $ 80 Million. The company had a bucket of 147 products. The synergies claimed by RBL from the deal are listed below:

i. Aimed at making Romania its European hub.

ii. Terapia would deliver strategic Romanian and European synergies that would lead RBL to explore new opportunities.

iii. Market expansion in Romania (expected a increase by 5.5%), and across other European and CIS countries.

iv. Combination of operations would lead tom market leadership in domestic primary care market.
v. Access to Terapia’s product base which comprised of 71% in company’s domestic sales.

vi. Terapia had a well organized senior management team, cost effective operations, quality products, and had a top score in new product development.

vii. Terapia had highly skilled work force expertise in all functions of modern, integrated and branded generic business.

viii. The bioequivalence unit gave RBL leverage to conduct cost-effective clinical trials.

ix. Could enjoy synergies of the already well established brand.

x. Terapia owned an integrated distribution unit which provided market advantage.

xi. Romania being the second highly populated country and fastest growing pharma market in CEE region.

Post-acquisition, Romania became the second manufacturing site for RBL after Ireland. Terapia also expected to launch additional products in their domestic space. The new formed company was rechristened as ‘Terapia Ranbaxy’, which became the best favored generic company in the Romanian pharma market. In June 2008 – Daiichi Sankyo acquired 34.8% in Ranbaxy for US $ 2.4 Billion; by November 2008, Daiichi increased their stake to 63.92%; since then, Terapia Ranbaxy became a part of Daiichi. As of 2012, RBL grossed revenue of US $ 2 Billion with 10,983 employees. RBL’s products range from drugs and medicines related to cardiovascular, antibiotics, cholesterol-lowering, beta-blockers and pain relief. The company employed a proprietary distribution company to serve 5000 pharmacies and 400 hospitals. As of 2013, RBL exported to 125 countries with ground operations and manufacturing facilities in 43 and 8 countries respectively. According to Brand Trust Reports; in 2012, 2013, and 2014, RBL was ranked 161, 225 and 184 respectively among most trusted Indian brands. In April 2014, Indian based Sun Pharma acquired 100% of RBL for US $ 4 Billion; since then RBL came under the parenthood of Sun Pharma.
(c) Jubliant – Draxis Deal

Jubliant Life Sciences Ltd. (previously Jubliant Organosys Ltd.) is a multinational pharmaceutical company headquartered in Uttar Pradesh, India and headed by Shyam S. Bhartia (Chairman) and Hari S. Bhartia (Co-Chairman and MD). It is indulged in manufacturing and supplying API’s, Radiopharmaceuticals, Solid Dosage Formulations, Allergy Therapy Products, Fine Ingredients, Advance Intermediates, Life Science Chemicals and Nutritional products. Their services include Contract Manufacturing of Sterile Injectables and Drug Discovery Solutions. Their products are sold across 100 countries and have a strong presence in India, North America, Europe and China. The major milestones achieved by the company are listed below:

- 1978 – Registered as Vam Organic Chemicals Ltd.
- 1981 – IPO issued and listed in BSE and NSE.
- 1983 – Began commercial production of Vinyl Acetate Monomer.
- 1985 – Research and Development Centre of Jubliant recognized by Indian Government.
- 1990 – Commissioned Pyridine and Picoline Plant.
- 1995 – Received ISO 9001 Certification.
- 1997 – Commissioned Multi-purpose Chemical Plant and Food Polymer Plant.
- 2000 – Jubliant Biosys Ltd. set up to enter bio/chem. Informatics business. Marketing subsidiary in USA formed. Acquired Acetyl plant in Western India.
- 2002 – Acquired Active Pharmaceuticals Ingredients business.
- 2003 – Set up Research and Development Centre in Noida with state-of-the-art facilities.
- 2004 – Commissioned Jubliant Chemsys to enter medicinal chemistry field. Entered formulations and regulatory business by acquiring Pharmaceuticals Services Incorporated N. V. and PSI Supply N. V. in Europe.
- 2005 - Acquired full service Clinical Research Organization in USA and Target Research Associates Inc. later renamed as Clinsys Inc.
- 2007 – Acquired Hollister Stier Laboratories, USA.
- 2010 – Demerged their Agri and Performance Polmers business to Jubliant Industries Ltd. Jubliant Organosys name changed to Jubliant Life Sciences.
- 2012 – Jubliant SEZ inaugurated in Gujarat.
- 2013 – Received NDTV Profit Business Leadership Award for ‘Corporate Social Responsibility’ and Supply Chain Excellence Award at 7th Express.
- 2014 – Acquired Cadista holdings Ltd. Partnered with BRI to enter South Asian poultry market.
- 2015 – Received Golden Peacock National Quality Award and won ‘Responsible Organization Excellence Award’ from ASSOCHAM.

**The Deal Story**

On 28th May 2008, Jubliant Organosys acquired all common shares of DRAXIS Health Inc., a Montreal-based pharma company for US $ 225 Million (US $ 6/ Share). The transaction was carried out by Jubliant’s wholly owned subsidiary – “jubliant”. DRAXIS Health Inc. was found in 1987 by Parkinson’s sufferer and eccentric Morton Shulman; primarily incorporated as Deprenyl Research Ltd. headquartered in Canada. Later in 1994, the name was changed to Draxis Health Inc. The company was specialized in lyophilize pharmaceuticals, nonsterile speciality pharmaceuticals and radiopharmaceuticals. Their subsidiary firms; Draxis Speciality Pharmaceuticals took care of drug development, Draxis Pharma division provided contract manufacturing services, and DraxImage was involved in distribution. The employee base of the company was 500 before the acquisition. They were the pioneers to develop lyophilized kits. Jubilant funded the transaction by a combination of cash and debt. Bank of America
Securities Canada Co. and Lazard acted as financial advisors to Draxis and Jubliant respectively. McCarthy TTrtaurt LLP, and Osler Hoskin and Harcourt LLP acted as legal counselors to Draxis and Jubliant respectively. The synergies claimed from the transaction are listed below:

i. Confirmed Jubliant’s entry into attractive, regulated, high growth and high margin radiopharmaceuticals business as well as entry in North American market.

ii. Enabled Jubliant to combine sterile and non-sterile contract manufacturing business.

iii. Jubliant would become leaders in providing contract manufacturing of small volume parenterals to big pharmaceutical and bio-tech companies in North America.

iv. Enabled access to Draxis’s expert team in radiopharmaceuticals and contract manufacturing.

v. Jubilant would become 5th largest producer of sterile injectables.

vi. Prospect for Draxis to grow their business through new product launches and entry into new markets through expansion of customer base.

Post-acquisition, Draxis Health Inc. was renamed as Jubliant DraxImage Inc, which became a wholly owned subsidiary of Jubliant life Sciences. Jubliant DraxImage Inc. is a nuclear medicine company that develops, manufactures and markets radiopharmaceuticals. Currently, they serve 25 countries worldwide with 140 employee base. After 2008, the major events that took place in the company are listed below:

- 2009 – Received European approval for DRAXMIBI kit to enter markets in Netherlands and UK.
- 2010 – Draximage renamed to Jubliant DraxImage Inc.. Launched generic formulation of Sestamibi in Canada and US.
- 2011 - Received approval from Health Canada for its RUBY-FILL® Rubidium Rb 82 generator.
2014 – Acted as a catalyst between SNMMI, CORAR and MITA for an industry forum that ensured value to nuclear medicine and essential discipline for patient care.

At present, Jubliant Life Sciences with a team of 6100 employees worldwide varied in culture and different nationalities have leveraged innovation and scale of operations at each step of value chain to deliver increased value to their stakeholders. Their strategic acquisitions and alliances over the years have resulted in 7 top-notch manufacturing facilities in India and 5 in North America. They have 13 subsidiaries under their parenthood. As of March 2015, the company reported revenue and profit of INR 58.687 Million and INR 403.24 Million respectively.

(d) TATA Chemicals – General Chemicals Acquisition

Tata Chemicals Ltd. is a part of the Indian multinational conglomerate TATA Group. They are leading manufacturers of inorganic chemicals, fertilizers and food additives. The company was established in 1939 by J. R. D. Tata and serves world-wide. It is headed by Cyrus P Mistry (Chairman) and has its headquarters placed in Mumbai, Maharashtra. Their products include basic and industry chemicals, nitrogenous and phosphatic fertilizers, industrial (re)finishing products, coatings and crop nutrition. Their product spectrum range from Chemicals, Fertilizers, Consumer products, Biofuels, Fresh produce, Cement, Pulses and Water purifiers. It is one of the biggest chemical companies in India and has the second largest soda ash production capacity plant in India. They have operations based in India and Africa, and its plants are located in India, US, UK and Africa. The company’s research and development centre ‘TATA Chemicals Innovation Centre’ in Pune, Maharashtra started operating since 1994. They were pioneers and market leader in iodised salt segment. They provide key ingredients to world’s biggest glass, detergent and industrial products manufacturers. The company’s Agri – Solutions and Technology wing provides suggestions regarding farming and crop nutrition. The timeline of Tata Chemicals history is catalogued below:

- 1939 – Incorporated as Tata Chemicals Ltd. on January 23rd.
- 1942 – First unit of plant completed.
1943 – Auxiliary Power plant set up. Started production of caustic soda, bleaching powder, liquid chlorine, zinc chloride and hydrochloric acid

1944 – Production of soda ash started

1949 – Started production of sodium bicarbonate.

1952-53 – Soda ash capacity increased from 50 to 100 tonnes per day.

1957 – Joint venture with Fison Pest control

1961 – Started producing dense soda ash.

1971 – Started selling chemicals of their own which was previously done through Tata Oil Mills.

1972-73 – INR 414 lakh worth plant and machinery installed

1974 – Tata Energy Research institute set up

1978 – Subsidiary named Varuna Investments Ltd. set up.


1988 – Mini toy train and Sabras Express started in Mithapur.


1994 – Commissioned fertilizer plant in Babrala creating world record.

2001 – Production affected due to January 26th earthquake.

2003 – Tata Salt ranked No.1 by Brand Equity Survey. Mithapur became the first industrial township to be awarded ISO 14001 Certificate.

2004 – Innovation centre set up to focus on nanotechnology and biotechnology.

2006 – Acquired Brunner Mond Group, UK.

2008 – Acquired General Chemicals Industrial Products and became world’s biggest soda ash manufacturer.

2009 – Launched ‘Tata Swach’ water purifier and ‘i-Shakthi’ cooking soda.

2010 – Acquired British Salt, UK. Launched ‘i-Shakthi’ dals.


2012 – India’s first iodine plus iron fortified salt launched.

2013 – Launched innovative organic plant growth regulators – FarmGro and FarmGro G.
The Deal Story

On 27th March 2008, Tata Chemical Ltd. bought 100% of General Chemicals Industrial Products (GCIP) based in US for US $ 1,005 Million and became world’s second biggest soda ash manufacturer. General Chemicals was one among the top 5 global producers of soda ash established in 1884. They shared Green River Basin with three other producers namely; OCI Chemical Corporation, FMC Corporation and Solvay Mineral. They supplied raw materials used in production of paper, soap, powdered detergent, glass, etc. Their expertise was in shipping and storage of soda ash. Prior to acquisition, GCIP had a production capacity of 2.54 million tones. As of March 2007, Tata Chemicals reported a consolidated turnover of INR 6000 Crore. Their chemical business contributed 56% of global revenues and the remaining was from fertilizer business. Lazard and Standard Charted Bank were the financial advisors to Tata Chemicals regarding the transaction. The transaction was funded through a combination of term financing through ECB (US $ 500 Million) and bridge financing (US $ 350 Million). The benefits expected from the deal are listed below:

i. Production capacity of Tata Chemicals increased to 5.17 million tones of soda ash.
ii. Would provide Tata Chemicals access to world’s biggest and most economically recoverable trona ore deposits later converted to soda ash.
iii. Would create a natural hedge against the commodity cycle, as over 50% of capacity will be through natural route which was more economical than production through synthetic route.
iv. Tata Chemicals would acquire unique position in global market.
v. Would provide access to markets in North America, Latin Market and Far East.
vi. Provide access to 2 low-cost soda ash reserves in the world (Wyoming, USA and Magadi, Kenya).
vii. Tata Chemicals would have manufacturing locations in four continents.

After the acquisition, GCIP became a wholly owned subsidiary of Tata Chemicals, which was later rebranded as Tata Chemicals North America Inc. (TCNA) in 2011. TCNA is headquartered in East Hanover, New Jersey, USA. Their mines are located in Green River Basin jointly owned by TCNA (75%) and Owens-Illinois (25%). The site has deposits that can satisfy global demand for soda ash for hundreds of years. TCNA has an extensive portfolio of household products, agriculture additives and industrial chemicals. Currently, the production capacity of TCNA is 4.5 million tones per annum.

Headquartered in Mumbai, Tata Chemicals is a global company with their business focused in three sectors namely; living essentials, industry essentials and farm essentials. For the financial year 2014, the company reported revenue and profit of INR 16037.85 Crore and INR 1032 Crore.

Findings and Conclusion

The reasons for acquisitions in the Pharmaceutical sector are defined under two major aspects namely- Technology Transfer and Market Expansion. The findings from the study state that; though some have experienced debt with their foreign asset none have proposed sale of their foreign assets. DRL though suffered losses from Terapia, they have altered their acquisition strategy for later acquisition projects. RBL is lately being controlled by Sun Pharma. Jubliant DraxImage Inc. has justified the expected synergies from the deal. TATA Chemicals has made a strong footprint in North America by creating TCNA through GCIP.

The Indian Pharmaceutical sector is estimated to grow by annual rate of 15% till 2020. Driven by increase in consumer spending, urbanization and raising healthcare insurances; the sector’s market size is expected to rise up to US $ 100 Billion by 2025. Of late, consolidation has become a trend in this sector; the reasons being, reduction in research and development expenditure, reduction in manufacturing costs and strengthening of marketing network. Currently, the firms are focusing on acquiring
Japanese firms to expand their market further. By 2016, it is expected to become the third largest global generic API merchant market. The ‘Pharma Vision 2020’ initiative by the Indian Government aspires to make India a foremost hub for end-to-end drug discovery.