5.1 Brief History of Mergers & Acquisitions in India

The concept of merger and acquisition (M&A) in India was not much popular until the year 1988 because of the regulatory and prohibitive provisions of MRTP Act, 1969. According to this Act, a company or a firm has to follow a pressurized and burdensome procedure to get approval for merger and acquisition. The post-independence period witnessed a few negotiated mergers between large business groups. Important amongst the early reported mergers in India include the merger of Bengal Iron and Steel Co. Ltd. with Indian Iron & Steel Co. Ltd. in 1936 and the acquisition of Pukhuri Tea Co. Ltd by Bishnauth Tea in 1965.

During the pre-liberalization licensing era (prior to 1991), several companies indulged in unrelated diversifications based on the availability of licenses. The companies flourished in spite of their inefficiencies because the total capacity of the industry was restricted due to the licensing policy. The first wave of corporate deal making in India has started in 1980s in the era of the first tentative reforms under the then prime minister of India Mr. Rajiv Gandhi which gave birth to large-scale corporate ambition. The year 1988 witnessed one of the oldest business acquisitions by Swaraj Paul to overpower DCM Ltd. and Escorts Ltd. Other corporate raiders were Manu Chhabria and R P Goenka. Further to that many other non resident Indians had put in their efforts to take control over various companies through their stock exchange portfolios.

The policy of decontrol and liberalization coupled with globalization of the Indian economy since 1991 onwards exposed the corporate sector to severe domestic and global competition. This was further accentuated by recessionary trends which
resulted in fall in demand which, in turn, resulted in overcapacity in several sectors of the economy. The second wave of M&As was largely built on the theme of corporate restructuring during the period 1992-1995. The Murugappa Group, the Chabbria Group and the RPG Group sought to build industrial empires through acquisitions during this time. They followed the prevailing industrial practice of building a conglomerate of diverse businesses.

As a part of the reforms package and policy liberalization, the Government of India had announced the New Industrial Policy (NIP) in July 1991. NIP accorded a more liberal attitude towards inflow of foreign direct investments. In 1992, the Government of India created the Securities and Exchange Board of India (SEBI) with powers to regulate the Indian capital market and to protect investors' interests. In November 1994, with a view to regulate takeovers, SEBI promulgated the Substantial Acquisition of Shares and Takeover (SAST) Regulation Act. Further, restrictions imposed by Foreign Exchange Regulation Act on foreign ownership in Indian companies were abolished and the requirement of prior government approval on M&A was removed. Such globalization and liberalization of the Indian economy at the onset of the 1990s paved the way for consolidation towards the end of the decade. During the decade, many business groups undertook restructuring processes to sustain in this global competitive environment.

The third wave splashed its way into the corporate landscape during 1997-2002. There were a large number of consolidations in sectors like cement and telecommunications. A new type of deal also made its presence felt known as venture capital where money poured at the start ups, especially in technology and IT services. From early 2000 onwards, Indian Inc. has been on an overseas acquisition spree. The number of Indian companies investing abroad has been steadily growing since then. India's private banking system and open capital markets were the foundations on which Indian acquisitions were based and had much more financial discipline. Indian companies' strength was their widely acknowledged world class managerial talent. Top line companies were also cash rich. The easy availability of dollars as a result of the government's policy of economic liberalization made it easier for Indian companies to go global. Many regulations and controls binding Indian companies beyond exports were lifted. The changing mindset of Indian
corporates for greater exposure and competitiveness facilitated the process of overseas acquisitions. More and more US and other global private equity firms have started funding Indian companies for acquisitions in the Western world. During the year 2000, domestic mergers took place in several sectors, like transport and communication, food products, finance, computer software, chemicals, plastics and Pharmaceuticals. Cross border M&As were reported mainly in the IT sector. Among the top deals in 2001 were the merger between ICICI Bank and ICICI, Grasim's buyout of 10% stake in Larsen & Toubro (L&T) and Sterlite Industries buying 51% stake in Balco. In 2001, MNCs accounted for 35% of the total number of deals. Tata Group's Tata Tea began the trend when it acquired UK's famous brand, Tetley Tea, for US $ 430 million during the year. It was observed that the major deals in 2002 were either due to privatization of major public sector undertakings or deals struck by major domestic companies and multinational corporations. The biggest merger in the Indian merger history occurred in the year 2002 when intra-group consolidations of Reliance Industries Ltd. (RIL) and Reliance Petroleum Ltd. (RPL) took place. Around 50 overseas acquisitions, amounting to US $ 1.8 billion, took place in 2003. The largest acquisition in 2003 was seen in the cement industry when Grasim Industries bought 38.5% stake in L&T Cemco for US $ 354 million.

The fourth wave (2004-2006) witnessed a flurry of global deals. Private equity investors and MNCs got optimistic about India during this period. Overseas acquisitions by Indian companies had also gained momentum. The value of acquisitions doubled to US $ 9.30 billion in 2004 from US $ 4.5 billion in 2003. The value of M&A activity increased by 151% in 2004 compared to the previous year. In 2005, the total number of outbound deals was 136, generating a total deal value of US $ 4.3 billion. The percentage change was 103% in the year 2005 compared to 2004. In 2005, the telecom sector accounted for one-third share of all M&A deal value. Large deals in this sector included Essar Group's acquisition of BPL Communications, Vodafone's investment in Bharti's TeleVentures, Maxis Group's acquisition of Aircel and VSNL's acquisition of Teleglobe International Holdings. During 2006 cross border M&A activities increased significantly. IT & ITES was the clear leader as far as sectoral deal values were concerned. This sector garnered US $ 2.9 billion worth of deals. The major deals included EDS's acquisition of majority stake in Mphasis BFL, RR Donnelley's acquisition of Office Tiger, i-Flex's
acquisition of Mantas Inc, etc. The value of inbound cross border M&A activities (foreign companies buying Indian companies) increased marginally from US $ 5,173.93 million in 2005 to US $ 5,399.75 in 2006. But the value of outbound cross border M&A activities (Indian companies buying foreign companies) increased substantially from US $ 4298.52 million in 2005 to US $ 9914.15 million in 2006, representing an increase of 130 per cent. The number of outbound M&A deals were much larger compared to the inbound deals. This fact clearly indicates the emerging trend of Indian companies going for an acquisition spree as a strategic pursuit for growth. The value of domestic M&A deals went down in the year 2006 compared to the previous year though the number of deals increased. The largest outbound deal in 2006 was for US $ 677 million with Tata Tea acquiring 30 per cent stake in Energy Brands of US. The largest inbound deal in 2006 was Kohlberg Kravis Roberts' acquisition of the software business of Flextronics for US $ 900 million. In 2006, Suzlon acquired Belgian gearbox maker Hansen for Euro 431.43 million (equivalent to Rs. 2,459.15 crore or US $ 565 million). The acquisition was funded entirely by debt from the ICICI Bank, the State Bank of India, Deutsche Bank and Barclays Bank.

According to the data compiled by India Advisory Partners, Indian companies paid US $ 209 million and US $ 1.8 billion in 2002 and 2003, respectively, for overseas acquisitions. It is found that the growth in M&A activity in India has taken its momentum from the year 2004. The value of overseas buyouts by Indian companies increased 164% from US $ 1.7 billion in 2004 to US $ 4.5 billion in 2005. The value of acquisitions doubled to US $ 9.3 billion in the year 2006. It is observed that the value of M&A activity increased approximately 7 times in the year 2005 compared to the year 1998.

5.2 Recent Trends in Mergers and Acquisitions in India, 2007 to 2011

From 2007 onwards, the scenario has completely changed with increasing competition and globalization of business. Until up to a couple of years back, the news that Indian companies acquired American and European entities was very rare. However, this scenario has taken a sudden U-turn. Nowadays, news of Indian Companies acquiring foreign businesses is more common than the other way round. Buoyant Indian economy, extra cash with Indian corporate houses, Government
policies and newly found dynamism in Indian businessmen have all contributed to this new acquisition trend. It is believed that India has now emerged as one of the top countries entering into M&As.

Exhibit: 5.1
Deal Summary: 2007 to 2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume</th>
<th>Value (in US $ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inbound</td>
<td>Outbound</td>
</tr>
<tr>
<td>2007</td>
<td>112</td>
<td>243</td>
</tr>
<tr>
<td>2008</td>
<td>86</td>
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<td>91</td>
<td>198</td>
</tr>
<tr>
<td>2011</td>
<td>142</td>
<td>146</td>
</tr>
</tbody>
</table>


Exhibit: 5.2
M&As in India: Recent Trends, 2007 to 2011

(a) In terms of number of deals
(b) In terms of Deal Value (in US $ million)


It is observed that the value of M&A deals reached to its peak (worth US $51.11 billion with as many as 676 deals) in 2007. In fact, 2007 would be remembered in India’s corporate history as a year when Indian companies had covered a lot of new ground. They went on shopping spree across the globe and made a number of significant cross-border acquisitions. In 2007, 243 outbound deals worth US $32.76 billion registered a massive growth of 230% over the previous year (190 deals worth US $9.91 billion). The largest outbound deal of the year was India’s steel giant, Tata Steel’s acquisition of Anglo Dutch giant, Corus, which projected Tata Steel to become world’s sixth largest steel maker. The second largest deal involved Hindalco spending US $3.33 billion to acquire Canada based Novelis, a leading aluminum sheet maker. The third largest outbound deal of 2007 was
Suzlon Energy acquiring Germany based Repower for US $ 1.8 billion. Some other large cross border deals included Essar Group's acquisition of Canada based Algoma Steel for US $ 1.6 billion and United Spirits' acquisition of UK based Whyte & Mackay for US $ 1.2 billion. Other large deals in 2007 include acquisition of Infocrossing Inc. for US $ 557 million by Wipro Ltd. and Aban Offshore increasing its stake in Sinvest, Norway from 37% to 97% for US $ 774 million. Vijay Mallya of UB Group bought out Glasgow based scotch distiller Whyte & Mackay for US $ 600 million.

In 2007, Telecom sector overtook the IT Industry and dominated the M&A scene with 33% share in the total deal value. The largest deal of the sector was Vodafone acquiring 67% stake in Hutchison Essar, now Vodafone Essar, India's fourth largest telecom player. The Indian financial services sector continued to attract overseas and domestic investments, taking 15% of the total deal flow by value and 19% by number. The largest deals in the sector were the US $ 646 million investment in ICICI Financial Services and the US $ 644 million investment in HDFC Ltd. Cement and building materials sector made up for 7% of the total deal value, out of which 87% was driven by a single acquirer Holcim. Holcim strengthened its position in India by increasing its holding in Ambuja Cements from 2% to 56%. In 2007, the aviation sector saw consolidation with some large deals. Jet Airways took over Sahara Airline and Kingfisher Airlines acquired a significant stake in Deccan Aviation. The Government of India decided to merge operations of its two state owned carriers, Indian Airlines and Air India.

During the years 2008 and 2009, due to global economic meltdown and heavy financial crisis the M&A activity in India have significantly decreased. In 2008, total deal value was US $ 31 billion as compared to US $ 51 billion in 2007. Telecom and Pharma have been stalwarts for India Inc., with the two sectors cumulatively responsible for almost 50% of the year's M&A deal value. Japanese telecom major NTT DoCoMo Inc.'s entry into the country via its stake acquisition in Tata Teleservices and Daiichi Sankyo’s increased stake in Ranbaxy Laboratories Ltd. were the highlights of the year. The scenario has even further deteriorated in 2009 with a staggering deal value of only US $ 12 billion. The largest M&A deal in India in 2009 was the Reliance Petroleum - Reliance Industries merger valued at US $ 1.7 billion.
With the recovery of stock markets and the economy as well, the year 2010 witnessed a comeback of the Indian economy with a bang with a deal value of US $50 billion. Though there was a marked improvement over the 2008 and 2009 figures, Indian M&A activity had yet to return to the record setting level of 2007. Indian telecom major Bharti Airtel’s acquisition of Zain in Africa for US $ 10.7 billion was the highlight of the year.

In 2011, however, there is a decline in deal value because of the fact that cross-border inbound M&As has increased as compared to outbound deals. 2011 inbound deal values were 3 times 2010 inbound deal values whereas 2011 outbound deal values were half that of 2010. One of the notable M&As that had taken place in this year was the acquisition of Abbott Point Port of Australia by Adani Group’s Mundra Port for US $ 1.96 billion.

5.3 Review of Recent Sectoral Trends

In this section we have made a discussion about M&A activities across major sectors of India for specific years from 2007 to 2011.

2007

The telecom sector dominated the M&A scenario with a 33% share in the total deal value. It was followed by banking and finance with 15% share, cement and building material with 7% share, metals with 6% share and oil & gas with 5%. One of the emerging sectors for 2007 had been aviation, shipping and logistics accounting for 4% of the total deal value.

Exhibit 5.3
Request Sectors by Value, 2007

Telecom: The largest deal of the sector was Vodafone acquiring a 67% stake in Hutchison Essar, now Vodafone Essar, India’s fourth largest telecom player. With more than five contenders, including India’s Reliance Infocomm, Egypt’s Orascom and Malaysia’s Maxis amongst others, the deal finally concluded in March 2007 after a three-months long battle. Vodafone paid US $ 10.9 billion for the stake. It also paid a further US $ 415 million to Essar Group to secure management control of the company. The second largest deal of the Telecom sector was the sale by Bharti of a 9% stake in Bharti Infratel for US $ 1 billion. Other companies that sold stake in their tower businesses included Reliance Telecom Infrastructure and Aster Infrastructure. Bharti Infratel, Vodafone Essar and Idea Cellular merged their tower businesses to form a new entity Indu Tower Ltd.

Banking & Finance: The Indian financial services sector continued to attract overseas as well as domestic investors covering 15% of the total deal flow by value and 19% by number. The share of private equity deals was over 65%. The largest deals in the sector were the US $ 646 million investment in ICICI Financial Services and the US $ 644 million investment in HDFC Ltd. The securities broking segment was the largest recipient of the investment with a 26% share. Among the bigger deals were, Citigroup Venture Capital’s acquisition of 75% stake in Share khan for US $ 170 million followed by Orient Global Tamarind Fund acquiring a 6.5% stake in India Infoline for US $ 135 million and ICICI Venture and Baring together acquiring 32% stake in Karvy Stock Broking for US $ 122 million.

Cement and Building Materials: This sector contributed 7% of the total deal value out of which 87% was driven by a single acquirer Holcim. Holcim strengthened its position in India by increasing its holding in Ambuja Cement from 22% to 56% through various open market transactions and an open offer for a total investment of US $ 1.8 billion. It also increased its stake indirectly by 12% in ACC Cement for US $ 486 million. Imerys of France acquired Ace Refractory from ICICI Ventures for US $ 134 million.

Oil and Gas: The oil and gas sector accounted for 5% of the total deal values of which Reliance Industries Ltd. (RIL) alone accounted for 68% of the total deal value in this sector with its two deals. Mukesh Ambani, along with associates, consolidated his holding in RIL through an issue of convertible warrants which, upon conversion, would increase his stake to 55% from its the then holding of 50%
in the company. RIL also enhanced its already strong position in the sector with the merger of Indian Petrochemicals Corporation (IPCL) into RIL at a deal size of US $1 billion. RIL had acquired 26% in IPCL in 2002 from the government and an additional 20% through a consequent open offer. Another important transaction in the sector was by German company Linde AG. Linde increased its holding in BOC India from 55% to 74% through a preferential allotment of equity shares. It paid approximately US $146 million for acquisition of such stake.

Metals: The metal sector accounted for 5% of the total deal values. The largest deal in the sector was Vedanta's acquisition of a 71% stake in Sesa Goa (51% from Mitsui & Co and 20% through an open offer) for a total consideration of US $1.4 billion. Another major transaction was the investment of US $320 million by Aditya Birla Group companies to consolidate their position in Hindalco Industries through a preferential allotment.

Other Sectors: The media sector saw 45 deals (4% of total deal value) and a lot of private equity interest with the largest deal being the investment of US $259 million by Temasek investing in Inx Media, a TV broadcast company. Other deals included an investment of US $166 million by South Asia Entertainment Holdings Ltd. (a group company of Astro All Asia Networks Plc.) in Sun Direct TV for a 20% stake and Blackstone in Ushodaya Enterprise taking a 26% stake for US $146 million. Engineering sector also had a 4% share in total deal value with its largest deal being the acquisition of Anchor Electricals by Japan based Matsushita for US $488 million. In the automotive sector (accounted for 3% of total deal values) Robert Bosch acquired an additional 9% stake in its subsidiary Motor Industries Co. through an open offer US $330 million increasing its holding to 70%. Also Mahindra & Mahindra acquired 63% stake in Punjab Tractors for US $340 million which increased its share in the tractors market to 40%. The aviation sector saw consolidation with a few large deals. Jet Airways, took over Sahara Airlines and Kingfisher Airlines acquired a significant stake in Deccan Aviation. Separately, the Government decided to merge the operations of the two state owned carriers, Indian Airlines and Air India.
The year 2008 was worstly affected because of the global meltdown. The value of international investment in India dropped significantly by over one-third. Globally M&A activity recorded a drop of 31%. Telecom and pharmaceutical sectors have been stalwarts for Indian Inc. - cumulatively responsible for almost 50% of the year’s M&A deal value. Japanese telecom major NTT DoCoMo Inc’s entry into the country via its stake acquisition of Tata Teleservices and Daiichi Sankyo’s increased stake in Ranbaxy Laboratories Ltd. were the highlights of the year.

Exhibit: 5.4

Indian M&A: Top Sectors by Value, 2008


**Telecom:** Telecom sector claimed 33% share of total deal value for the year. The largest deal was NTT DoCoMo’s US $ 2.7 billion acquisition of a 26% stake in Tata Teleservices, the largest deal announced this year. This investment by the Japanese company points towards the confidence the foreign investors have in the Indian telecom market’s growth prospects because at that time India already had over three times the number of Japan’s cellular subscribers. Following the NTT DoCoMo’s footsteps in India, Telekom Malaysia’s purchase of 15% in Idea Cellular for US $ 1.7 billion was another important deal in this sector. Europe did not miss out in the party as Telenor, the Norwegian firm, picked up a 60% stake in Unitech Wireless for US $ 1.4 billion.

**Pharmaceuticals and Healthcare:** The Pharmaceuticals & Healthcare sector contributed significantly to 2008’s M&A activity, which was dominated by the huge Daiichi-Ranbaxy deal. The acquisition of the entire promoter stake of 35% in Ranbaxy Laboratories by the Japanese Pharmaceutical giant Daiichi Sankyo, combined with a preferential share issue for
acquiring 11% stake and an open offer to outside investors for acquisition of 20% stake was a landmark acquisition. Such acquisition represents the single largest foreign direct investment into a publicly listed company in India. Fresenius Kabi's US $ 186 million acquisition of 73.27% of Dabur Pharma Ltd, with a subsequent 17.62% stake acquired through an open offer for US $ 48 million, was the second headline deal to take place in the year in this sector.

Banking & Finance: Finance sector had a tough time in 2008 as it was severely affected by the crisis that began in the US sub-prime mortgage market. The major deal for the year was HDFC Bank’s acquisition of Centurion Bank of Punjab for US $ 2.3 billion. It accounted for more than half the sector total by value, making HDFC the 7th largest bank in India. For a single deal to outdo the total value of deals in second half of the year by over three times is rare, and signals the severity with which the sector has been hit by the crisis that began in the US sub-prime mortgage market. The largest deal in broking segment was HSBC’s two-staged acquisition in IL&FS Investments Ltd. Initially HSBC purchased a 73.21% stake in IL&FS for US $ 250 million, followed by an open offer for an additional 20% stake for US $ 66 million.

Media: The sector constituted 4.4% of the total deal value. It saw most of its action in first half of the year, which was responsible for over 80% of the total deal value in this sector. Of this percentage, the two large acquisitions by Nimesh Kampani and Walt Disney accounted for 62% of the year's value. Nimesh Kampani invested US $ 591 million in Ushodaya Enterprises, a south India based newspaper publisher. Walt Disney increased its holding in UTV Software Communications via two transactions. Walt Disney paid US $ 91 million to raise its stake from 14.9% to 32%, followed by an open offer for another 20%, valued at US $ 160 million. It also invested US $ 27 million for 15% stake in UTV Global Broadcasting, a subsidiary of UTV Software.

Other Sectors: There were 59 deals in the Information Technology sector worth US $ 1.3 billion, 3.9% of the total deal value. The major deal was the acquisition of a 96% stake in Citigroup Global Services Ltd, Citigroup’s India-based BPO, for US $ 500 million by Tata Consultancy Services Ltd. The Power sector, which consists of 4% share of total deal value, witnessed 25 deals worth US $ 1.4 billion, 61% of which came through private equity transactions. The largest deal involved Trans-India Corporation's acquisition of 80% share in Solar Semiconductor Ltd for US $ 375 million. The second largest deal was the acquisition
of 28.6% stake in Indiabulls Power Services by LN Mittal and Farallon Capital for US $ 359 million. The Real Estate sector witnessed 22 deals, with a combined value of US $ 1.3 billion, a total deal value share of 3.9%. The big deals include Ashmore Group acquiring a 35% stake in Sweta Estates Pvt. Ltd. for US $ 545 million, and Indiabulls Real Estate’s acquisition of Dev Property Development Plc. for US $ 227 million.

2009

After the collapse of some leading financial institutions including Lehman Brothers everyone started feeling the tremors of global recession. The effect was on India too even though the economy showed the signs of revival in the latter part of the year. Oil & gas, telecom and pharmaceutical sectors were the leaders as far as sectoral M&A deal values were concerned. Together they accounted for as much as 53% of the total M&A deal value during 2009.

**Exhibit: 5.5**

**Indian M&A: Top Sectors by Value, 2009**

![Pie chart showing top sectors by value in 2009]

**Source:** www.scribd.com/doc/53091392/Mergers-and-Acquisitions-in-India-2006-2010

**Energy:** The largest M&A deal in India was the Reliance Petroleum - Reliance Industries merger valued at US $ 1.7 billion. Beside this, three funds: IDFC Project Equity Company, IFCI VC Fund and UTI picked up 16.62% each in Sabarmati Gas Ltd. for a combined value of US $ 16 million.

**Telecom:** Quippo Teleservices Infrastructure’s US $ 483 million acquisition of 49% stake in Tata Teleservices’ Wireless arm led the way. This acquisition made the Quippo Telecom the second largest telecom infrastructure company in terms of towers in the country with 18000 towers.
**Information Technology:** Tech Mahindra acquired Satyam Computer Services for US $ 591 million. The major M&A outbound deal in IT/ITeS sector was US based Oracle Corporation acquiring India’s IT major Sun Microsystem for US $ 7400 million.

**Finance:** The major M&A deal that occurred in this sector was India based Union Bank, BOI acquired 6.78% stake of MCX stock exchange for US $ 178.57 million. State Bank of India acquired State Bank of Indore for US $ 283 million.

**Pharmaceuticals:** French drug maker Sanofi-Aventis had picked up a controlling stake in unlisted Hyderabad-based vaccine maker Shantha Biotechnics, making it the first big ticket deal in the Indian biotech sector. It acquired 80% stake in the company.

**2010**

India Inc. announced M&A deals worth a record US $ 50 billion this year, including a record number of billion dollar transactions. The major M&As were occurred in telecom, metal & mining and energy sector.

![Indian M&A: Top Sectors by Value, 2010](source)

**Telecom:** A notable deal in this sector was GTL Infrastructure’s acquisition of Aircel Towers. This acquisition was worth about US $ 1.8 billion and brought GTL Infrastructure to the third position in terms of number of mobile towers - 33000 towers. The money generated gave Aircel the funds for expansion throughout the country and also for rolling out its 3G services. Infotel Communications, provider of
Internet and leased lines, sold 95 percent of its stake to Reliance Industries for about US $1.07 billion. This deal marked the beginning for Reliance into the wireless broadband space.

**Mining:** Led by Vedanta Group firm Sesa Goa’s buyout of mining business of VS Dempo, Indian companies witnessed 16 M&A deals worth US $ 981 million in the mining space in 2009.

**Pharmaceuticals & Healthcare:** Abbott acquired Piramal Healthcare Solutions for US $ 3.72 billion. Abbott was benefitted to a great extent by this deal by moving to leadership position in the Indian market. Reckitt Benckiser acquired Paras Pharma at a consideration of US $ 726 million to basically strengthen its healthcare business in the country. This was Reckitt's move to establish itself as a strong consumer healthcare player in the fast growing Indian market.

**Energy:** Merger of Reliance Power Ltd. and Reliance Natural Resources Ltd. was valued at US $ 11 billion and turned out to be one of the biggest deals of the year. It eased out the path for Reliance Power to get natural gas for its power projects.

**Banking and Finance:** The major deal in this sector was ICICI Bank’s acquisition of Bank of Rajasthan. This deal was worth Rs.3000 crore (equivalent to US $ 668 million) and it provided synergies to ICICI Bank. With this acquisition, ICICI had improved its services in the Northern and Western part of India.

**2011**

Despite the on-going global economic downturns, rising inflation and interest rates, weakening rupee and a volatile stock market, 2011 had seen a robust deal numbers. The year saw 644 merger and acquisition deals contributing to US $ 44.61 billion as compared to 662 deals amounting to US$ 49.78 billion in 2010. The top three merger and acquisition sectors in terms of deal value in 2011 were Oil & Gas, Telecom and IT & ITes. A notable trend reversal has been witnessed in the year in cross-border merger and acquisition with focus shifting from outbound to inbound as compared to 2010. 2011 inbound deal values were 3 times 2010 inbound deal values whereas 2011 outbound deal values were half that of 2010. The backdrop of fears over the economic dynamics of European region and its impact globally as well as a
growing domestic market making Indian targets a safer bet could have contributed to the trend reversal.

### Exhibit 5.7
**Indian M&A: Top Sectors by Value, 2011**

- **Oil & Gas**: In 2011, the largest deals were in the oil & gas sector signifying that global players were eager to explore ever growing opportunities in this sector of India. The largest amongst the deals in this sector was the acquisition of 58.5% stake in Cairn India for US $ 8.67 billion by Anil Agarwal’s Vedanta Group, where 38.5% stake was held by Vedanta Resources Plc. and remaining 20% stake was held by its subsidiary Sesa Goa. The acquisition gave the Vedanta Group its first inroad into the oil & gas sector of India. Another important acquisition in this sector was the acquisition of 30% stake in Reliance Industries Ltd. by British Petroleum of UK for US $ 7.2 billion.

- **Telecom**: Ending a four-year relationship, Vodafone Group Plc., the world’s largest mobile telephony company (in terms of number of subscribers) acquired its Indian partner Essar Group’s remaining 33% stake in Vodafone Essar Ltd., India’s third largest mobile telephony company (in terms of number of subscribers), for US $ 5.46 billion in cash. The deal had marked the exit of the Essar Group from the mobile telephony business. This sale was a part of a 2007 agreement between the two.

- **Information Technology**: This sector saw a US $ 634 million acquisition of an Indian BPO major Intelenet Global Services by Serco of UK. At the time of acquisition, Intelenet was already the market leader in the domestic BPO segment.
and the combination of Serco BPO’s business with Intelenet’s domestic business had further strengthened this position. Serco provided operational, management and consulting services in the aviation, BPO, defence, education and environmental segments. Skill Soft Ltd. of Ireland acquired Element K business unit of NIIT Ltd. for US $ 110 million. In the domestic scenario, i-Gate Corporation Ltd. acquired 83% stake in Patni Computer Systems for US $ 1208.70 million and Schneider Electric acquired Digilink business of Smartlink Network Systems Ltd. for US $ 109.35 million.

**Engineering:** Siemens AG of Germany acquired 20% stake in Siemens Ltd. for US $ 1350.5 million. With this acquisition Siemens AG’s stake in Siemens Ltd. increased to 75%. In domestic segment, Infrastructure Development Finance Corporation (IDFC) Ltd. had acquired 71% stake in Galaxy Mercantile Ltd. for US $ 97.83 million to increase its stake to 100%.

**Pharmaceutical, Healthcare & Biotech:** Major deals in this sector were French dairy and nutrition major Danone’s acquisition of Wockhardt’s nutrition business for 250 million Euros (equivalent to US $ 355 million) and acquisition of popular Russian over-the-counter brands Doktor Mom and Rinza of J B Chemicals & Pharmaceuticals Ltd. by Cilag GmbH International of Switzerland for US $ 245 million. In domestic sector, Fortis Healthcare Ltd. acquired 74.6% stake in Super Religare Laboratories for US $ 174.57 million. Aventis Pharma Ltd. acquired the marketing and distribution business of branded nutraceutical formulations of Universal Medicare Pvt. Ltd. for US $ 114 million.

5.4 Top Ten Overseas Deals (in terms of Deal Value) Made by the Indian Companies

The largest outbound deal of all time made by an Indian Company was India’s steel giant Tata Steel’s acquisition of Anglo-Dutch giant Corus in 2007. After a four month long battle Tata finally defeated the rival bidder CSN, paying a premium of 34% over the original bid price made in October 2006. Tata Steel paid US $ 12.1 billion for 18 million ton steel capacity of Corus. The deal made Tata Steel the world’s 6th largest steel manufacturer.
In 2010, the telecom sector witnessed one of the biggest overseas deals, when Indian mobile telecom operator Bharti Airtel acquired Zain Africa BV of Africa in a US $10.7 billion deal. With this acquisition, Bharti acquired Zain's African mobile services operations in 15 countries (excluding Morocco and Sudan) with a total customer base of over 42 million.

Exhibit: 5.8
Top Ten Billion Dollar Overseas Acquisitions Made by Indian Companies

<table>
<thead>
<tr>
<th>Acquirer</th>
<th>Foreign target</th>
<th>Target Industry</th>
<th>Deal value (US $ mn)</th>
<th>Year of Transaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tata Steel Ltd.</td>
<td>Corus Group PLC (UK)</td>
<td>Steel</td>
<td>12100</td>
<td>2007</td>
</tr>
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<td>Bharti Airtel</td>
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<td>2007</td>
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<tr>
<td>Tata Motors Ltd.</td>
<td>Ford Motors Co.'s Jaguar Limited and Land Rover Holdings (UK)</td>
<td>Automotive</td>
<td>2300</td>
<td>2008</td>
</tr>
<tr>
<td>Mundra Port SEZ Ltd. (Adani Group)</td>
<td>Abbott Point Port</td>
<td>Shipping &amp; Ports</td>
<td>1957</td>
<td>2011</td>
</tr>
<tr>
<td>Oil &amp; Natural Gas Corporation Ltd.</td>
<td>Imperial Energy</td>
<td>Energy</td>
<td>1900</td>
<td>2008</td>
</tr>
<tr>
<td>Hinduja Group</td>
<td>KBL European Pvt. Bankers</td>
<td>Banking &amp; Financial Services</td>
<td>1863</td>
<td>2010</td>
</tr>
<tr>
<td>Suzlon Energy</td>
<td>Repower Systems AG, Germany</td>
<td>Energy</td>
<td>1794</td>
<td>2007</td>
</tr>
<tr>
<td>Sterlite Industries India Ltd.</td>
<td>Aserco Inc. (US)</td>
<td>Mining</td>
<td>1700</td>
<td>2009</td>
</tr>
<tr>
<td>Essar Steel Ltd.</td>
<td>Algoma Steel Inc. (Canada)</td>
<td>Steel</td>
<td>1570</td>
<td>2007</td>
</tr>
</tbody>
</table>

Source: Collated from publicly available sources of information

Aluminium and Copper major Hindalco Industries, under the Kumar Mangalam Birla - led Aditya Birla Group flagship, acquired Canadian company Novelis Inc., a leading aluminum sheet maker, in a US $6 billion all cash deal in 2007. The acquisition made Hindalco the global leader in aluminium rolled products and one of the largest aluminium producers in Asia. It also provided Hindalco with a significant presence in the automotive and transportation industry.

In 2008, Tata Motors flexed its international muscles through its successful bid to acquire Jaguar and Land Rover from Ford Motors for US $2.3 billion in an all-cash deal, thereby paving its way into the European and US luxury car markets. The purchase consideration includes the ownership of Jaguar and Land Rover, perpetual royalty-free licenses of all necessary intellectual property rights, manufacturing plants, two advanced design centres in the UK and worldwide network of national sales companies.
In 2011, Adani Group owned Mundra Port and Special Economic Zone had acquired Abbot Point Port in Queensland, Australia for US $ 1.96 billion in an all-cash deal on a 99-year lease. The port, known as Abbot Point X50 Coal Terminal, was mostly a coal export port in Queensland and was owned by North Queensland Bulk Port Corporation Ltd. Such acquisition marked the beginning of the company's business expansion outside India. Subsequently, the name of the company had been changed to Adani Abbot Point Terminal Pvt. Ltd.

Oil and Natural Gas Corporation (ONGC) in India acquired Imperial Energy, the UK based firm operating in Russia for US $ 1.9 billion in 2008. Imperial Energy was an upstream oil and gas exploration and production company which had oil producing blocks in Western Siberia, the most productive oil producing part of Russia. The acquisition deal began in August 2008. 98% of the shareholders of Imperial Energy approved the deal in December 2008 so the deal became unconditional for ONGC. Raising finance for this deal was the biggest challenge for ONGC. The acquisition value in the oil and natural gas industry is normally decided by the prevailing crude oil prices at the time of the deal. When ONGC made the bid, crude oil prices were hovering between US $115 to US $ 120 per barrel. However, with the subsequent fall in oil prices due to the global financial crisis, there were concerns regarding profitability of the deal.

Indian Investment firm Hinduja Group purchased Belgian banking and Insurance group KBC's banking arm KBL European Private Bankers for about $1.86 billion in 2010. Hinduja aimed at adding more private banks in Europe with its existing banks in Switzerland. Hinduja also aimed to provide KBL European Private Bankers with access to fast-growing markets of the Middle East, the Indian subcontinent and elsewhere in Asia.

Another major deal of 2007 was Suzlon Energy's acquisition of Germany based Repower for US $ 1.8 billion. The deal was finalized only after the withdrawal by the French nuclear energy group Areva after four long months. With this acquisition, following the acquisition of component supplier Hansen last year, Suzlon has further consolidated its position in the international wind energy market.
In 2009, Sterlite Inc., a subsidiary of Sterlite Industries Ltd. and Vedanta Resources Plc., has acquired the US Tucson-based Asarco LLC for US $1.7 billion. Sterlite Industries is an Indian non-ferrous metals and mining company with interests and operations in aluminium, copper, zinc and lead. The operating assets acquired include three copper mines, associated mills and SX-EW plants in Arizona, a copper smelter in Arizona, and a copper refinery, rod and cake plants and precious metals plant in Texas. The sale was part of Asarco’s plan to reorganize under the US bankruptcy code. The original offer for such acquisition was made in 2008 for US $2.6 billion.

In 2007, Indian industrial conglomerate Essar Global Ltd., through its wholly owned subsidiary Essar Steel Holdings Ltd., acquired Algoma Steel Inc., the Canadian steel manufacturer for US $1.6 billion in an all-cash deal. Acquisition of Algoma brought a whole new dimension to Essar Steel’s marketing operations in North America and Algoma had got access to Essar’s range of value added products in the automobile, white goods, construction and engineering industries.