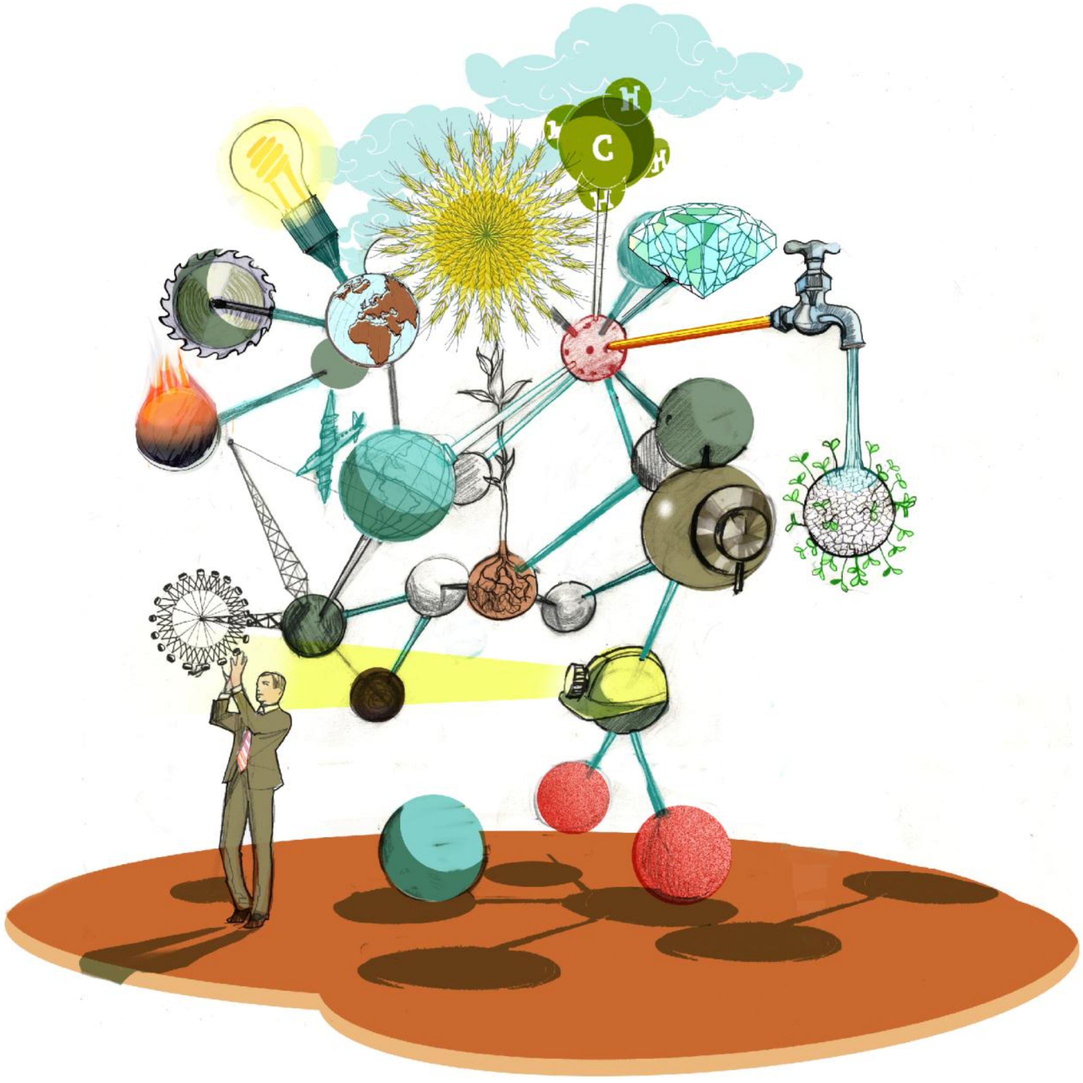
Dealtracker

Providing **M&A and Private Equity Deal Insights**

8th **Annual Edition 2012**



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Foreword

The on-going Eurozone worries, weakening rupee and a uncertain Indian economy with a slowdown in the reform process, impacted M&A deal activity in certain periods of 2012. The year saw Mergers & Acquisition (M&A) and Private Equity (PE) in India together clocking 1001 deals contributing to US$ 49 bn, as compared to 1017 deals amounting to US$53 bn in 2011.

Overall deal activity remains healthy and robust in spite of the difficult economic scenario and India has now reached the levels of 3 deals a day for the last 3 years on a sustained basis up from the 2 deals a day in the previous 3 years and less than a deal a day in the periods prior to that establishing that Indian M and A has reached a good degree of maturity.

Contrary to expectations, inbound deal activity reverted to the single-digit levels seen in 2010, notching up US$ 7 bn in deal value, after putting in a robust performance at US$ 29 bn for 2011.Further, only one inbound deal, the stake acquisition in USL by Diageo, managed to enter the billion dollar deal club, of the six deals featuring therein.

While outbound activity improved in 2012 with deals worth US$14 bn as against US$10 bn worth of deals in 2011, Indian acquirers remained cautious of the global economic headwinds and thus we did not see outbound activity at levels seen in 2010. Having said that, the fundamentals of crossborder M&A have remained intact as Indian acquirers continue to view outside markets as being strategic to their global growth plans, as witnessed in deals such ONGC stake acquisition in the Kashagan oil field, Gulf Oil Corporation acquisition of Houghton International, Rain Commodities acquisition of Ruetgers N.V. etc.

The year gave us some big ticket restructuring deals, such as the Vedanta group restructuring and the Tech Mahindra – Satyam deal. We also saw some game changing deals in Diageo's stake acquisition in USL and Aditya Birlas acquisition of Pantaloon retail from Future group. We expect more such consolidation in the domestic and cross border space as debt laden companies look at strategic stake sale to unlock cash and reduce interest burden.

Mining and Oil & Gas sectors dominated M&A deal activity recording values of US$12bn and US$7bn, respectively. The telecom sector, which typically used to contribute multibillion dollar levels of transactions, has been caught up in regulatory problems and we saw

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Foreword

muted activity here. Going forward, we expect consolidation in segments like aviation, media and retail on account of the opening up of FDI.

PE activity sustained its momentum with over US$7 bn worth of investments, predominantly in the IT ITES, Pharma & Healthcare and Real Estate spaces. Healthcare and E-Commerce continued to witness increasing interest from PE and VC funds.

The regulatory environment is also undergoing changes and the new takeover code, new companies bill, competition commission actions will all be factors that would impact the deal market.

As always, I end this note with the same lines as in the past several years that we have been bringing out the Dealtracker hoping to see some hostile transactions in the Indian Market and wish that this year my hope is met.

"Overall deal activity remains healthy and robust inspite of the difficult economic scenario and India has now reached the level of [illegible] deals a day over the last 3 years on a sustained basis up from [illegible] deals a day in the previous 3 years and less than [illegible] deal a day in the periods prior to that establishing that Indian M&A has reached a good degree of maturity."

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