

# Dealtracker

**Providing M&A and Private Equity deal insights**

**Half Yearly 2013**



# Contents

**Foreword**

**3**

**Introduction**

**5**

**Half yearly deal snapshot**

**6**

**M&A deal round up**

**7**

**PE deal round up**

**11**

**IPO & QIP snapshot**

**14**

**Deal list**

**17**



# Foreword

We have come to the middle of yet another turbulent year in India's Corporate World faced with depreciating Rupee, low industrial growth and a weak economic outlook. However, as always in a turbulent environment we see an active M&A scenario. The year began on a sluggish note, but the second quarter has shown resurgence with twice the level of M&A activity and thrice the level of PE activity seen in the previous quarter. Manufacturing, Oil & Gas and Pharma sector dominated M&A activity while Real Estate, Manufacturing, IT & ITeS dominated the PE space.

In terms of destination of M&A deals, interestingly, United States was not only the most favored outbound target for Indian acquirers, but also the leading country for inbound acquisitions in terms of both deal value and volume. It is premature to attribute this healthy bilateral deal appetite to a reviving US economy and macro economic indicators, but it surely augurs well for the remaining half of the year, considering Europe is yet to recover from recessionary pressures.

The year so far has seen a few marquee deal; Apollo's acquisition of Cooper Tire being the largest deal for the sector in India and once consummated will make it the seventh largest tyre manufacturer in the world; Mylan's acquisition of Agila being the 3rd largest ever M&A deal in the pharma sector in India, behind Daiichi Sankyo's acquisition of majority stake in Ranbaxy and Abbott's purchase of the domestic formulations unit of Piramal Healthcare; a stake sale by Jet Airways to Etihad being a game changer in the sector, following the move by the Govt of India to relax ownership rules and allow foreign airlines to buy up to 49 per cent stake in Indian airlines; South African Naspers' majority stake acquisition of Redbus resulting in a multi bagger exit for VC funds and promoters, making it the biggest overseas strategic acquisition of an Indian internet asset.

On the PE front, there were eleven PE investments worth over US\$100 mn with six above US\$200 mn during H1 2013 compared to just one deal over US\$200 Mn in H1 2012.

A few top PE transactions during the period involved the buyout of existing PE investors, thereby infusing fresh lease of life into exit avenues: KKR's multimillion acquisition of a majority stake in Alliance Tire Group (from fellow PE investor Warburg Pincus and the promoters) and Partners Group's US\$270 mn buyout of the existing PE investors SAIF, Goldman Sachs and Sierra Ventures in CSS. This deal is one of the largest investments in India's IT sector after Bain Capital's \$1 billion deal with Genpact and KKR acquisition of Aricent for \$900 mn.

Apart from this, Blackstone and the PE arm of global investment banking firm Goldman Sachs were also particularly active on the investing side during the period. Goldman invested an additional US\$135 mn in existing portfolio company ReNew Wind Power raising its total investment in the company to \$385 mn and making it the biggest private equity investment in India's renewable energy sector; Blackstone invested US\$367 mn in a Bangalore tech park making it one of the largest real estate PE deals in the country. With so many sector chart-topping deals in the period, the first half has definitely ended on a positive note.

We seem to be in for an interesting second half as well with the Unilever stake increase in HUL underway, Jet- Etihad deal under the scanner , and ONGC losing its US\$5 bn bid for the Kashagan field. Nevertheless, we foresee continued growth in M&As in the remaining half of 2013 with robust activity across sectors and we expect continued level of deal making in the active sectors of IT/ITES, Pharma and Healthcare, Manufacturing. We also expect PE activity to maintain momentum as the space is driven by the potential of the Indian economy in the medium term and the focus on the Indian consumption story.



**Harish HV**  
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# Introduction

We are pleased to present the "Half-yearly" Deal Tracker which captures the deal activity in India in the 1<sup>st</sup> 6 months of 2013 (January to June), our analysis and trends as well as insights around deal activity.

The value of M&A deals involving Indian companies reached US\$13.92 billion, a 39% decrease from the first half of 2012. However, a large portion of this decrease is on account of a fall in internal restructuring deal value: the first half of 2012 saw the -US\$12 billion Vedanta group restructuring. On a positive note, the second quarter of 2013 witnessed US\$1.3 billion of M&A deals almost entirely in the form of cross-border deals.

This is despite turbulent economic conditions prevailing in the country, not to mention the rupee hitting all-time lows during the quarter.

Domestic M&A stood at US\$3.1 billion, a 25% increase over the same period last year. Domestic activity was largely driven by the Power & Energy, Banking & Financial Services and Real Estate categories.

Total cross-board M&A doubled in H1 2013 to reach US\$10.82 billion compared to US\$5.1 billion in H1 2012.

Though both inbound and outbound deal activity witnessed an increase as compared to H1 2012, two large billion-dollar plus outbound deals (Apollo Tyres' US\$2.5 bn acquisition of Cooper Tire and Rubber Co, and Oil India's US\$2.5bn stake acquisition in Rovuma Offshore block) proved to be the game changers in the cross border space.

Private Equity firms invested about US\$5.9 billion across 204 deals during the first half ended June 2013, an increase of around 55% compared to same period last year, driven by ITES, Real estate, Manufacturing and Telecom. We also witnessed the Qatar Foundation US\$ 1.2 Billion investment in Bharti Airtel, which was the top PE deal in H113.

While growth rates have moderated in India and the challenges of weakening rupee impacts Indian corporates, the recent Government policies to enhance FDI in various sectors including aviation, retail, infrastructure, etc. are expected to attract back FDI and thereby enhance the growth rate.

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