

NEWS LETTER – MARCH 2009

CURRENT M&A SCENERIO IN INDIA

Latest Trends

Macro Trend

1) Inflation:



India's benchmark inflation, as measured by the wholesale price index (WPI), rose slightly in the third week of March as against expectations of further decline, halting its slide towards sub-zero levels.

The annual point-to-point rate of inflation increased to 0.31% in the week ended March 21 as against 0.27% in the preceding week, the Commerce Ministry said in a statement. Inflation was expected to fall to 0.18%. It was at 7.85% during the week ended March 22, 2008.

2) Forex & Gold Reserves:

Foreign Exchange Reserves Status			
Item	As on Mar. 20, 2009	As on Mar. 27, 2009	Variation as on Mar. 27, 2009
	US\$ Mn.	US\$ Mn.	US\$ Mn.
1	2	3	4=(3-2)
Total Reserves	253,826	252,326	-1,500
(a) Foreign Currency Assets	243,238	241,597	-1,641
(b) Gold	9,746	9,746	0
(c) SDRs	1	1	0
(d) Reserve position in the IMF**	841	982	141

Sectorial Trend

1) Energy Sector

Green energy can fulfill 35% of India's power demand

More than 35% of the India's electricity demands can be met from renewable energy by 2030 and 50% of the projected energy requirements can be met simply from smart and efficient generation, distribution and use of energy, says a report released by Greenpeace in New Delhi, India.

According to the report, renewable energy sources have the potential to produce electricity without any further fuel costs beyond 2030, creating an enormous number of jobs and helping lift the whole world out of recession. It can also provide immediate and reliable energy for the 600 million plus Indians who have no access to electricity.

There is a huge opportunity in going green as given the fact that India is still developing its energy infrastructure and has the human and intellectual capital to be world leaders on this front.

2) Oil & Gas Sector

India's oil output to grow 4.8% in FY10: CMIE

According to the Centre for Monitoring Indian Economy (CMIE), India's oil output is likely to grow 4.8% in FY10, as Reliance Industries resumes crude oil production from its KG D6 wells coupled with capacity additions by Cairn India and ONGC. It also added that, the growth in production is expected to be largely driven by private and joint venture companies. RIL started production with 5,000 barrels per day from the KG Basin fields and claims to produce around 40,000 bpd by March.

3) Banking Sector

The **International Monetary Fund (IMF)** has urged the Indian government to take more action to safeguard the country's financial system from the global financial stress. "Rising credit risk and liquidity pressures could put the financial system under strain, while negative feedback loops between the real and financial sectors could turn out to be strong," the IMF said in an annual review of India's economy. The IMF's board encouraged Indian officials to take additional preventive action to identify bad assets and tackle potential deficiencies in the banking system.

Deals in making -Inbound

1. Russian Govt to pick up 20% in telecom firm Sistema-Shyam for \$680-M

The **Russian** government is picking up a 20% stake in telecom service provider Sistema-Shyam for a little over \$680 million. The deal values Sistema-Shyam at about around USD 3432 million.

Sistema, one of the largest public diversified corporations in Russia and the CIS, has a 74% stake in the joint venture with the Shyam Group, which offers mobile services under the 'Rainbow' brand in Rajasthan, India.

2. American Tower Corp to buy Xcel for around USD 140 Million.

American Tower Corporation (ATC), a leading independent tower company in the US, is to acquire Xcel Telecom, founded by former BPL Mobile CEO *Sandip Basu*, for about \$140 million.

The merger will help ATC compete with other independent tower companies, apart from establishing its footprint in the world's fastest growing telecom market.

3. Japanese firm Nisshinbo to pick up 8% more in Rane Brake Lining

The board of Rane Brake Lining, (RBL) flagship of Rane group, has decided to allow its **Japanese** technology partner, Nisshinbo Industries to pick an additional 8% stake by investing USD 0.7 million in equity at premium. Nisshinbo had a 10% stake in RBL. The issue price will be close to the current market price of RBL. In the USD 1.45 million paid up capital of RBL, the Indian promoters hold 42.72% stake.

4. Molded Dimensions To Buy 26% In MRP Autorub

US-based rubber and plastic manufacturer Molded Dimensions Inc (MDI) has picked up a 26 per cent stake in Chennai-based MRP Autorub Pvt Ltd, a rubber products manufacturer for around USD 1.45 million. The two partners are setting up a manufacturing facility in south India.

5. German firm Phoenix AG to buy Andrew Yule's 26% stake in JV

German company Phoenix AG will buy Andrew Yule's 26% stake in Phoenix Yule - its joint venture with the public sector heavy engineering firm as a part of the latter's disinvestment process. Phoenix has agreed to exercise the first right of refusal. Phoenix AG presently holds 74% in the JV, while the remaining is held by Yule.

Deals in making-Outbound

1. Tata Tea to buy 33.2% stake in Russian firm Grand

Tata Tea, through one of its overseas subsidiaries, together with the European Bank for Reconstruction and Development (EBRD) plans to acquire 51% stake in Grand, a branding, packing and distribution company in Russia. Tata Tea would hold 33.2% stake while EBRD would hold 17.8% stake in Grand. The balance 49% would remain with the founding promoters

2. R-ADAG to buy 51% in UK currency exchange firm for USD 20 million.

Reliance ADAG is acquiring 51% stake in UK-based currency exchange and money transfer firm No 1 Currency, a privately held firm owned by its two founding partners David Hale and Mark McElney. It is reported that the Indian business group will shell out around USD 20 million to pick a majority stake. As per the transaction, Reliance Money Express, a subsidiary of Reliance Capital will acquire shares from both the current owners who will continue to be minority shareholders

3. Sterlite to buy US copper mining co. Asarco for \$1.7-B

Sterlite Industries, a subsidiary of Vedanta Resources, has agreed to buy US-based copper mining major Asarco for \$1.7 billion through an innovative combination of cash and staggered payment terms. It will pay \$1.1 billion in cash and a senior secured non-interest bearing promissory note for \$600 million payable over a period of nine years. The purchase consideration comprises of a cash payment of \$1.1 billion on closing, while the staggered payment schedule would be \$20 million annually from the second year for seven years and a terminal payment of \$460 million at the end of the ninth year, totaling \$600 million.

4. Aegis to buy US-based ICT Group for \$132-Million

Aegis, the BPO outfit of the Essar Group, plans to acquire the Nasdaq-listed ICT Group (ICTG) for \$132 million. The company has offered to pay \$8 per share, which represents a premium of approximately 71% over the 30-day average closing price and 122% above the closing price as of February 27, 2009. The deal will be effected through a merger between ICTG and a subsidiary/ special purpose vehicle/ parent of Aegis. Staffed by over 18,000 customer sales and service representatives, ICT Group is a BPO firm that manages over 40 contact centers throughout North America, Latin America, Europe and Asia-Pacific.

Deals Done-Inbound

1. Accor buys OCS stake in Indian arm

French multinational giant Accor SA on Tuesday bought its stake in its Indian entity Accor Services from UK-based OCS Ltd. From now on, Accor Services would be a 100-per cent owned subsidiary of Accor SA group. The deal size remain undisclosed.

2. Sodexo acquires Radhakrishna Hospitality for \$104-M

French company Sodexo has acquired Radhakrishna Hospitality Services Group (RKHS), India's largest food services firm, in a transaction valued at roughly \$104 million. RKHS, with about 20,000 employees across 22 states, reported \$84 million revenues during the financial year ended March 2008.

3. Motherson Sumi Completes Acquisition Of Visiocorp

Motherson Sumi Systems Limited has acquired all the subsidiaries of Visiocorp plc (in administration) for a cash consideration of approx. Euro 25 million and allotment of 5% consideration shares having face value of Euro 1.5 million

4. Malaysian co Carotino picks up 50% stake in Pune-based Synergy Foods

Malaysian company Carotino has picked up a 50% stake in Pune-based Synergy Foods from its promoters, the Bhave family. The company will now be renamed Carotino India. It will launch and distribute the Malaysian company's rich premium red cooking oil brand, Carotino in Maharashtra and then in other states.

5. German firm Aequitas acquires 26% of Aakit Technologies

Germany-based Aequitas Group has acquired a 26% stake in Mumbai, MH-based IT consulting and services firm Aakit Technologies for an undisclosed sum. Both the companies have been working as partners for the last two years, offering SAP services to clients in India and Europe.

6. Loop Telecom raises \$80-M for 17% stake from Mauritius Co

Loop Telecom, a subsidiary of BPL Mobile, with a license to roll out services in 21 circles in India has raised \$80 million from a **Mauritius**-based company called Gypsy Rover, which picked up a 17% stake in the telecom operator

Deals Done -Outbound

1. VMF Softech to acquire US-based software co IGLILY for \$1.95-M

VMF Softech has signed a stock purchase agreement with IGLILY to acquire 100% stake in the firm for a total consideration \$1.95 million. IGLILY is based out of Virginia, USA, with current year revenue of around \$ 5 million. The company is in the business of software services and solutions, and has client base in various states in the US.

2. Lupin buys Philippines drug firm Multicare

Drug maker Lupin Ltd has acquired 51% stake in Multicare Pharmaceuticals Philippines Inc. for an undisclosed sum. Multicare, which had sales of \$5.6 million in 2008, is a generic or off-patent drug maker focused on the woman and child health segment in the local market.

3. ICRA Techno acquires US firm Sapphire International for \$1-MN.

US-based ICRA Techno Analytics, Inc., a wholly owned subsidiary of Kolkata, WB-based ICRA Techno Analytics Ltd., has acquired US-based software vendor Sapphire International, Inc. for about \$1 million. The deal is projected to provide ICRA Techno with strategic synergies in software initiatives in the areas of .Net applications, business applications and solutions.

4. DiacriTech buys US KPO co LaurelTech

Chennai-based Knowledge process outsourcing company DiacriTech which has a head count of 700 with facilities in Chennai, Maduarai and Kottayam, has acquired **US**-based e-publishing outsourcing firm LaurelTech Integrated Publishing Solutions. DiacriTech annual business is said to be in the USD 4–6 million range. LaurelTech is estimated to be of a similar size.

5. Mcleod Russel India completes 100% buyout of Vietnam tea firm

Mcleod Russel India (MRIL) completed its 100% buyout of Phu Ben Tea Co of Vietnam for \$2 million. MRIL acquired the stake through its UK-based wholly-owned subsidiary, Borelli Tea Holdings. The acquisition has been made from internal accruals of Borelli Tea.

6. Harris Stratex Networks acquires WIMAX co Telsima for \$12-M

Harris Stratex Networks has acquired Telsima Corp., a Sunnyvale, Calif.-based provider of WiMax broadband networks. The deal was valued at \$12 million in cash, payable over the next 12 months. Telsima had raised around \$80 million in VC funding, from firms like NewPath Ventures, New Enterprise Associates, CMEA Ventures and JAFCO Asia.

Telsima is a leading developer and provider of WiMAX Forum Certified products for use in next-generation broadband wireless networks.

7. GMR Energy acquires stake in Canadian firm Homeland Energy

GMR Energy, a subsidiary of listed firm GMR Infrastructure, has acquired a nearly 33.5% stake in Canada-based coal producer **Homeland Energy Group** for an undisclosed amount. Homeland Energy has operations in the Witbank area of South Africa.

8. Piramal Healthcare completes acquisition of US-based Minrad

Pharma firm Piramal Healthcare has completed the acquisition of US-based Minrad International. Shareholders of Minrad would receive USD 0.12 for every share held. The company has also completed the purchase of Minrad's 8% senior secured convertible notes. Minrad's share would no longer be traded on the New York Stock Exchange Alternext Exchange.

Private equity Funding

1. Shalivahana raises \$10.5 M from IPEF

Indian Private Equity Fund (IPEF), a fund sponsored by Bahrain-based **Khaleej Finance**, is to acquire a 41% stake in Hyderabad, AP-based green energy firm Shalivahana Green Energy Ltd. for about \$10.5 million, media reports indicate. Shalivahana is into the development and operation of renewable energy projects.

2. Bombay Rayon to raise \$67-M from AAA United for a 21% stake

Mumbai, MH-based listed garments manufacturer **Bombay Rayon Fashions Ltd.** is to raise about \$66.6 million via a preferential allotment to Netherlands-based **AAA United BV**. The firm will be issued shares representing 20.67% of the enhanced equity capital of Bombay Rayon. The funds will be invested in new projects and businesses and other corporate purposes.

3. Lumis Partners acquires controlling stake in call centre BNK eSolutions

Private equity fund Lumis Partners has just acquired an undisclosed controlling stake in Kolkata-based call centre, BNK eSolutions. The call centre's parent company BNK Capital Markets has now decided to offload its entire holding of 29,37,025 equity shares in BNK eSolutions to Lumis Partners, which operates in verticals like healthcare, education, IT training and supply chain management.

4. Essar Power raises \$70-M from IDFC Project Equity

Mumbai, MH-based power producer Essar Power Ltd. has raised about \$70 million from IDFC Project Equity Company's *India Infrastructure Fund* (IIF). The funds will be deployed in ongoing projects. IDFC SSKI acted as exclusive financial advisors to Essar Power.

5. Helion Ventures invest USD 4 million in spa chain YLG

Helion Venture Partners has invested about \$ 4 million in the first round of funding in Bangalore-based salon and spa chain YLG. The company has six salons in Bangalore. It plans to increase that to 25 stores by the end of the year, and to 100 stores nationally by 2011.

6. IFC invests \$12.5 M in Himadri Chemicals

IFC, the PE arm of the World Bank, has acquired FCCBs worth \$12.5 million in Himadri Chemicals & Industries

7. Norwest Venture Partners pick up around 5% stake for \$15-M in VAS firm OnMobile

Norwest Venture Partners has invested about \$15 million for a stake of about 5% in OnMobile Global, a publicly listed provider of mobile value added services. The firm bought the shares from Infosys Technologies, which had originally incubated OnMobile.

8. Goldman Sachs, PE firms to invest around USD 47.75 million in ISP Tikona Digital Networks

Goldman Sachs Investment Partners, Indivision India Partners, Oak India investments and Green Lotus are going to invest \$ 47.75 million in Internet service provider Tikona Digital Networks. The investment will take their combined stake in the firm to 69.9%. Tikona is a pan-India Internet service provider which offers broadband services to enterprises, government institutions and households.

Latest Policy Changes

1. SEBI to ease disclosure norms for listed companies

The Securities and Exchange Board of India (SEBI) plans to reduce a lot of mandatory disclosures for listed companies. The regulator believes since a lot of information about the listed entities was already available in the public domain, it was not necessary to mandate exhaustive disclosure requirements. The proposals seek to do away with the non-disclosure of details regarding the company's business and the basis of issue price, floor price and price band.

2. Realty FDI investors locked for three years, rules FIPB

Foreign investors in Indian real estate cannot sell their stakes to another foreign investor before three years, the Foreign Investment Promotion Board (FIPB) the regulatory body that clears such proposals, has said. With this, FIPB has overruled a provision in FDI policy that exempts foreign players from the rule in cases where fund transfer is from one non-resident to another. Till now, this three-year lock-in was applicable only on foreign investment in real estate and not on investors.

3. Government waived custom duties on newsprint

To provide relief to the print media industry from the increasing prices of newsprint and light weight coated paper leading to a significant increase in publishing costs and lower advertising revenues as a result of economic slowdown, the Indian government has provided a relief package to the industry. The government has waived customs duty on uncoated paper used for printing of newspapers and light weight coated paper used for printing magazines. In April last year, the government had reduced customs duty on newsprint to 3 percent from 5 percent. Light weight coated paper attracted customs duty of 5 percent.

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