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M&A deals grow 28% in 2002-2006

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The value of mergers and amalgamation deals has grown at a compounded annual growth rate of around 28 per cent between 2002 and 2006. Most of this growth has come over the last two years, with the value of such deals increasing from \$7.5 billion in 2004 to \$21.4 billion in 2006, according to a report by Grant Thornton, one of the world's largest accounting organisations. The total number of M&A deals increased from 343 in 2005 to 480 in 2006.

The report was released today at a Confederation of Indian Industry (CII) conclave on expansions and consolidations.

The report states that from 1995 to August 2006, the largest proportion of outbound acquisitions happened in North America, which accounted for 32 per cent of the total outbound deals.

This was followed by Europe, which accounted for 29 per cent of the total deals. Europe is emerging as the prime destination for Indian companies making acquisitions abroad. Bilateral trade between India and Europe is likely to touch \$100 billion by 2010 on the back of outbound merger and acquisition (M&A) activity by India Inc, a study conducted by IndusView, one of Europe's M&A advisory firms, has said.

The comparative share of domestic, inbound and outbound deals was more or less stable, with a majority being domestic deals (44 per cent), followed by outbound deals (40 per cent) and inbound deals (16 per cent).

The share of overseas M&A deals, including inbound and outbound, is also increasing. Overseas M&A deals accounted for 42 per cent of the total M&A deal value in 2002. This increased to 73 per cent in 2006.

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Among outbound deals, pharma companies were the most aggressive and struck M&A deals with a total value of a little over \$2.2 billion. The other sector that took the lead was information technology

The other sector that took the lead was information technology. In the energy sector, Oil and Natural Gas Corporation Ltd's acquisition of equity stakes in a couple of oil blocks in Columbia and Brazil, as also Suzlon Energy's acquisition of Hansen, set the trend.

"The small and medium companies are also following the inorganic route to growth. For instance, last April, Subex acquired UK-based Azure Solutions in a stock deal exceeding \$140 million. Six months later, Syndesis approached Menon and in December, Subex acquired Syndesis for \$164.5 million in the largest overseas acquisition by an Indian IT company," said Ravi Poddar, chairman, CII SME Forum and chairman of Ravi Auto Ltd said.

"What has given a fillip to this M&A activity is the evolution of government policy on overseas investments. For instance, the upward revision of the ceiling on quantum of overseas investment and the introduction of the Foreign Exchange Management Act in 2000 have changed the scenario," said Sarita Nagpal, head (manufacturing services) division, CII.