Dealtracker

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

9th

ANNUAL EDITION

2013

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Foreword

Harish HV
Partner- India Leadership Team
Grant Thornton India LLP

"Looking ahead at 2014, we are moving into an election year and that brings in its own share of uncertainty. However, the Indian M&A market has now reached a significant level of about a 1000 deals a year pointing to continued confidence of India Inc. in M&A. "

Welcome to the 9th edition of the annual Dealtracker, our yearly analysis of the Indian M&A and PE deal scenario. We would like to thank all our readers for their continued interest and support over the years. This year we have tried to analyse deal activity from some more perspectives than before, thanks to the insightful feedback that we receive from time to time.

The M&A market showed subdued levels of deal activity in 2013, with 500 deals amounting to US$28.19 billion, which is lower both in volume and value when compared to 2011 and 2012. Overall M&A values dipped by 20% year-on-year coupled with a 16% decline in number of deals. However, 2012 saw the large US$12 billion Vedanta group restructuring deal, So, excluding mergers and internal restructuring deals, M&A values in 2013 were actually up 15% during 2013, pointing to the sustained faith India Inc has in dealmaking regardless of economic conditions, external pressures, political situation. However, these have impacted deal values which clearly mean that growth in value will need better economic scenario and more particularly a better capital and debt market support which has been missing. .

A notable feature of 2013 is the continued growth in Inbound Investment especially by global MNCs particularly those in the consumer goods and healthcare sectors indicating confidence in India's growth in a difficult year. We have seen Unilever announce a significant equity investment into their Indian Subsidiary, Glaxo doing likewise and

Foreword

We hope that there would be some hostile takeovers because that is something Indian market badly needs to ensure good value creation for the shareholders

Diageo making a large acquisition of United Spirits Limited. On the outbound side, there have been some large deals such as outbound oil field stake acquisitions by Oil and Natural Gas Corporation (ONGC), Cipla's South African acquisition and other large cross border deals. However, in the past few years we used to see in excess of a dozen US$ 1 billion deals but now it is down to about three or four.

Looking ahead sectors to watch out continue to be Pharma, Technology and Aviation/ Telecom. The drying up of R&D pipeline globally coupled with the expected patent cliff in the US drug market in the next 2-3 years and constant pressure on manufacturing cost reduction will make India a sought after manufacturing destination. Technology has always been active in dealmaking and this is expected to continue with continued thrust by Indian companies particularly on the cross border side and similarly active inbound market by global majors in Indian startups. Deal activity is also likely in some of the regulated sectors like Aviation and Telecom where regulations now support dealmaking.

PE activity – both value and volumes - was very strong making up for some of the reduction seen in corporate M&A activity during the year. This has been a notable feature of 2013 as it has happened in a year of economic weakness, political uncertainty (given elections in 2014), rupee depreciation and exit difficulties. The average deal size has also increased. We expect PE's to continue investing in the Indian market and continue to focus on consumption sectors as they have been in the recent past but we expect them to turn to Indian Manufacturing as the Manufacturing sector starts showing signs of renewal.

Looking ahead at 2014, we are moving into an election year and that brings in its own share of uncertainty. However, the Indian M&A market has now reached a significant level of about a 1000 deals a year pointing to continued confidence of India Inc. in M&A. Finally, as always, I end this with my wish (which remains unfulfilled over the past few years) that we see a more active market for control in the Indian market through hostile takeovers.

In a Nutshell

With India headed for critical national elections in the coming year, the overall merger & acquisition (M&A) activity revived with a clutch of billion-dollar-plus deals towards the close of the year. It is interesting to see a continuously declining trend in outbound deal volumes between 2011 and 2013, though values have remained steady largely due to the big ticket deals seen in ONGC's outbound oil block acquisitions totaling over US$5 bn.

The moderation in India's growth story coupled with the weakness in overseas investor sentiments driven by the uncertainty in the tax and regulatory policies have led to decline in inbound transactions as well. However, despite this, we have witnessed some large inbound deals like Mylan deal, Unilever's acquisition of stake in HUL and Diageo's acquisition of United Spirits which demonstrates the fundamental interest in India's large market opportunity for most global organizations.

Top sectors for PE included IT & ITES (20%), Pharma, Healthcare & Biotech (14%), Real Estate (13%), Telecom (12%), Banking (11%) and Automotive (8%). There were 23 PE investments worth over US$ 100 million each in 2013. The increase in PE deal value is largely driven by some large buy-out deals like Blackstone – Agile deal, KKR-ATG and Barings – Hexaware deal.

Raja Lahiri
Partner- Transaction Advisory Services
Grant Thornton India LLP

"In my view, the Government's recent FDI policies and reforms around retail, aviation, broadcasting and telecom are good steps to enhance FDI inflows and is expected to increase deal activity. However, there still remains an overhang of the overseas investor sentiment in implementation of the Government policies which is possibly resulting in tentativeness in the minds of the investors at the current moment."

In a Nutshell

"I would also see increased momentum in secondary PE deals, the consummation of which would largely depend on the quality of the underlying portfolio assets."

Deal Summary	Volume			Value (US$ mn)		
Year	2011	2012	2013	2011	2012	2013
Domestic	216	234	220	5,036	6,078	5,749
Cross Border	**288**	**262**	**221**	**39,577**	**14,507**	**17,891**
Mergers and Internal Restructuring	140	102	59	-	14,799	4,546
Total M&A	644	598	500	44,613	35,384	28,186
PE	373	401	450	8,751	7,378	10,392
Grand Total	**1017**	**999**	**950**	**53,363**	**42,761**	**38,578**
Cross Border includes						
Inbound	142	140	139	28,732	5,955	8,642
Outbound	146	122	82	10,313	8,552	9,249

There is clearly an emerging trend in increase of buy-out transactions by the large PE Funds (especially, the Global Funds) which has led to increase in PE deal values.

U.S. buyout firm KKR's investment of US$200 million in drug-maker Gland Pharma Ltd. makes it the largest private equity investment in the local pharmaceutical sector amid growing demand for generic drugs in overseas markets.

The Indian e-commerce space continues to garner interest from PE and VC firms with almost 100 deals in this space during the year, led by Flipkart, Snapdeal and Zomato. In my view, I would also see increased momentum in secondary PE deals, of-course the consummation of which would largely depend on the quality of the underlying portfolio assets.

Certain steps that could be taken to boost M&A and PE would include:

- Implementation of the Government reforms around FDI in sectors like retail, telecom, financial services
- Private Equity and Venture Capital to be recognized as a separate recognized pool of capital by the Government. Enhanced incentives for PE investors would trigger large amount of capital which is required to support entrepreneurs
- Certainty of the tax regulatory framework especially around cross border and PE listed transactions
- Implementation of the New Companies Bill to demonstrate enhanced corporate governance framework for corporates and investors
- Focus on Infrastructure sector to remove the current bottlenecks. This sector is critical for the growth of the economy; overseas capital along with focused implementation programs can turn-around the growth rates.

We hope to see an interesting year in 2014 and expect a revival in M&A deal activity, particularly in sectors like telecom, aviation, retail etc.

Happy Deal Making!

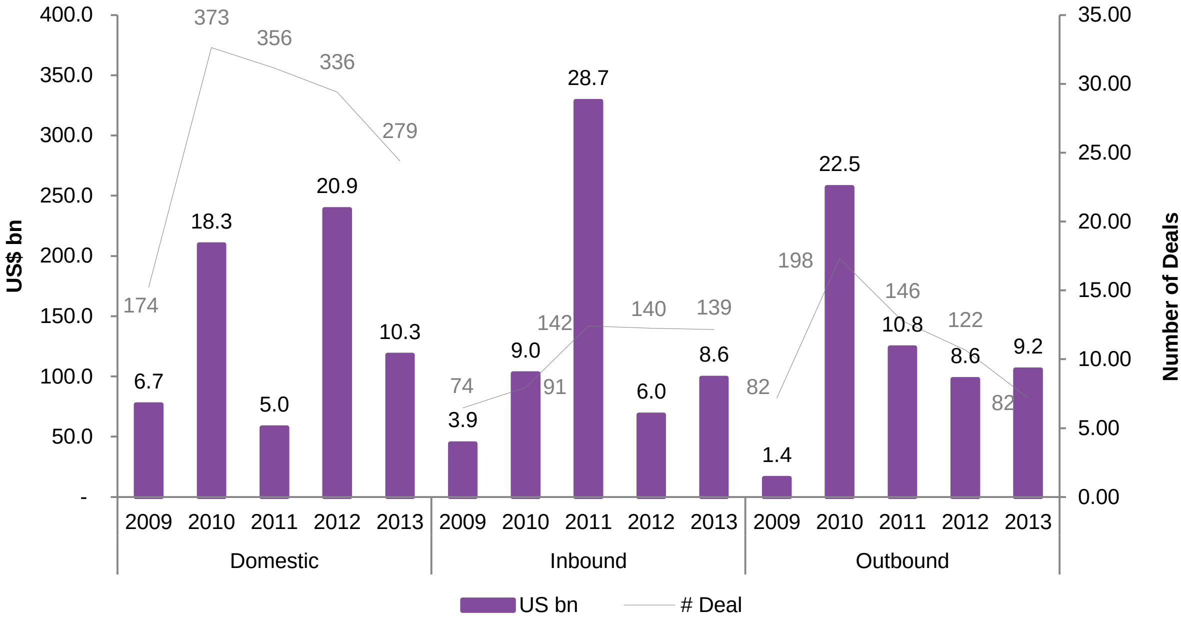
Mergers & Acquisitions

- M&A Round Up
- Domestic
- Cross-border

M&A Round Up

Not a blockbuster year, but fairly resilient

Annual Trend – Overall M&A Activity

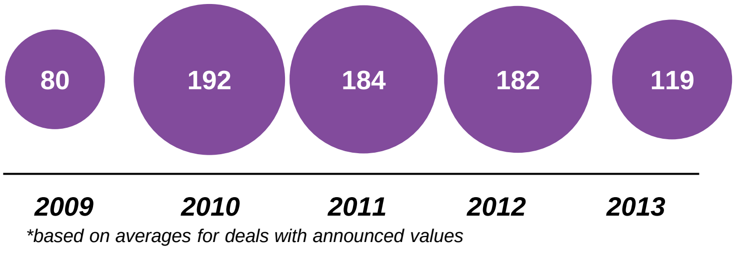


Domestic includes internal mergers and restructuring deals

Induced by the sluggish economic trends, Mergers and Acquisition activities of Indian companies decelerated in 2013 to a total of 500 deals worth around US$28bn. In comparison, Indian companies were involved in 598 deals worth US$35bn in 2012, and 644 deals worth US$45bn in 2011. The level of activity in 2013 revived in the last few days of the year due to a few billion dollar deals, however it is yet to match up to the levels shown previously.

With India headed for the national elections in the coming year, the market is set to pick up momentum in 2014 especially as inbound deals were pushed back for better clarity over the policy stance of the new government. Several multi-national companies (MNCs) increased their holdings in India units through market route or indirect restructuring.

Average Deal Sizes US$ mn



**based on averages for deals with announced values*

Domestic

In line with 2012, both in terms of value and deal volumes

Top Deals in 2013					
Acquirer	**Target**	**Sector**	**US $ mn**	**Deal Type**	**Stake**
# Unilever Plc	Hindustan Unilever Ltd	FMCG, Food & Beverages	3093	Increasing stake to 67.26%	14.78%
UltraTech Cement Ltd	Jaypee Cement's 5 mtpa Gujarat facility	Cement	590	Majority Stake	51%
NTPC Ltd	Nabinagar Power Generating Company Pvt Ltd	Power & Energy	413	Strategic Stake	N.A.
Pfizer Ltd	Wyeth Ltd	Pharma, Healthcare & Biotech	367	Merger	N.A.
Torrent Pharmaceuticals Ltd	Elder Pharmaceuticals Ltd – Formulations	Pharma, Healthcare & Biotech	322	Acquisition	100%
Piramal Enterprises Ltd	Shriram Transport Finance Co Ltd	Banking & Financial Services	301	Minority Stake	10%
Gaursons India	300 acre land from Jaypee Group	Real Estate	273	Acquisition	100%
SKI Carbon Black Pvt Ltd	Aditya Birla Nuvo - Carbon Black business	Plastic & Chemicals	264	Acquisition	100%
My Home Industries Ltd – Ireland's Cement Roadstone Holdings JV in India	Sree Jayajothi Cements Ltd	Cement	230	Acquisition	100%
Suvarnabhoomi Developers	DLF's 32 acre land in Hyderabad	Real Estate	118	Acquisition	100%
Exide Industries Ltd	Navayuga Road Projects Pvt Ltd	Infrastructure Management	100	Strategic Stake	N.A.

Internal Restructuring deal

Domestic M&A (excluding internal merger and restructuring) stood at US$5.7 billion, in line with US$6 bn of deals seen last year. The bulk of domestic activity focused on the Pharmaceutical sector with US$934mn worth of deals. Real Estate sector showed subdued activity this year with the total deal value falling from US$1bn to US$907mn. The UltraTech Cement Ltd deal with Jaypee Cement was the largest deal in India, worth US$590m, which puts the cement industry at the third position of the Top 5 sectors list. BFSI witnessed growth in the number of deals in the insurance and NBFC sector. The Power and Energy sector witnessed several deals in the renewables space.

Top 5 Sectors – US$ Million			
Sector	**2012**	**2013**	
Pharma, Healthcare & Biotech	233	933	
Real Estate	1,135	907	
Cement	267	825	
Banking & Financial Services	458	743	
Power & Energy	124	726	

Inbound

45% increase over 2012 values driven by Pharma and Healthcare

Top Deals in 2013					
Acquirer	**Target**	**Sector**	**US $ mn**	**Deal Type**	**Stake**
Mylan Inc	Agila Specialties Pvt Ltd (Strides's injectable business)	Pharma, Healthcare & Biotech	1,800	Acquisition	100%
Vodafone International Holdings B.V.	Vodafone India Limited	Telecom	1,641	Increasing stake to 100%	36%
FPM Power Holdings Ltd	GMR Energy (Singapore) Pte Ltd	Power & Energy	482	Majority Stake	70%
Emerson Group	Virgo Valves & Controls Ltd	Manufacturing	450	Acquisition	100%
Etihad Airways	Jet Airways	Aviation	379	Strategic Stake	24%
Bupa Care Services Ltd	Quality Healthcare Medical Services	Pharma, Healthcare & Biotech	355	Acquisition	100%
SingTel	Bharti Airtel	Telecom	302	Increasing Stake to 32.34%	4%
McGraw Hill Financial Inc	CRISIL	Banking & Financial Services	214	Increasing Stake to 67.8%	15%
Toshiba Corporation	Vijai Electricals Ltd., Transmission and Distribution Business	Electricals & Electronics	200	Acquisition	100%
Hitachi Ltd	Prizm Payment Services Pvt Ltd	IT & ITeS	161	Acquisition	100%

Total cross-board M&A grew 23% to US$18bn compared to 2012 driven by the 45% increase in India's inbound M&A activity. The bulk of inbound acquisitions focused on the Pharmaceuticals and Healthcare industry in terms of deal value with a 73% increase in value over 2012. Two out of the top 10 deals were in the pharma sector with Mylan-Agila deal being worth US$1.8bn. The Vodafone deal falls under the billion dollar category as well, making telecom sector the second largest sector for Inbound deals in India.

Top 5 Sectors – US$ Million			
Sector	**2012**	**2013**	
Pharma, Healthcare & Biotech	1,416	2,451	
Telecom	10	1,943	
Manufacturing	230	789	
IT & ITeS	430	753	
Power & Energy	75	740	

Outbound

Declining volumes, but deal value remains steady due to big ticket oil block stake acquisitions.

Top Deals in 2013					
Acquirer	**Target**	**Sector**	**US $ mn**	**Deal Type**	**Stake**
ONGC Videsh Ltd	Rovuma Area 1 Offshore Block	Oil & Gas	2,640	Minority Stake	10%
Oil India Ltd ,ONGC Videsh Ltd	Rovuma Area 1 Offshore Block	Oil & Gas	2,475	Minority Stake	10%
ONGC Videsh Ltd	Parque das Conchas, Brazilian oilfield	Oil & Gas	529	Increasing stake to 27%	12%
Cipla Ltd	Cipla Medpro	Pharma, Healthcare & Biotech	512	Acquisition	100%
Lodha Group	Canadian high commission's building in central London" McDonald House"	Real Estate	503	Acquisition	100%
Amtek India Ltd.	Kuepper Group	Automotive	266	Acquisition	100%
Jindal Poly Films	ExxonMobil Chemical-(BOPP) business	Plastic & Chemicals	235	Acquisition	100%
Mahindra & Mahindra	CIE Automotive SA	Automotive	128	Minority Stake	14%
Tata Consultancy Services Ltd	Alti SA	IT & ITeS	96	Acquisition	100%
Wipro Ltd.	Opus Capital Market Consultants LLC	IT & ITeS	75	Acquisition	100%

India’s Outbound M&A grew 8% y/y in terms of the deal value, however the volume was low compared to the last two years. Indian acquisitions overseas stood at US$9 bn from 82 deals.

Outbound acquisitions focused on the Oil & Gas sector as deal value reached US$5.7bn, and captured 61% of India’s foreign acquisitions with top 2 deals, both of which were above US$2bn. Barring the outbound oil block acquisitions in 2012 and 2013, the deal values in 2013 were US$3.6bn, almost half of 2012 values, clearly showing a trend of India Inc. treading the cautious path.

Top 5 Sectors – US$ Million		
Sector	**2012**	**2013**
Oil & Gas	1,098	5,649
Automotive	164	1,166
Pharma, Healthcare & Biotech	1099	567
Real Estate	47	503
Telecom	6	365

Key Highlights

Few interesting deals struck and few that fell apart

Flying High

If turbulence and uncertainty best describe the last few years for the Indian commercial aviation sector, there are signs of a turnaround ahead. With global airlines and investors with deep pockets coming together, India's ailing aviation sector could finally feel some wind beneath its wings from the start of operations by Etihad, AirAsia and Singapore Airlines (SIA), along with their Indian partners in 2014. The FDI reforms of September 2012 have definitely proved to be a game-changer for the commercial Aviation industry in India.

Chinese firm foils ONGC's Kazakh deal

ONGC Videsh, the overseas investment arm of state-owned Oil and Natural Gas Corp (ONGC), had in November last year struck a deal to buy ConocoPhillips' 8.4 per cent stake in Kazakhstan's biggest oilfield, Kashagan for $5 billion. ONGC was outbid by the China National Petroleum Corporation.

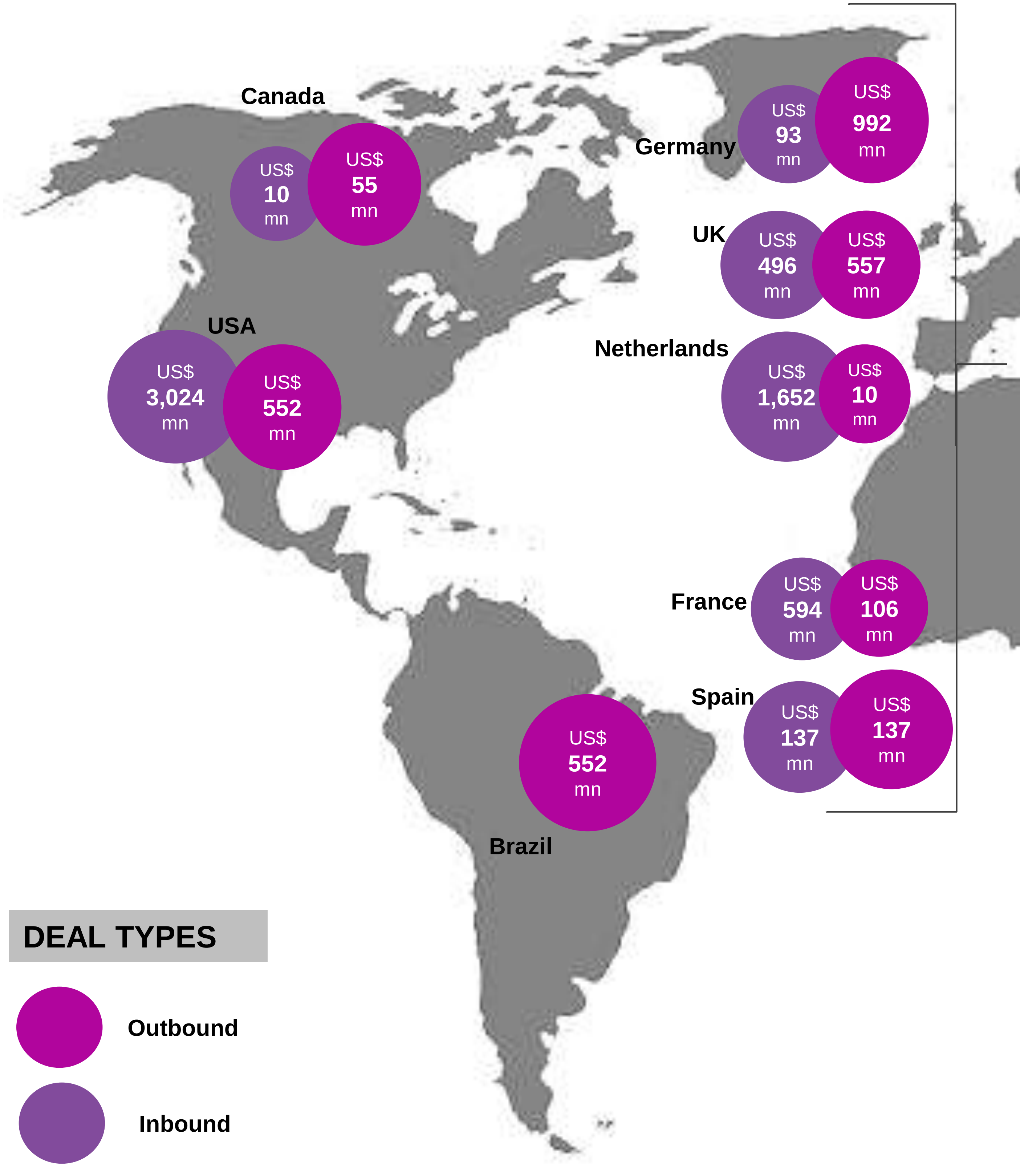
Apollo-Cooper Tire deal called off

The US$2.5bn Apollo-Cooper deal was called off in December just a few days before its closure. It was slated to be the largest deal of the Indian Automotive industry and the actual reason for the deal being called off remains under dispute.

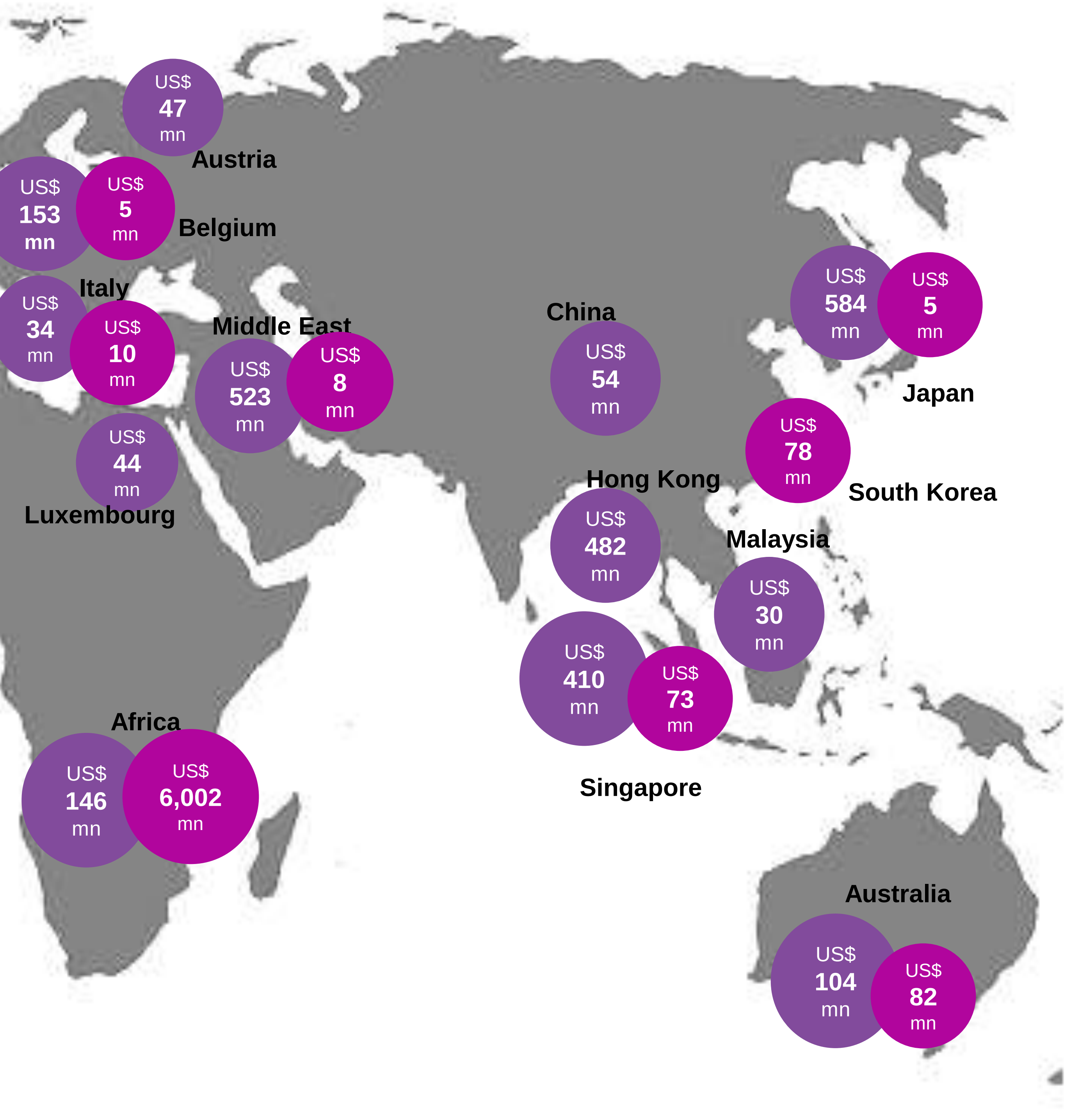
Consolidating Indian holding

Attracted by the long term potential in the country, multinationals are enhancing their hold in the emerging Indian market. Anglo-Dutch FMCG giant Unilever spent US$ 3,094mn to increase it's stake to 67.28% in it's Indian arm Hindustan Unilever Ltd. UK-based GlaxoSmithKline (GSK) also plans to increase its stake to 72.5 per cent from the earlier 43.2 per cent stake in its consumer healthcare arm in India in a transaction worth US$ 774 mn.

Crossborder Deals



"Cross-border deals account for 44% of the volume and 63% of the value of M&A deals in 2013."



Is M&A a Foolish Strategy?

Not really. It is risky but expecting growth without risk is like tossing a coin and not expecting to loose.

With over 720,000 mergers and acquisitions (M&A) globally over the past 25 years, it is disconcerting to see M&A being singled out as the Satan of corporate strategy simply because it leaves a measurable reference in value for a comparative review to measure success in future.So whilst the outcome of any other corporate strategy takes longer to manifest and can be ambiguous, the result of an acquisition tends to get scrutinised a lot sooner on the back of a clear imprint it leaves in the form of an acquisition price.

Studies over the past 25 years suggest 60-70% of M&As are failures and continue to do so; but global M&A grew from $550 billion in 1990 to $2.2 trillion in 2012. Even in emerging markets like India, M&A has grown from $10 billion in 2000 to about 600 deals aggregating $42 billion in 2012. If the studies on M&A failure rates are viewed independent of reasons for failure or for that matter reasons for failure of any corporate strategy, then the global corporate universe would appear foolish keeping inorganic expansion central to its growth strategy.

Build vs Buy

In the alacrity of passing flash judgments on the effectiveness of an M&A strategy, industry critics seem to ignore the fact that M&As are the result of an expansion strategy and not the cause. It is a basic build versus buy decision where choice of expansion has already been made. And any choice of growth can go bad — be it the choice of expanding through diversification, the choice of bringing in new leadership in a running business, or the choice of starting a new venture itself.

Not many would remember that McDonald's opened two fourstar hotels in Switzerland as part of a major diversification strategy, only to struggle with positioning and breakeven. The hotels eventually had to be sold to become Park Inn Zurich and Park Inn Lully.

Similarly, Dell ventured into the smartphone business, only to subsequently realise that its mediocre hardware and lack of a superior operating system was a major setback. It eventually stopped selling smartphones and exited this business completely. Or consider for that matter the attempt by JC Penney to modernise its business by hiring an ex-Apple executive as CEO, who unsuccessfully tried to make the department-store chain more modern by eliminating its popular promotions programme.

This only drove away customers. During his 18-month tenure, JC Penney's shares lost half their value. Consider the success rate of start-ups in India — a dismal 25% as against 50% in Silicon Valley. This cannot be interpreted as a hypothesis against entrepreneurship, which has led the India success story from the front in the last decade.

And then you have examples of corporations taking the fundamental decision to expand organically, albeit only at the cost of limiting opportunities for growth. Emirates Airline's organic strategy in Germany is a case in point. It has for years lobbied hard for landing slots in Berlin, but in vain. And along came Etihad to pick up a 30% stake in cash strapped Air Berlin for $350 million in loans and fresh capital to get instant access to this strategic platform.

It would only be foolish to believe that corporations looking to get out of their existing domains or comfort zones are foolish to do so as they risk failure in uncharted territories. Shareholder value is all about growth, and expecting growth without assuming risk is like tossing a coin without the risk of losing.

Getting the Numbers Right

While an acquisition may have a higher risk of failure than any other expansion strategy, it also provides a much superior return profile in comparison to an organic build strategy. M&As are intrinsically risky and predicting the aftermath of any acquisition is impossible. But there are learnings from the past that can mitigate the risk of failure.

Is M&A a Foolish Strategy?

Not really. It is risky but expecting growth without risk is like tossing a coin and not expecting to loose.

Most M&As fail due to inadequate articulation of two key enablers of a deal: transaction management, which is all about paying the right value, conducting a thorough due diligence and appointing the right transaction adviser; and integration management, which is about devising a detailed integration strategy ahead of the buy decision to keep the rationale of the acquisition intact.

The fact of the matter, however, is that any corporate strategy can go bad despite putting safeguards against any possible fallout in future. And so can simple business decisions related to marketing and research and development.

If there are precedents where shareholder wealth has been written off as a fallout of ill-planned M&A, there are more than a handful cases of history been created through well executed M&A strategy to deliver immense value to shareholders. IBM, with a market value of $227 billion, has virtually been created through acquisitions.

It has acquired 187 companies since the year 2000 for about $41 billion. And such is the case with Cisco, with over 460 acquisitions over the past 15 years, which increased its sales from $4 billion in 1996 to $46 billion in 2012. And such is the case with several large giants in diverse sectors like consumer, media, energy, telecom and advertising which owe their birth and evolution to successful M&A initiatives.

And then there is Exxon Mobil. It is what it is today on the back of a merger between two energy giants, which clearly didn't happen without the risk of failure in 1999. The company surpassed Apple as the world's most valuable company with a market cap of $385 billion in April 2013. Imagine convincing the company's management on the risks associated with a foolish strategy like M&A on the back of statistics of failed mergers. It's not a difficult guess who would have the last laugh!

\- The Economic Times Magazine
19 May, 2013

Harish HV, Partner
India Leadership Team

Sumeet Abrol,
Director , M&A

Our Corporate Finance practice comprises of 100 senior multifaceted specialists with over 400 years of team experience and providing end-to-end solutions.

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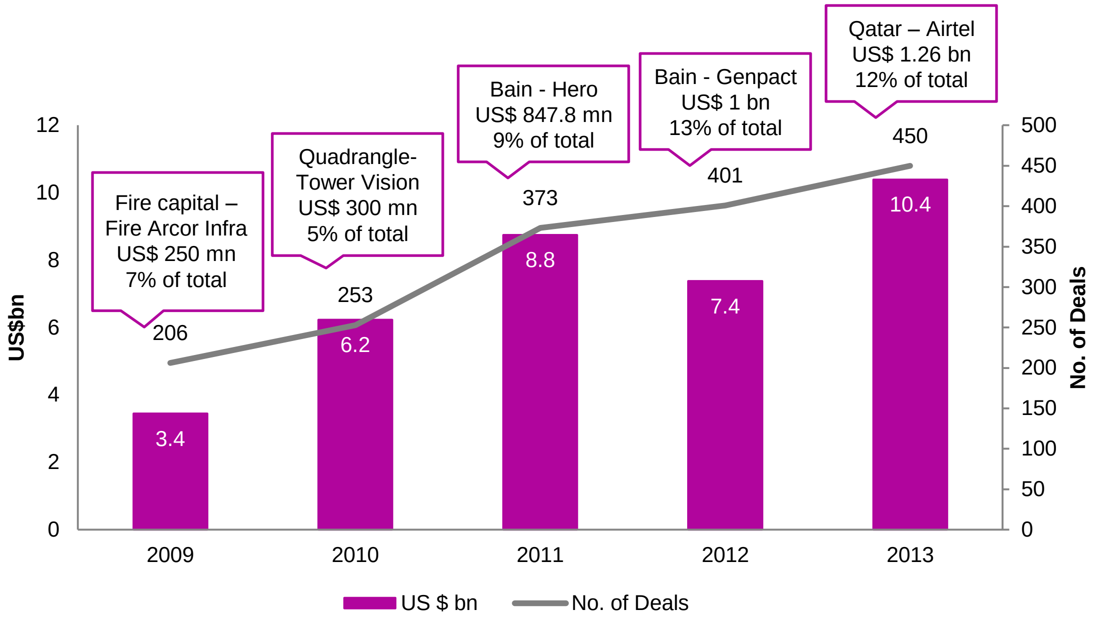
 Dhanraj Bhagat	Distinctive	 Sridhar V	Amenable	 Prashant Mehra
	 David Panna		 Darshana Kadakia	
 Ashish Chhawchharia	Instinctual	 Vikarth Kumar	Resourceful	 Girish Menon
	 Sumeet Abrol		 Manish Saxena	
 Vibhor Sharma	Proactive	 Vrinda Mathur		 Abhay Anand

Private Equity

- PE Round Up
- Regional Analysis

Private Equity Round Up

Steady PE deal values and volumes made up for some of the drop seen in corporate M&A activity during the year

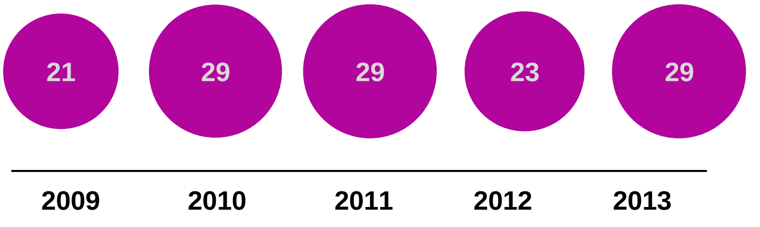


Annual Trend – Overall Private Equity Activity

PE and VC investments have shown a rising trend over the past 5 years in terms of volume. Owing to the drop in value and volume in 2012, the start of 2013 was slow for PE and VC investments, however the momentum has picked up over the year. 2014 can be expected to be very interesting for PE and VC investments.

The PE industry continues to remain impacted by returns below expectations due to the high valuations paid in the boom period of 2006-2008 and relatively few exits as capital markets, which happens to be the main source for private equity exits, have remained shut. This has not resulted in a reduction in the investment by funds as they continue to invest and grow pointing to the fact that their outlook continues to remain positive.

Average Deal Sizes US$ mn



**based on average of deals with announced deal values*

Private Equity Deal-board

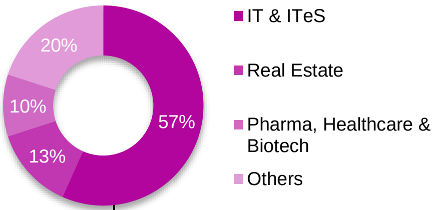
Clearly an emerging trend in increase of buy-out transactions by the large PE Funds

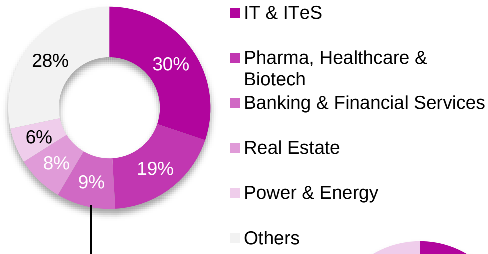
Top Deals in 2013				
Investor	**Investee**	**Sector**	**US$ mn**	**Stake**
Qatar Foundation Endowment	Bharti Airtel Ltd	Telecom	1,260	5%
KKR	Alliance Tire Group	Automotive	650	90%
Baring Private Equity Asia	Hexaware Technologies Ltd	IT & ITeS	400	42%
Blackstone Group, HDFC, Embassy Group	Vrindavan Tech Village	Real Estate	367	N.A.
Partners Group	CSS Corp	IT & ITeS	270	80%
Baring Private Equity	Lafarge India	Cement	260	14%
Government of Singapore Investment Corporation	Kotak Mahindra Bank	Banking & Financial Services	239	3%
Naspers, Tiger Global, Accel Partners, ICONIQ Capital.	Flipkart Online Services	IT & ITeS	200	N.A.
KKR	Gland Pharma Ltd	Pharma, Healthcare & Biotech	200	35%
TPG Capital	Shriram City Union Finance Ltd	Banking & Financial Services	194	23%

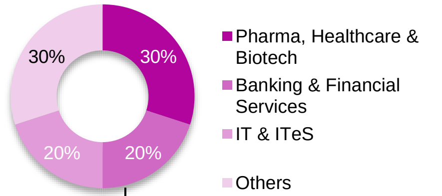
Private equity major KKR & Co acquired a controlling stake in the Alliance Tire Group (ATG) from Warburg Pincus for an enterprise valuation of nearly US$650 million, according to industry sources. Partners Group invested in CSS Corp for US$270 million. Investment in IT and ITES sector continued to dominate the PE and VC investment field while Pharma and Real Estate sectors caught up at the second and third place.

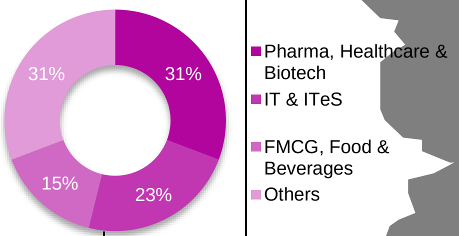
Top 5 Sectors – US$ Mn			
Sector	**2012**	**2013**	
IT & ITeS	2,056	2,053	
Pharma, Healthcare & Biotech	907	1,438	
Real Estate	722	1,321	
Telecom	15	1,260	
Banking & Financial Services	707	1,106	

City Focus – PE/VC Investment









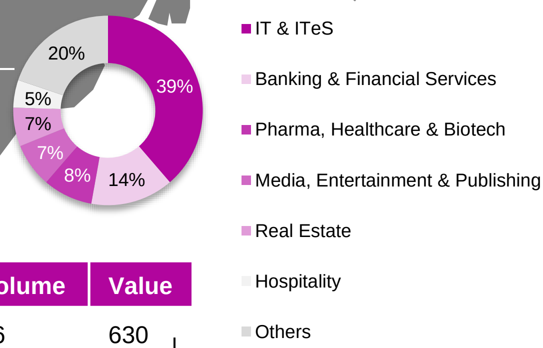
City	Volume	Value
Delhi	53	2346

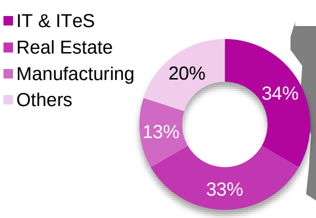
City	Volume	Value
Gurgaon	30	260

City	Volume	Value
Ahmedabad	13	260

City	Volume	Value
Kolkata	10	86

City	Volume	Value
Mumbai	106	3174



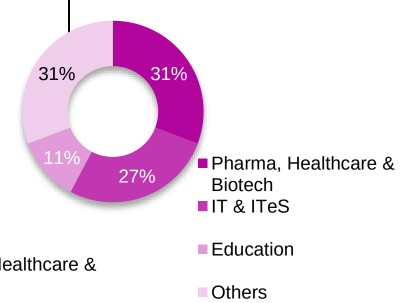


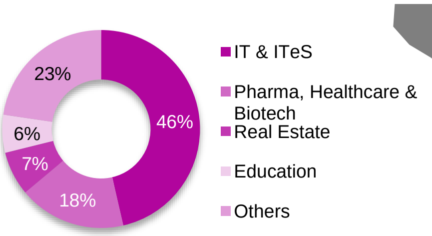
City	Volume	Value
Hyderabad	26	630

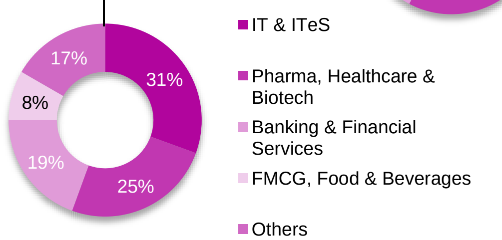
City	Volume	Value
Pune	15	400

City	Volume	Value
Chennai	36	785

City	Volume	Value
Bengaluru	97	1813







** Charts are based on deal volume (number of deals).*

SECTORAL SPOTLIGHT

Trendspotting for the year 2013

Agriculture & Agro Products

Agricultural GDP in the 2013-14 agri-year (July-June) is likely to grow between 5.1% and 5.7%, almost three times higher than last year.

Continuous decline in M&A deal volumes and values. 8 deals amounting to US$84 mn in 2013

Power & Energy

Continuous increase in M&A deal volumes and values. 30 deals amounting to US$1.5 bn in 2013. Almost US$0.5bn of PE investment in the sector in 2013 – largely into renewables.

Distribution companies under deep financial stress. Bailout plans underway for several states

Telecom

US$1.3bn worth PE investment into Bharti Airtel by Qatar Foundation.
100% foreign investment in to the sector allowed.
Implementation of National Telecom Policy 2012.

Legal issues around spectrum allotment stall decision making progress

Oil & Gas

Continuing investment in oil blocks – US$5.6bn of outbound investment in 2013

ONGC was outbid by the China National Petroleum Corporation in the US$5bn Kashagan oil field stake deal

IT&ITES

165 PE deals worth over US$2bn
Increasing investments in the – ecommerce space

Slight downtrend in M&A values and volumes. Yet to see 2010-2011 levels of deal activity in the sector

Pharma, Healthcare and Biotech

US$4bn of M&A deals and US$1.4bn of PE investment – sector has seen a significant uptrend.
Sustained interest in healthcare delivery model and focus on affordable primary care across India.
Supreme Court rejected plea of Swiss pharma giant Novartis, for a patent on cancer drug Glivec paving way for Indian generic firms to offer cheaper alternatives.
Overseas acquisitions by Indian firms Cipla and Dr.Reddy's.

Domestic firms coming under increased scrutiny of global regulators, post Ranbaxy and Wockhardt norms violation cases.

Aviation

Relaxed FDI norms to attract further investment in the commercial aviation sector

Fierce competition in 2014 could increase the losses for airline companies

Infrastructure

Declining trend in M&A and PE investment in this sector – Shift in PE focus to real estate over infrastructure

Media & Entertainment

Steady activity in both M&A and PE front over the last 2-3 years
Goldman Sachs invested US$110 mn in DEN Networks

Slowing economic growth leading to ad spend cuts

FMCG

US$ 3.5bn of M&A activity, largely due to Unilever's consolidation of Indian holdings amounting to US$3bn
Continued interest in the packaged food segment which attracted PE investment worth US$200mn in 2013.

Nielsen retail measurement data suggests that India’s FMCG sector in the first three quarters of 2013 experienced stress, as the FMCG value growth (vs. the same quarter of the previous year) dipped to a single-digit.

Cement

2013 witnessed 2 big ticket PE deals in this sector with Baring PE paying US$260mn for 14% stake in Lafarge and Blackstone paying US$100mn for 53% stake in Sree Jayajothi cements

Education

Downtrend in both M&A and PE activity . 2013 saw the lowest levels of activity in this sector over the last 3 years..

BFSI

US$1.2bn of M&A deals and 43 PE deals worth US$1.1 bn in 2013

The economic slowdown and reduction in the demand from consumers led to a low growth rate in the sector

Automotive

US$1.4bn worth of M&A deals and US$ 0.9bn worth of PE deals in 2013 – largely in the auto components space.

The year saw a decline in commercial and passenger vehicle sales, with no significant trend reversal expected in 2014

Real Estate

31 PE deals amounting to US$ 1.3bn , 25 M&A deals amounting to US$1.4bn in 2013. Blackstone , Red Fort Capital were among leading investors.

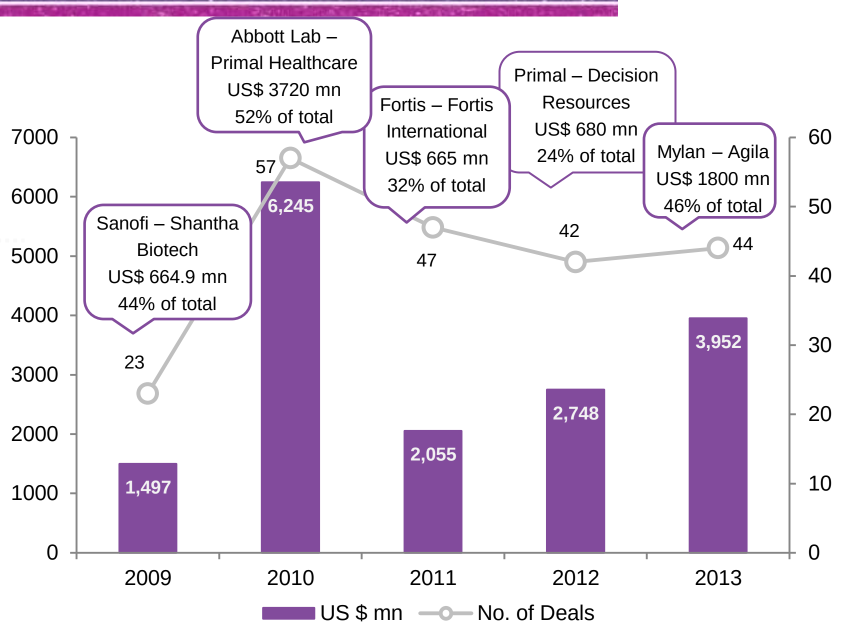
Pharmaceuticals & Healthcare

Mahad Narayanamoni
Partner, Healthcare and Lifesciences Advisory
Grant Thornton India LLP

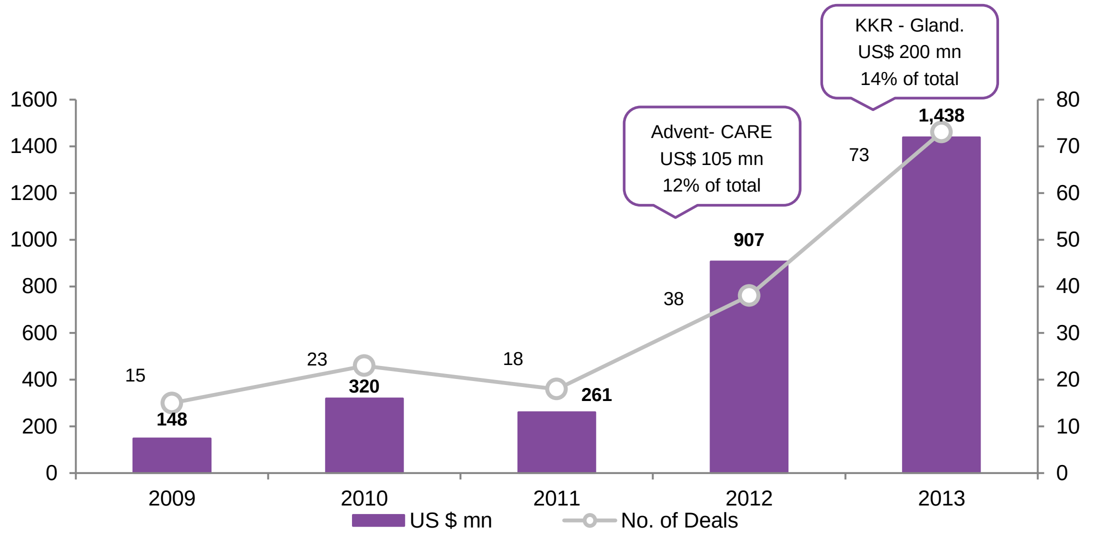
2013 has seen a number of significant deal announcements in the pharmaceutical sector. This is in spite of the need for FIPB approval for FDI in the pharmaceutical industry, indicating that interest levels from strategic and financial players remain as strong as ever, despite perceived regulatory challenges or hurdles.

In terms of M&A, there were clearly some one-off transactions such as Mylan's acquisition of the injectables business from Strides (Agila) on the inbound side and Torrent's acquisition of Elder's domestic formulations portfolio on the domestic M&A front. We would expect to see more domestic M&A in the sector, driven by a need to consolidate among small / mid-sized players, FDI restrictions (and hence quicker to execute a deal with a domestic player) and the market-share pressure on Indian players with the MNC pharma companies being very aggressive in the domestic market place. We also see some of the larger Indian players continuing to make strategic acquisitions overseas. Aurobindo Pharma has already announced the acquisition of Actavis' operations in several parts of Western Europe (EUR 320 million business) in the month of January 2014. Largely, we expect transactions to be driven by the need to acquire niche product portfolios or plug specific geography gaps.

On the Private Equity front, KKR's proposed investment into Gland Pharma (which will also see Evolvence India Life Sciences Fund exit from the Company at a substantial return on investment), stands out as the most significant PE transaction in the pharmaceutical space. In the healthcare delivery space, Carlyle acquired a minority stake in Medanta (the Medicity) in what is the largest PE deal in that space to date. The medical devices space, which saw a number of deals in 2012, was also reasonably active on the deal front in 2013 with investments by TPG Growth in Sutures India (Rs 145 crores) and by IVFA in Trivitron Healthcare (Rs 150 crores). The common theme across most of the top PE deals in the healthcare and life sciences sector this year has been exit of private equity funds – i.e. secondary deals. Gland, Medanta, Emcure and Apollo Hospitals all involve the exit of existing private equity funds. This is another trend we expect to continue witnessing in 2014. A number of pharma and healthcare delivery businesses raised capital from PE funds between 2005 and 2009, needing to be exited in the next year or two.



Annual Trend – M&A *excluding Internal Restructuring



Annual Trend – Private Equity

Pharmaceuticals & Healthcare

Top M&A Deals in 2013				
Acquirer	**Target**	**US$ mn**	**Deal Type**	**Stake**
Mylan Inc	Agila Specialties Pvt Ltd (Strides's injectable business)	1,800	Acquisition	100%
Cipla Ltd	Cipla Medpro	512	Acquisition	100%
Pfizer Ltd	Wyeth Ltd	367	Merger	N.A.
Bupa Care Services Ltd	Quality Healthcare Medical Services	355	Acquisition	100%
Torrent Pharmaceuticals Ltd	Elder Pharmaceuticals Ltd - Formulations	322	Acquisition	100%

The Pharma, Healthcare and Biotech sector witnessed US$4bn of M&A deals and US$1.4bn of PE investment, marking a continuous uptrend in deal activity.

In a time when Indian firms in this sector are fast being taken over by foreign companies, overseas acquisitions made by Cipla, Dr. Reddy's Laboratories 93% stake acquisition in OctoPlus NV, are highlights in the sector.

Glaxosmithkline is also looking to strengthen its hold on the Indian market my consolidating its share in it's Indian arm. Private equity house KKR invested in Gland Pharma, hoping to take it to the second stage of growth in order to expand manufacturing capacity. It is the biggest investment in the sector so far.

Top PE Deals in 2013			
Investor	**Investee**	**Stake**	**US$ mn**
KKR	Gland Pharma Ltd	35%	200
The Carlyle Group LP	Medanta The Medicity	27%	154
Bain Capital, LLC	Emcure Pharmaceuticals Limited	13%	105
IFC	Fortis Healthcare Ltd	N.A.	100
Oppenheimer Funds	Apollo Hospitals Enterprise	5%	95

IT & ITES

Raja Lahiri

Partner - Transaction Advisory Services

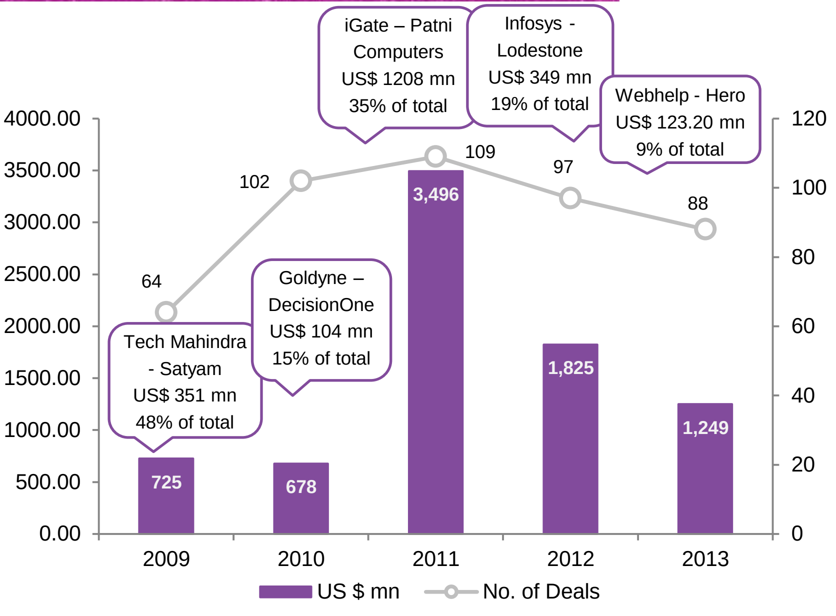
Grant Thornton India LLP

IT/ITES Sector transactions in 2013 was fairly active with focus on VC/PE investments. Investor interest has remained high on the e-commerce sector triggered by the growing internet penetration in India and consumer acceptance of transacting over the net.

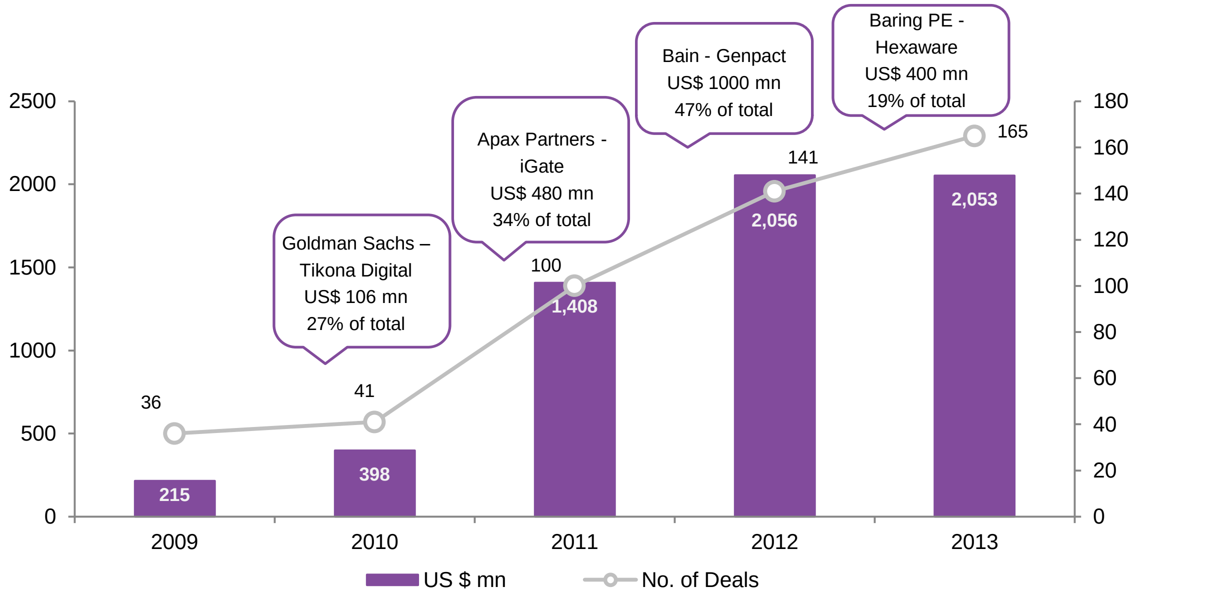
I believe that this space has significant opportunity to grow and 2013 also witnessed buy-out of Redbus, which demonstrates interest from overseas strategic players as well.

M&A activity has been moderated in 2013. However, with the surplus cash available with the larger IT/ITES players, we could see increased outbound deal action in the markets like Europe in the emerging social, mobility, analytics and cloud computing areas in 2014.

Private equity buy-outs of mid-sized IT/ITES assets have clearly emerged as a growing trend and we believe that this trend is also expected to play out going forward.



Annual Trend – M&A *excluding Internal Restructuring



Annual Trend – Private Equity

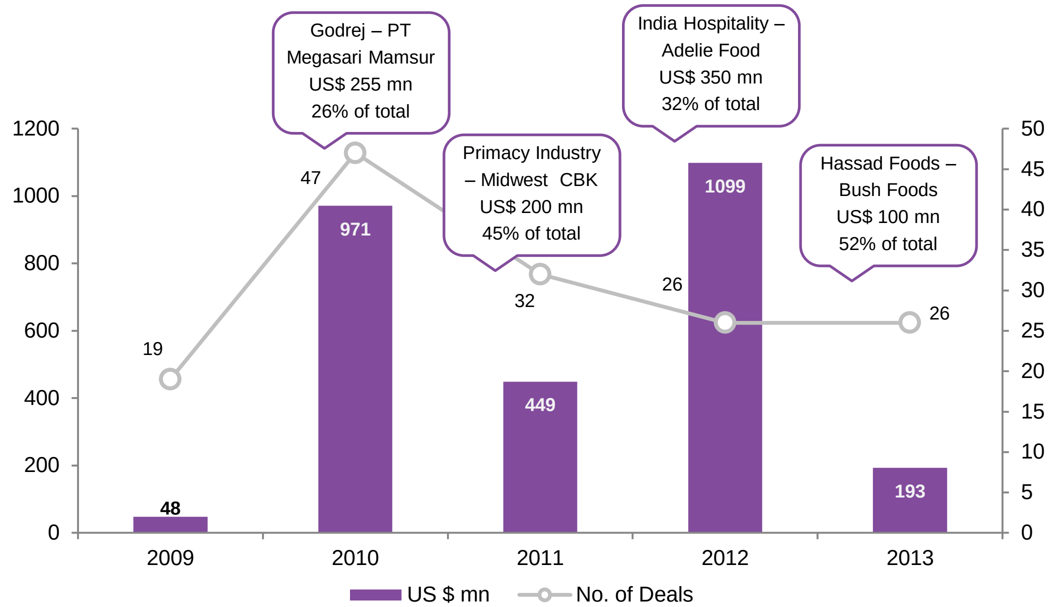
Top M&A Deals in 2013				
Acquirer	**Target**	**US$ mn**	**Deal Type**	**Stake**
Wipro Ltd.	Opus Capital Market Consultants LLC	75	Acquisition	100%
Tata Consultancy Services Ltd	Alti SA	96	Acquisition	100%
Naspers	Pilani Soft Labs Pvt Ltd-redBus	100	Acquisition	100%
Endurance International Group Inc	Directi Web Technology Pvt Ltd	110	Acquisition	100%
Webhelp S.A.	HEROtsc subsidiary of Hero Group	123	Acquisition	100%

Worth over US$ 270 bn, the IT industry's growth curve continues to look upward and is expected to gain further momentum in 2014. Indian companies have realised the worth of strategizing by increasing overseas acquisitions as seen through the Wipro – Opus and Tata Alti deal.

It is interesting to note that E-commerce is a fast growing sub-sector in the industry with 165 PE deals worth over US$2bn. Moreover, these deals are targeted at generating a specific value rather than just being generic acquisitions. It is also interesting to see the high valuations at which ecommerce deals are taking place.

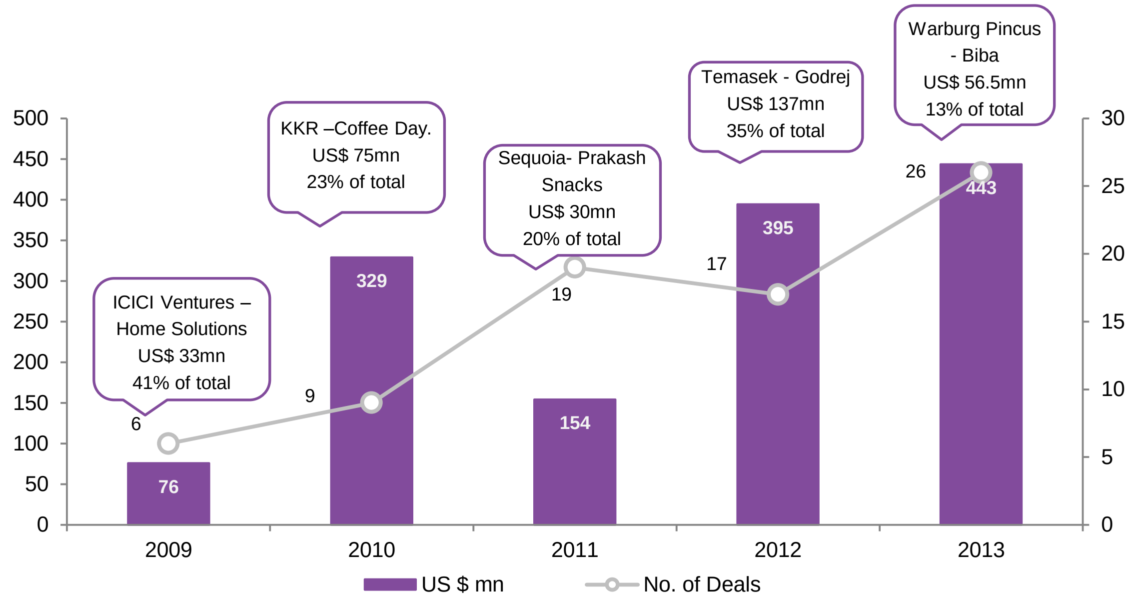
Top PE Deals in 2013			
Investor	**Investee**	**Stake**	**US$ mn**
Baring Private Equity Asia	Hexaware Technologies Ltd	42%	400
Partners Group	CSS Corp	80%	270
Naspers, Tiger Global, Accel Partners, ICONIQ Capital.	Flipkart Online Services	N.A.	200
Sofina, Morgan Stanley, Dragoneer Investment, Vulcan Capital, Tiger Global	Flipkart Online Services	N.A.	160
Baring Private Equity	Hexaware Technologies Ltd	20 %	132

Retail and Consumer



Annual Trend – M&A *excluding Internal Restructuring

India is one of the largest economies in terms of purchasing power. Hence the consumer industry is one with huge scope. Owing to Unilever's US$ 3bn deal, India witnessed US$ 3.5bn of M&A activity in 2013. Continued interest in the packaged food segment attracted PE investment worth US$200mn in 2013. Apart from the Unilever deal, which is considered as a Internal restructuring deal, the sector recorded US$ 384 mn worth of deals. The general trend in this sector is that of consolidation. Multinationals are looking to hike their stake in their Indian subsidiaries. Hassan Food Co. acquired majority stake in Bush Foods Overseas Pvt Ltd for US$ 100mn which was the top deal in the sector. Warburg's investment of US$ 56 mn in Biba Apparels Pvt Ltd was the biggest PE investment in the sector.



Annual Trend – Private Equity

Grant Thornton Insights

Regulatory Landscape and Auto Sector Trends

Sridhar V
Partner and Practice Leader, Transaction Advisory Services
Grant Thornton India LLP

Some of the regulatory changes arising out of the New Companies Act like mandating registered value for further issue of share capital, acquisition of minority holding, mergers; no court or tribunal approval for merger of small companies, will lead to more transparency and a much stronger regulated environment facilitating more transactions in PE investments or M&A. With the hope of a stable government in 2014 and with more clarity on industrial policies one can expect a upward tick in the momentum of deals both inbound and outbound in the automotive and industrial engineering segment

Agriculture Sector Update

Dhanraj Bhagat
Partner, Transaction Advisory Services
Grant Thornton India LLP

Agriculture has shown improved performance in FY 2014 with growth expected to more than double than that in the previous year. This is encouraging as this sector plays a key role in the overall economy employing more than half the labour force in the country. The performance of this sector is also of particular importance with the passage of the Food Security Act and the on going NREGA scheme.

There is a lot of interest generated in this sector and PEs are actively pursuing investments in sub sectors like seeds, agri inputs, agri infrastructure and agri machinery. In the coming year the agri infrastructure sector which includes warehouses, cold chains and other related services will present good business opportunity and attract investments from large players as well as private equity investors.

The sector faces challenges of being largely unorganised and being serviced by small businesses spread across the country. However with investor interest picking up and substantial capital required to make the existing players more efficient, we could see consolidation happening in few of the sub sectors.

Grant Thornton Insights

Consumer & Retail Sector Update

Siddhartha Nigam
Partner, Lead Advisory
Grant Thornton India LLP

Driven by domestic consumption and regulatory reform, there is continued interest of both Strategics and Financial Investors leading to a secular and robust deal trend in the Consumer and Retail sector. Domestic consolidation, growth private equity investment and investment in listed space have all featured and this sector continues to occupy the centre stage of deal street as one part on Indian Economy that continues to shine. The stage is set for larger buy-out and domestic consolidation in the sector

Education Sector Update

Prashant Mehra
Partner, Transaction Advisory Services
Grant Thornton India LLP

Inspite of being a primary sector in the development of the economy, this sector has not witnessed any significant pull from the Investors. With investments in 2013 falling to less than 25% of 2011 levels, the only movement that can transpire in this sector is possibly upwards. Convergence of enduring capital, inventive, scalable and asset light business models, skilled human talent and proprietary technology, will perhaps help the interest in this sector bounce back once again.

From identifying the right strategic fit to structuring and closing the deal, we can support you in all aspects of your transaction to maximise value.

TRANSDIGM GROUP INC. acquired AMSAFE USD 750 mn Financial Due Diligence advisor	WNS acquired AVIVA Life Insurance USD 230 mn Financial Due Diligence advisor	Energizer acquired aptara USD 150 mn Financial Due Diligence advisor	UB GROUP acquired Spyker USD 105 mn Financial Due Diligence advisor
Cognizant acquired UBS BPO USD 75mn Financial and Tax Due Diligence advisor	SIEMENS Valuation for merger of Siemens VAI Metals Technologies with Siemens Ltd	WOCKHARDT Valuation of the branded nutrition business of Wockhardt for a transaction	Private Equity SUTURES INDIA US$ 37 million October 2012 Sole Financial Advisors Grant Thornton
WIPRO acquired stake in OPERA US$ 30 million Due Diligence advisors	Zee Entertainment Enterprises ltd ZEE NEWS ltd Valuation for demerger of regional channels business into Zee Entertainment Enterprises Ltd.	Schneider Electric acquired LUMINOUS USD 310mn Sole Financial Advisor	CX partners invested in Matrix USD 38mn Sole Financial Advisor
IKYA acquired Magna Infotech USD 22 mn Sole Financial Advisor	SEQUOIA CAPITAL Sandstone Madison PARTNERS invested in micromax USD 43mn Sole Financial Advisor	Zylog acquired BRAINHUNTER USD 33mn Sole Financial Advisor	GMR acquired stake in UNIFIBER US$ 598 million 2012 Due Diligence advisors Grant Thornton

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contact@in.gt.com

Dealtracker Editorial team:
Sowmya Ravikumar,
Ankita Arora,
Kriti Singhania &
Tanvi Gupta

Contact

To know more about Grant Thornton India LLP, please visit www.grantthornton.in or contact any of our offices as mentioned below:

NEW DELHI
National Office
Outer Circle
L 41 Connaught Circus
New Delhi 110 001
T +91 11 4278 7070

BENGALURU
"Wings", 1st floor
16/1 Cambridge Road
Ulsoor
Bengaluru 560 008
T +91 80 4243 0700

CHANDIGARH
SCO 17
2nd floor
Sector 17 E
Chandigarh 160 017
T +91 172 4338 000

CHENNAI
Arihant Nitco Park,
6th floor No.90,
Dr. RK Salai
Mylapore
Chennai 600 004
T +91 44 4294 0000

GURGAON
21st floor, DLF Square
Jacaranda Marg
DLF Phase II
Gurgaon 122 002
T +91 124 462 8000

HYDERABAD
7th floor, Block III
White House
Kundan Bagh,
Begumpet
Hyderabad 500 016
T +91 40 6630 8200

KOLKATA
10C Hungerford Street 5th floor
Kolkata 700 017
T +91 33 4050 8000

MUMBAI
16th floor, Tower II
Indiabulls Finance Centre SB Marg,
Elphinstone (W)
Mumbai 400 013
T +91 22 6626 2600

NOIDA
Plot No. 19A,
7th Floor
Sector – 16A,
Noida – 201301
T +91 120 7109001

PUNE
401 Century Arcade
Narangi Baug Road
Off Boat Club Road
Pune 411 001
T +91 20 4105 7000

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L-41 Connaught Circus, New Delhi, 110001