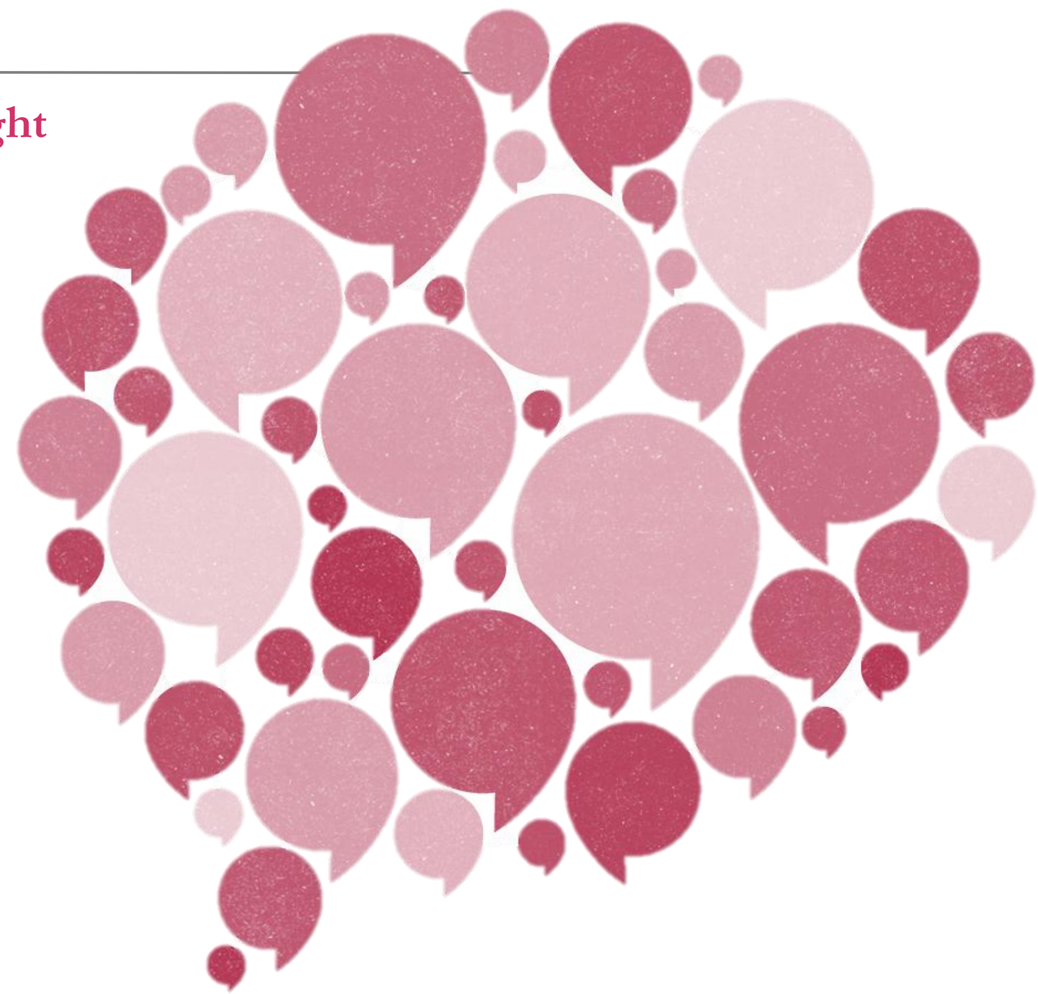
Dealtracker

Providing M&A and Private Equity Deal Insight



Half Yearly Issue (H1, 2014)

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Contents

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(2013)

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people

based in over
130
countries

and over
700
offices

11
cities

one of the largest
fully integrated
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firms in India

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Foreword

Harish HV
Partner
Grant Thornton India LLP

Welcome to the semi annual edition of Dealtracker, which is now in its 10th year of publication. Dealtracker as you know is the premier Grant Thornton report capturing and analysing M&A and PE deal data. In this edition, we seek to give our readers an insight into M&A dealmaking, PE fundraising environment, pre-deal diligence, and deal valuations among others.

Although we saw a slow start to the year, the second quarter clearly witnessed a deal resurgence in India Inc based on hopes of an economic resurgence post election results. April and May alone saw US$12bn worth of M&A deals and we do expect this trend to continue in the coming months.

Domestic and Inbound have been the highlight so far in 2014 as we see global players betting on the revival of India Inc growth story or consolidating their holding in Indian subsidiaries; domestic deals are largely riding on the consolidation wave with Sun Pharma acquiring Ranbaxy and Flipkart looping in Myntra.

PE has been slightly subdued in terms of values, however the volumes have been steady - infact increasing over the same period in earlier years. IT and ITES continue to dominate volumes and will continue to do so whilst values will be driven by core sectors of the economy. Towards the latter half of H1'2014, we have seen several PE players cashing in on exits from investments which augurs well for the hitherto exit-starved PE market.

All in all, the deal environment seems primed for some exciting times ahead, and we expect dealmaking at India Inc to stage a blockbuster comeback!

Raja Lahiri
Partner
Grant Thornton India LLP

With the new government in place, the business sentiments are clearly running high for Corporate India and this is demonstrated through the increasing M&A and PE deal action in first six months of 2014.

In H1'2014, we saw US$23bn worth of M&A and PE deals (560 deals), as compared to US$17.6bn from 460 deals in H1'2013. This reflects 31% growth in value terms and 22% in volume terms. Some of the key trends include:

- Increase in domestic deal values compared to H1'13 and H1'12;
- 35% increase in inbound deal value
- While pharma sector dominated M&A action, IT/ ITES (specifically, e-commerce) continued to drive PE activity

Sectors which are expected to see renewed deal activity include infrastructure, energy, consumer and financial services.

High governance standards have fetched premium pricing on deals and it is imperative for Corporate India to drive governance standards, some of which are covered by the new Companies Act. However, given the complexities of regulations as well as some recent corporate governance issues, robust due diligence is the need of the hour. We expect valuations to go up given the renewed business sentiments which in our view, would be both a challenge and an opportunity for dealmakers to close deals in 2014.

Happy dealmaking !

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Semi Annual Deal Snapshot

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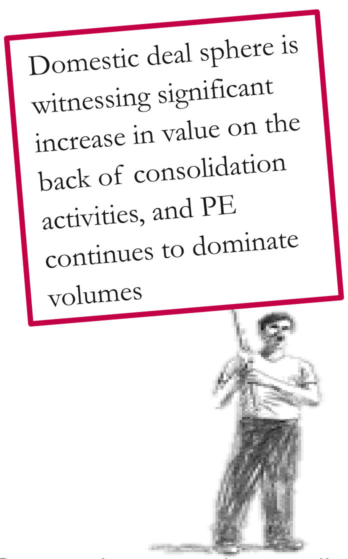
Semi Annual Deal Round Up 2014

Deal Summary	Volume			Value (USD mn)		
Year to Date June	2012	2013	2014	2012	2013	2014
Domestic	131	115	117	3,143	3,015	7,651
Cross-border	124	113	134	5,113	8,463	6,921
Merger & Internal Restructuring	68	25	22	14,539	499	3,257
Total M&A	**323**	**253**	**273**	**22,795**	**11,978**	**17,830**
Private Equity	219	207	287	3,798	5,680	5,344
Grand Total	**542**	**460**	**560**	**26,593**	**17,658**	**23,174**
Cross-border includes						
Inbound	76	65	89	2,974	4,095	5,355
Outbound	48	48	45	2,139	4,369	1,567

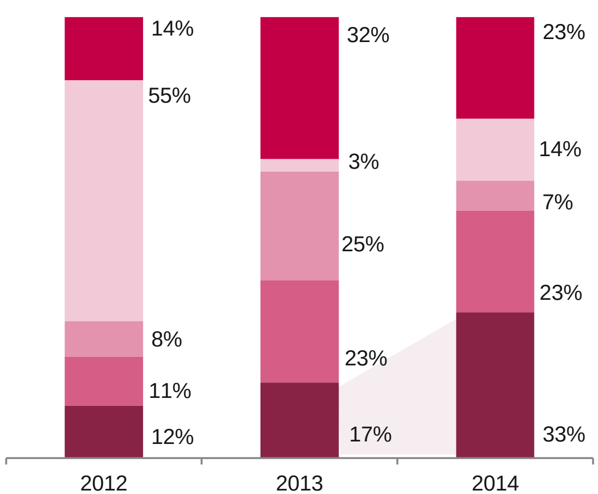
A period of increase in domestic dealscape..

- In the first half of 2014, the Indian market saw deals worth **USD 23bn** (560 deals), as against USD 17.6 bn (460 deals) in YTD 2013
- Strategic M&A (excluding internal restructuring) has shown highest level of activity since 2012 at **USD 14.6bn** (251 deals) in 2014, as against USD 11.5bn (228 deals) in 2013 and USD 8.3bn (155 deals) in 2012
- Inbound deals have increased both in terms of value and volume while outbound deals have not witnessed too many big ticket deals, despite volumes remaining consistent
- Private Equity has seen significant uptick in volumes with 40% greater volume, as compared to 2013

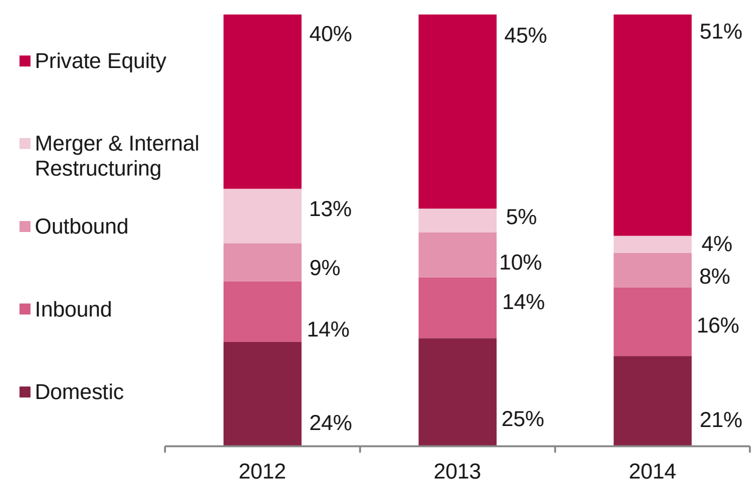
Trend spotting



Total Deal Value Spread (USD mn) – YTD June



Total Deal Volume Spread – YTD June



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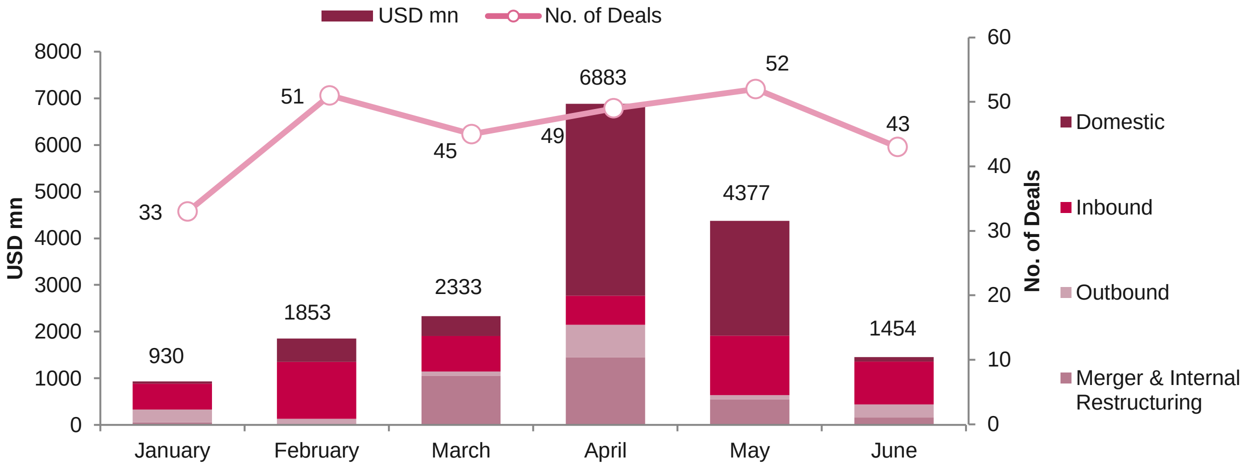
A look at how deal activity has shaped up in 2014

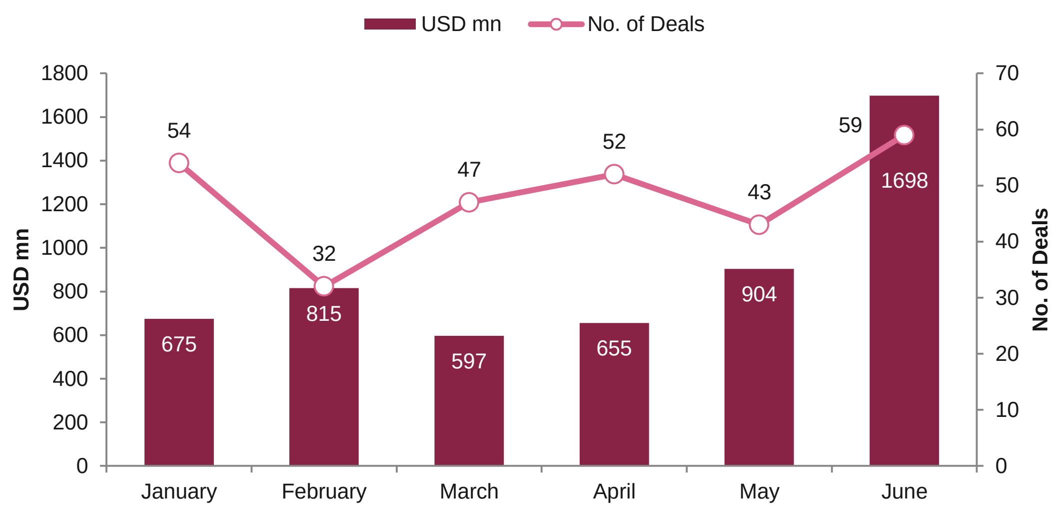


Mergers & Acquisitions –

The year so far has seen ***USD 17.8bn*** *from* ***273 deals****. It is clearly seen that Q2 has been dominating deal values with large ticket deals auguring well for the rest of the year, post the new government formation.*

Private Equity –

The year so far has seen ***USD 5.3bn*** *from* ***287 deals****. While investment activity has been steady in terms of volume, there has been a continuous uptick in value since April, hinting at a revival in PE activity, post the election of a new government.*



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M&A Dealscape

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Top Ten Deals of H1 2014

Top M&A Deals of H1 2014					
Acquirer	**Target**	**Sector**	**USD Mn**	**Deal Type**	**% Stake**
Sun Pharmaceutical Industries Ltd	Ranbaxy Laboratories Ltd	Pharma, Healthcare & Biotech	3,200	Acquisition	100%
Vodafone Group Plc	Vodafone India Ltd	Telecom	1,435	Internal Restructuring	11%
GlaxoSmithKline Pte. Ltd.	GlaxoSmithkline Pharmaceuticals Limited	Pharma, Healthcare & Biotech	1,032	Increasing Stake to 75%	24%
Adani Ports and Special Economic Zone - Adani Group	Dhamra Port Company Limited – JV between L&T and Tata Steel	Transport & Logistics	932	Acquisition	100%
Emperador Inc	Whyte & Mackay Group - United Spirits	Retail & Consumer	725	Acquisition	100%
Reliance India Ltd through Independent Media Trust	Network 18 Media & Investments Limited (including TV 18 Broadcast Limited)	Media & Entertainment	678	Majority Stake	78%
Vodacom - Arm of Vodafone	Neotel - Tata Communications Limited	Telecom	455	Majority Stake	68%
Aman Resorts Group Ltd. - JV between Peak Resorts and Adrian Zecha	Silverlink Resorts - owner of Amanresorts (Except Lodhi Hotel, Delhi)	Hospitality & Leisure	358	Acquisition	100%
Essar Oil	Vadinar Power Company Ltd	Energy & Natural Resources	356	Internal Restructuring	74%
Flipkart	Myntra	IT & ITES	340	Acquisition	100%

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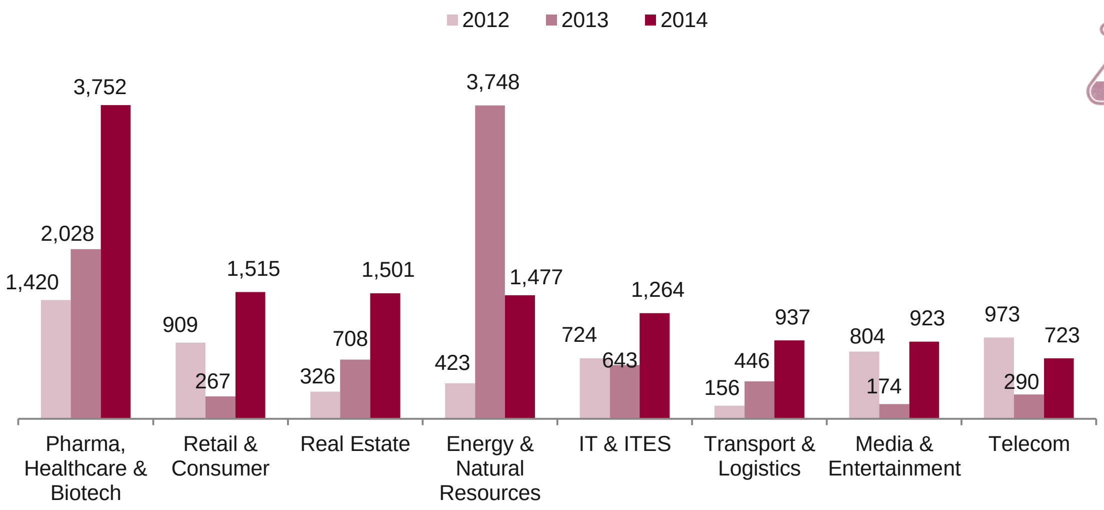
M&A Sector Focus H1 - 2014

Sector Trends based on Deal Value - USD mn (excluding internal restructuring)



Top Sectors by Deal Value

26% Pharma, Healthcare & Biotech

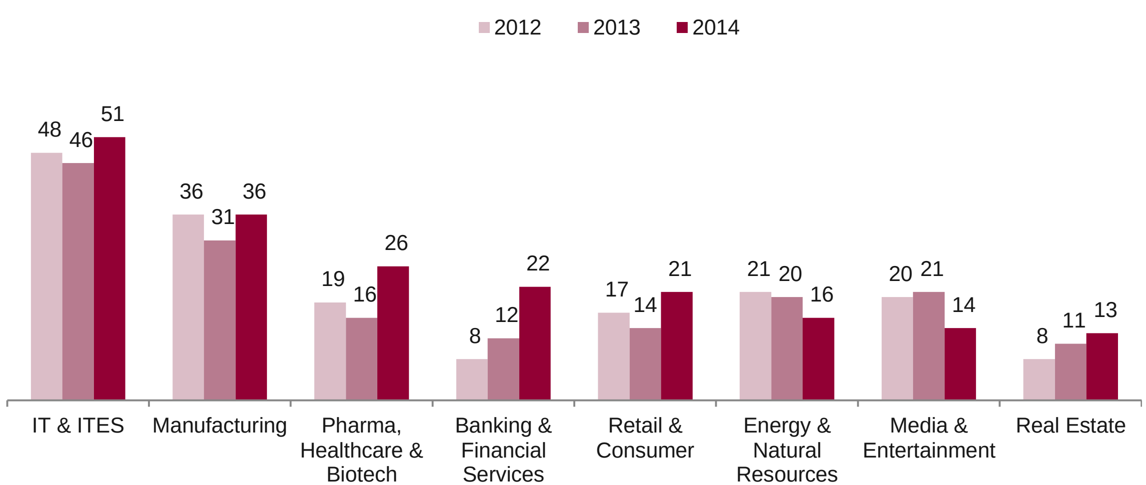
10% Retail & Consumer

10% Energy & Natural Resources

10% Real Estate

9% IT & ITES

Sector Trends based on Deal Volume (excluding internal restructuring)



Top Sectors by Deal Volume

20% IT & ITES

14% Manufacturing

10% Pharma, Healthcare & Biotech

9% Banking & Financial Services

8% Retail & Consumer

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M&A Deal of H1 - 2014

Sun Pharmaceuticals acquires Ranbaxy Laboratories

With a total equity value of USD 3.2bn, Sun Pharmaceuticals Ltd. has acquired 100% stake in Ranbaxy Laboratories to create the world's 5th largest specialty generic pharma company.

Target

Ranbaxy Laboratories

Held by Daiichi Sankyo, Ranbaxy is an Indian MNC with drug manufacturing facilities in 8 countries. Daiichi paid USD 2.4bn to acquire 34.8% stake in the co. in 2008.

Acquirer

Sun Pharmaceuticals Ltd.

It is India's largest drug-maker by market value, manufacturing API primarily in India and USA. Sun Pharma has capacitated growth with several active strategic deals over the past 2 decades.

Rationale

The deal creates the world's 5th largest drug manufacturer with 47 manufacturing facilities across 5 continents. For Sun Pharma, it provides revenue and operating synergies while for Daiichi it marks a significant exit from investment.

Flipkart consolidates business through M&A

Flipkart acquired Myntra.com, in one of the largest deals in the e-commerce space to better position itself in the booming sector.

Target

Myntra.com

Myntra is a Bangalore based company, involved in e-tailing in the fashion & apparel segment with over 650 brands.

Acquirer

Flipkart India Pvt. Ltd.

India's largest e-commerce company, Flipkart was started in 2007. It is into e-tailing of a diversified range of consumer goods.

Rationale

With the deal, Myntra joined Flipkart's fashion business while they continue to operate as separate entities. Flipkart seeks to strengthen its fashion and apparel business with this acquisition.

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Be Wary of FCPA Risks

Providing a detailed review of existing compliance practices

Emerging markets offer enormous growth potential for global businesses. With a newly-elected government now in place, companies are scouting for inorganic growth, thus reviving the moribund deal market in India as witnessed in deal tables over the years.

Euphoria surrounding investing in India is tempered with increasing financial impact to the parent company due to the consequential risk of doing business. Exposure to the reputational, legal, operational and financial impacts of corruption continues to rise. Highly publicised scandals, increased enforcement by the Department of Justice and the Securities Exchange Commission in the United States and staggering penalties have established corruption risk as an inescapable reality.

Companies worldwide and in particular, US companies should pay particular attention to Foreign Corrupt Practices Act (FCPA) risks since non-compliance by a subsidiary in India can lead to stringent penalties on the holding company including large monetary fines, criminal prosecution and appointment of a monitor even if such practices preceded the investment or acquisition.

The FCPA, enacted in 1977, has seen a tremendous spike in enforcement activity over the last decade. The increase in enforcement can be linked to globalisation and investments in emerging markets where corruption risks are high and local enforcement is weak. Regulators in the US expect companies investing in emerging markets to, at a minimum, be aware of FCPA risks, undertake appropriate due diligence before the transaction and monitor ongoing compliance with the FCPA.

FCPA Risks in India

One often hears that corruption is a way of life in India. Recent scandals such as the Augusta Westland deal, 2G scam and coal allocation malfeasance only reinforce the perception that corruption is deep rooted and pervasive in India.

Transparency International's 2013 Corruption Perception Index ranks India as 94th out of 177 countries.

Among the BRIC nations, India's rank is lower than that of Brazil (72nd) and China (80th) and ahead only of Russia (127th). This is a matter of grave concern. India's monolithic bureaucratic structure, red tape and myriad regulations (many out-dated) breed corruption.

The World Bank's 2014 Ease of Doing Business index ranks India at a miserable 134th out of 189 countries. Dealing with construction permits takes 168 days while getting electricity takes 111 days. The sheer nature, frequency and extent of rules and regulations coupled with multiple layers of approvals that a company has to obtain on a periodic basis makes corruption endemic.

Companies frequently use agents or middlemen to deal with issues relating to government compliances and this leads to an entire system of off book invoices, under the table payments and cash leakage to feed public officials. Multiple sets of books and financial statements are common and documentation is easy to forge. Fictitious or fly-by-night agents thrive as middlemen and frequently, there are no contracts or agreements to support the nature of services rendered by these agents. Further, these agents would likely be related parties or their sole claim would be that the agents are related to public officials.

Corporate culture tends to gravitate towards overly complex structures, numerous related parties, excessive emphasis on trust and documentation and in essence, form over substance. Controls, although plentiful, are not designed properly, circumvented often and operationally weak or ineffective. Employees are afraid to 'blow the whistle' and will toe the line for the sake of job security or fear of retribution.

Grease money is rampant and the facilitation payment exception in the FCPA is misunderstood, abused and misused. Controls around facilitation payments are either weak or non-existent and these payments are rarely, if not never, recorded properly.

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What can companies do to ensure that risks are mitigated?

Against this backdrop, companies cannot afford to be complacent and must take adequate steps to mitigate FCPA risks while investing in India. These steps can be categorised as follows: pre-deal diligence, post-deal actions and ongoing compliance reviews.

Pre-deal diligence

Acquirers should include FCPA diligence in addition to financial and tax diligence of the target entity. A thorough diligence of the target entity, its promoters and key management to understand their credibility, integrity and past conduct is imperative. In addition, companies should assess the level of awareness of FCPA risks through focused interviews of promoters and key management.

The acquirer should assess the nature, extent and efficacy of governance, internal controls around payments (including cash payments, grease payments and gifts and entertainment expenses), transactions with related parties, government touch points etc. and assess the risk of fraud, leakage, misuse and non-compliance with anti-corruption/bribery standards. It is critical that a full background investigation of any agent or consultant is undertaken. Consular offices and agencies like the US Department of Commerce will even assist with that process since they keep lists of individuals or entities with prior FCPA violations.

The pre-deal diligence should result in a report clearly outlining the FCPA risks at the target company. The acquirer can take an informed view of such risks and decide whether the business benefits from the proposed acquisition outweigh the regulatory risks and more importantly, develop a plan to bring the acquired entity in full compliance with the FCPA.

Post-deal actions

Once the transaction is completed, the acquirer should commence actions to ensure that the newly acquired entity becomes fully compliant with FCPA regulations. These actions include termination of third parties or agents with significant red flags, formalising contracts or written agreements with third parties as well as instituting a strict protocol of pre-approval and payments to third parties. Also, agents' contracts should clearly state that any violation of the FCPA is unacceptable - because ultimately, the company can be held liable for that agent's actions.

The acquirer should also conduct a detailed review of cash and grease payments to ensure compliance and take necessary corrective actions. In addition, a deep dive review of gifts, travel and entertainment expenses should be undertaken since these areas are prone to abuse.

Finally, the acquirer should educate employees of the newly acquired entity about FCPA risks. Global FCPA policies and training material must be customised to address in-country issues noted during pre-deal diligence and post-deal actions. Adopting broad language such as ‘reasonable’ expenses or over-arching approvals must be avoided. Both the FCPA policy and training materials should provide clear examples of behavior and payments that are permissible and those that are prohibited. Finally, employees should sign an annual FCPA statement stating that they understand the Act.

Ongoing compliance reviews

The acquirer should conduct a periodic FCPA compliance review to ensure that the entity is complying with FCPA regulations despite competitive pressures and changing business conditions. It is also an opportune time to conduct refresher trainings and clarify FCPA risks in a new business model or delivery channel. There should be a robust mechanism to report violation. A confidential and anonymous whistle-blowing process ensures that employees have a secure means of notifying the parent company of inappropriate behavior.

Companies should also respond quickly and appropriately to reported violations. The worst thing a company can do is to have suspicions raised and not respond properly to allegations. Not only is this a guaranteed way of running afoul of the regulators, it also sends a corrosive message to its employees that the company is not serious about compliance or punishing improper behaviour.

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Be Wary of FCPA Risks

At the first report of suspicious activity, the company should conduct a prompt and thorough investigation. It may need to disclose certain information to the regulators, terminate employees, or even walk away from a lucrative contract. Finally, the results of any investigation should be used to develop strategies to deter future violations.

Conclusion

It is imperative that companies tread carefully while investing in emerging markets. Despite its best efforts, if a company is subject to an investigation or enquiry by regulators, the company should be able to demonstrate that it acted in good faith and tried to detect and deter FCPA violations.

There are no shortcuts and substitutes for a robust due diligence and ongoing compliance reviews. Recent enforcement actions do show that regulators are lenient on companies that invest in a robust compliance program in each of the territories in which the company operates. Companies that ignore FCPA risks do so at their own peril as non-compliance can be expensive – both in terms of civil penalties, criminal prosecution and distraction from business objectives.

"There are no shortcuts and substitutes for a robust due diligence and ongoing compliance reviews. Recent enforcement actions do show that regulators are lenient on companies that invest in a robust compliance program in each of the territories in which the company operates."

Vidya Rajarao
Partner
Grant Thornton India LLP

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PE Dealscape

Top 10 Deals

Sector Focus

Deals of H1 2014

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Top Ten Deals of H1 - 2014

Top PE Deals of H1 2014					
Acquirer	**Target**	**Sector**	**% Stake**	**USD Mn**	**Investor Exited**
Canada Pension Plan Investment Board	Kotak Mahindra Bank	Banking & Financial Services	3%	367	Kotak Trustee Company Pvt Ltd
Brookfield Property Partners	6 IT Parks in India from Unitech Corporate Parks	Infrastructure Management	N.A.	347	Unitech Corporate Parks
Capital Square Partners, CX Partners etc.	Aditya Birla Minacs Worldwide	IT & ITES	100%	260	Aditya Birla Nuvo Ltd
DST Global, Naspers Ltd., Tiger Global Management and ICONIQ Capital	Flipkart Private Limited	IT & ITES	N.A.	210	N.A.
Temasek, IDFC Alternatives	GMR Infrastructure	Infrastructure Management	12%	183	N.A.
Canada Pension Plan Investment Board	L&T Infrastructure Development Projects Ltd	Infrastructure Management	N.A.	161	N.A.
Warburg Pincus	Laurus Labs Pvt Ltd	Pharma, Healthcare & Biotech	25%	150	Fidelity Investments
Temasek Holdings	Intas Pharmaceuticals	Pharma, Healthcare & Biotech	10%	140	ChrysCapital
Xander Group	7.8 lakh sq.ft. commercial space – Infinity Tech Park	Real Estate	100%	108	Tata Realty and Infrastructure
Premji Invest, Temasek Holdings, BlackRock, Myriad and Tybourne	Snapdeal.com-Jasper Infotech Pvt Ltd	IT & ITES	10%	100	N.A.

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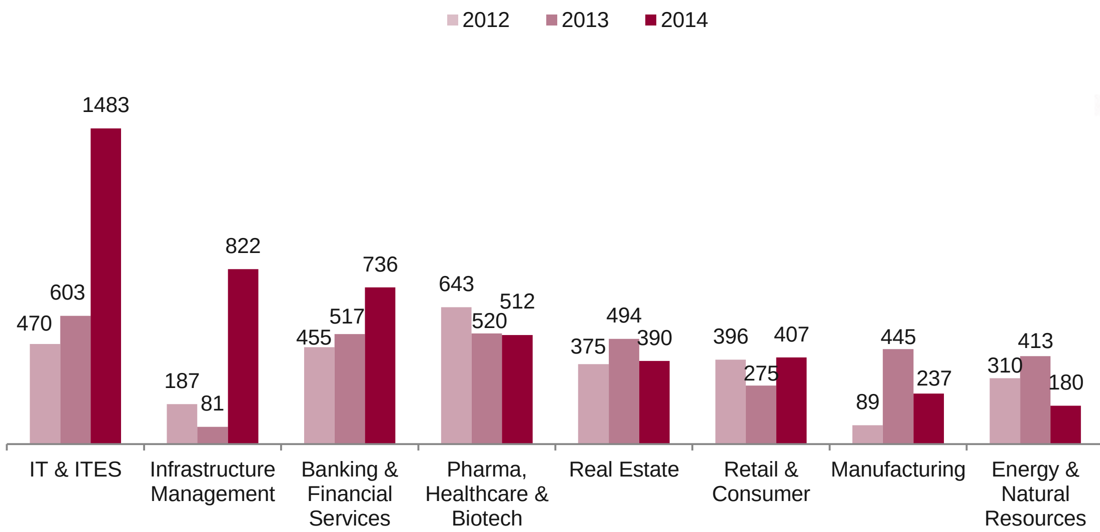
PE Sector Focus H1 - 2014

Sector Trends based on Deal Value - USD mn



Top Sectors by Deal Value

28% IT & ITES

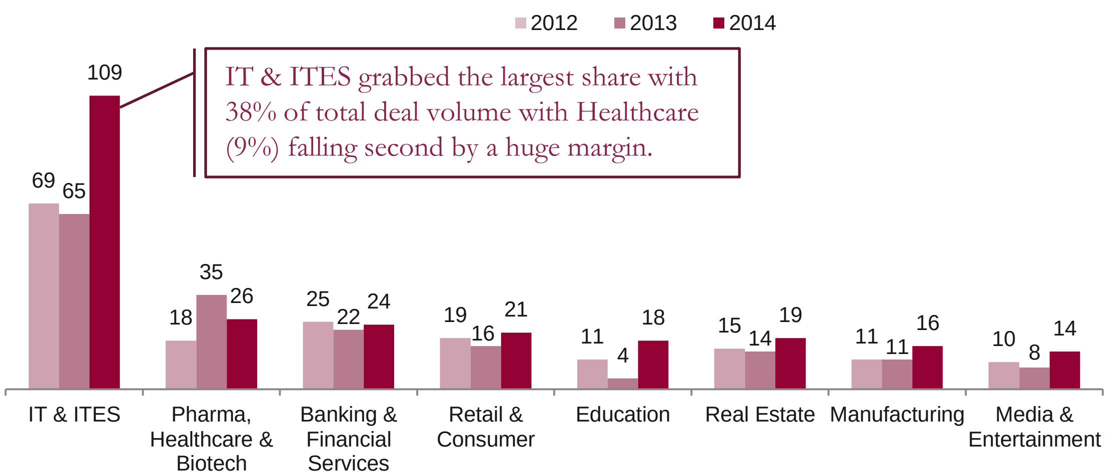
15% Infrastructure Management

14% Banking & Financial Services

10% Pharma, Healthcare & Biotech

8% Real Estate

Sector Trends based on Deal Volume



Top Sectors by Deal Volume

38% IT & ITES

9% Pharma, Healthcare & Biotech

8% Banking & Financial Services

7% Retail & Consumer

7% Real Estate

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PE Deal of H1 - 2014

Aditya Birla Minacs buyout led by CX Partners

PE investors buyout Aditya Birla's BPO arm for US$260mn. The deal is however, subject to regulatory approvals.

Investee

Aditya Birla Minacs Worldwide

The company, which employs 21,000 people across 35 locations in the world, is the country's sixth largest BPO firm, according to Nasscom rankings

Investor

Consortium of Investors

Group of financial investors led by CX Partners (CXP) and Singapore-based Sanjay Chakrabarty's Capital Square Partners (CSP).

Comments

The deal marked industrialist Kumar Birla led Aditya Birla Group's exit from ITeS sector. Deal highlights the continued trend of buyouts by PE firms in the Indian IT/ITES space

DST Global invests in Flipkart

Flipkart raised USD 210mn in a fresh round of funding, bringing in technology focused PE firm DST Global, besides existing investors.

Investee

Flipkart India Pvt. Ltd.

India's largest E Commerce website, Flipkart has raised funds of over USD 750 mn since its inception in 2007.

Investor

DST Global, Tiger Global, Naspers and Iconiq Capital

DST Global, founded by Russian entrepreneur and venture capitalist, Yuri Milner is a technology-focused fund investing for the first time in Flipkart and also leading the investment. Existing investors also participated in this round.

Comments

Flipkart plans to strengthen its technology and acquire firms across areas like e-commerce, technology and supply chain; while DST hopes to bring a global perspective into the investment

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Fundraising in the Current Environment

Providing insights on promoters' perspective in raising PE capital

If one was to single out one biggest factor that has propelled the growth of private businesses in India over the last decade-and-a-half, entrepreneurship is likely to be the obvious choice. And few would disagree that with over USD 90 billion firmly behind Indian entrepreneurs since 2000, PE has been the catalyst in transforming private Indian businesses from 'earnings generating' to 'value creating' platforms.

As India Inc takes the next leap in anticipation of decisive policy following restoration of political stability, there appears to be consensus on two broad issues relevant to the investment environment – **(i)** PE investments are likely to gain momentum as promoters revive expansion plans, and **(ii)** such investments will reflect a far more mature ecosystem where promoters and PE investors team up to create value as partners instead of coming together simply to create an event. Promoters are now increasingly looking at PE investors as 'partners in growth', with the 'providers of capital' approach making way for the **'Ten Commandments'** which are increasingly driving the investment decision.

Ten Commandments of raising private capital: Promoter's Perspective :

1. Need for 'smart' risk capital, wherein intellectual capital comes for free!: PE investments seek to enhance the risk taking abilities of promoters while bringing in global experiences in calibrating growth. Promoters recognise that relationships with PEs can be maximised beyond capital to create great success stories such as the creation of one of the largest global telcos in Bharti Airtel from a single circle operator since it raised the first round of PE investment.

2. Privately held businesses can be endorsed as tangible value creators too!: PE investments have emerged as the most credible maker of value creation for privately held companies. A key consideration for a promoter while raising capital is to see every dollar of earnings getting credibly re-rated to 10x-20x in value despite being privately held.

3. Vision is not enough, businesses need objective goals for value unlock!: A natural consequence of a PE investment requires exit planning, resulting in objective goal setting for the business with the eventual end game of value accretion and unlock. Promoter alignment early on in the relationship creates a win-win over the investment lifecycle as the residual equity of the promoter stands to get significantly re-rated at the exit event.

4. Navigators have an equally important role to play as drivers in path to unlock: Promoters are increasingly looking upon PE investors as partners in growth who are well positioned to navigate the business by driving financial market initiatives while the business itself focuses on its core of strengthening the foundation.

5. International experience & network can raise operational benchmarks!: Global experience and network access are generally strong collaterals that come along in any investment. This can typically be a significant value driver for a promoter as it enhances the competitive strengths of the business.

6. Governance can be a differentiator!: Historically perceived as distractive, promoters are increasingly looking to leverage the best practices & governance standards both as a differentiator and a pivot for value creation and ultimate unlock.

7. Agility in the organisation is welcome!: It is well understood that induction of a financial investor keeps an organisation agile by creating accountability and focus, which are again essential ingredients for value creation over the investment lifecycle.

8. Recruitment proposition can be further sharpened to attract talent!: PE relationships with senior executives can potentially be an effective funnel

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for top-level recruitments, something which promoters consider useful in investment partnerships.

9. Warchest can be the cutting edge for inorganic growth!: Success of an acquisition can significantly depend on access to capital within desired timeframes. The ability to reinforce capital when required is often a key criteria for fund raising by promoters.

10. Raising profile doesn't hurt!: Having a credible PE investor as partner tends to enhance the brand in the marketplace, which can be a soft yet important consideration for a promoter while raising capital.

"Promoters are now increasingly looking at PE investors as 'partners in growth', with the 'providers of capital' approach making way for the ***'Ten Commandments'*** *which are increasingly driving the investment decision."*

Sumeet Abrol
Partner
Grant Thornton India LLP

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Deal Valuations

How integral is valuation in a corporate deal?

In an ever evolving and growing economy like India, companies continuously engage in transactions such as acquisition, merger, spin off, sale or joint venture. The transaction can be driven by various objectives such as growth, diversification, market capitalisation, tax advantage, among others.

Globalisation has opened the gates for foreign players to enter the country and for Indian companies to invest abroad. This has led to a string of cross-border deals. During the last six months itself, of the total 273 deals signed in India, 117 were domestic deals and 134 were cross-border deals.

Valuation is an integral part of every deal, right from evaluation of the proposed transaction to compliance with regulatory bodies and global standards. It is most challenging to determine the fair value of the target as valuation is subjective and depends on the nature of the target, and assumptions and perceptions of the valuer. The valuers are guided by their ability to identify and assess the key value drivers in the form of inherent strengths, weaknesses, opportunities and external challenges in a target. In determining the value for a transaction, a few key factors need to be considered such as:

- Past performance of the target
- Business plan / potential for growth in future
- Available manufacturing / operating facilities
- Overall economic environment and business condition
- Domestic and global demand for product / services
- Sustainable competitive advantage
- Capabilities and vision of management
- Synergy with the acquirer's business
- Similar transactions of comparable publicly traded companies

Valuations in the past were carried out using different methods which were not technically robust as per global standards. Further, there were no standardised processes / systems for valuation. A lot used to depend on the negotiations between willing buyer and willing seller, not providing any justification/ basis for valuation to the shareholders.

However, with increasing awareness amongst Indian shareholders and their understanding of the performance of the target, its peers and general market situation, there is now a need for the acquirer / seller to justify the value of asset / liability forming part of the transaction. Hence, there is an increasing need for consistency in valuation and benchmarking with global best practices.

With globalisation and widespread flow of funds across globe, the regulatory systems in India are also evolving that stress the need to adopt robust and transparent valuation process. They are switching over to newer sophisticated valuation techniques. There is a remarkable focus and change in the overall approach to valuations. There is a transition from historical performance based valuations to forward looking cash flow based valuations.

Similarly, market based value measurements are given precedence over entity specific value measurement. One of the examples is the introduction of a new chapter on Registered Valuers in the Companies Act 2013, which emphasises on standardisation and regulation of valuation practice to bring transparency and better governance in a valuation exercise. It also defines minimum qualifications for being eligible for registration as a valuer. Further, global valuation bodies / forums are being formed which are involved in providing guidance and training to valuers and updating and improving valuation standards by holding discussions with the experts and practitioners.

Of late, we are seeing more and more deals getting called off or taking longer than usual to consummate, due to valuation issues or value expectation mismatch. Amidst this, we also have the curious regulatory and accounting bodies overseeing transactions to ensure adherence to fair value and other valuation norms. Role of valuations therefore can no longer be undermined.

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Our Corporate Finance practice has advised key deals in the past

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	BOC A Member of The Linde Group acquired Uttam Since 1900 Undisclosed Exclusive sell side advisory	WPP acquired "PROJECT ACTIVATE" Undisclosed Exclusive sell side advisory	Private Equity Investment in "Nephrology Chain" USD 5 mn Sole financial advisor	Private Equity Investment in "Medical technology company" USD 6 mn Sole financial advisor	WNS acquired AVIVA Life Insurance USD 230 mn Financial Due Diligence advisor	iEnergizer acquired aptara USD 150 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	UB Group, Force India acquired Spyker Formula One USD 105 mn Financial Due Diligence advisor	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	WIPRO Acquired stake in OPERA Solutions USD 30 mn Due Diligence Advisors	GMR Acquired stake in UNIFIBER USD 598 mn Due Diligence Advisors	CX partners in SUTURES INDIA protecting lives USD 37 mn Sole financial advisor	Private Equity Investment in PROJECT PROTON USD 7.5 mn Sole Strategic & Financial Advisors
RELIANCE PRIVATE EQUITY in Khadim's USD 15 mn Financial Due Diligence Advisors	TPG GROWTH Invested in SUTURES INDIA protecting lives USD 23 mn Sole Strategic & Financial Advisors	HITACHI Inspire the Next acquired PRIZM Payment Services USD 250 mn Financial & Tax Due Diligence	India Equity Partners in TNT Undisclosed Financial Due Diligence Advisors	CARLYLE GROUP Invested in medanta USD 150 mn Financial, Tax & IT Due Diligence Advisors	GIC Invested in Greenko USD 150 mn Vendor Due Diligence Advisors	matrix PARTNERS INDIA Invested in Meditrina HOSPITAL USD 6.5 mn Sole Strategic & Financial Advisors

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Sector Spotlight

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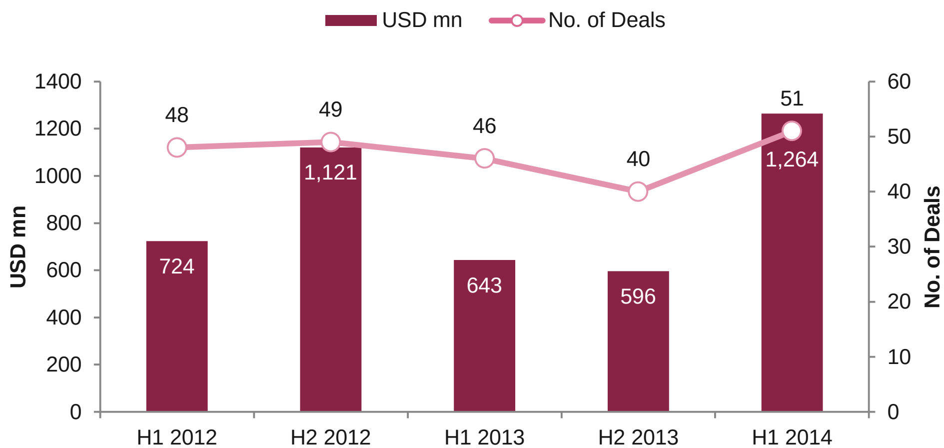
IT & ITEs



Half Yearly trend between 2012 - 2014

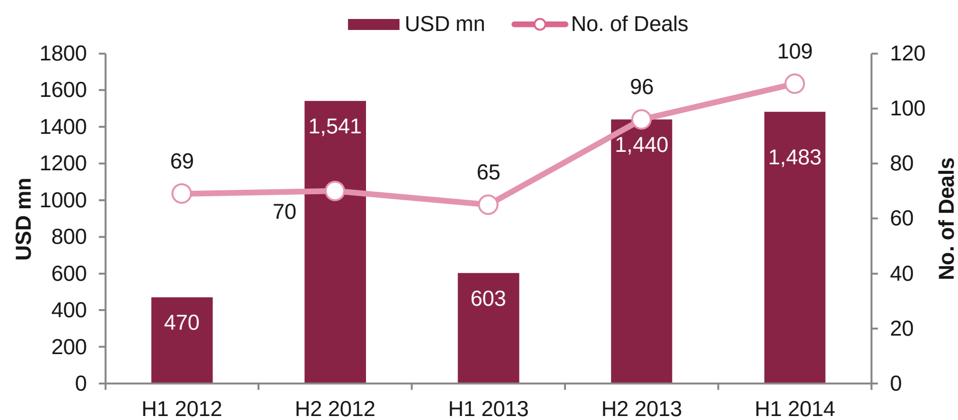
Mergers & Acquisitions

excluding internal restructuring

	Deal Volume			Deal Value (USD mn)		
Sub Sectors	**H1 2012**	**H1 2013**	**H1 2014**	**H1 2012**	**H1 2013**	**H1 2014**
E Commerce	15	14	14	248	172	530
IT Solutions	17	10	15	285	195	443
Software Development	9	15	12	100	97	205
Cloud Technology	1	3	4	21	15	24
BPO/KPO	4	1	1	48	123	7
Others	2	3	5	21	40	55

Private Equity

	Deal Volume			Deal Value (USD mn)		
Sub Sectors	**H1 2012**	**H1 2013**	**H1 2014**	**H1 2012**	**H1 2013**	**H1 2014**
E Commerce	33	35	40	331	209	738
IT Solutions	8	12	22	40	298	295
Software Development	2	3	10	4	0	260
Cloud Technology	19	10	31	86	48	119
BPO/KPO	5	5	5	7	11	39
Others	2	3	10	1	38	33



Half Yearly trend between 2012 - 2014

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E Commerce drives IT & ITeS

Upside and downside risks driving E Commerce deals

The year so far has seen a significant growth in the number of PE deals in the IT & ITES sector. Relative to corresponding period in 2013, the number of deals increased by more than 50%.

Not surprisingly, this spurt in deal activity has been driven by the heightened interest by private equity players in companies operating in e-commerce space. E-commerce companies accounted for 33% of the total PE deals in this sector and have cornered almost half of the money invested in the sector this year till date. Out of the top 10 PE deals announced, e-commerce companies figure in two deals i.e. investment in Flipkart and investment in Snapdeal.

Investors and promoters alike are willing to back businesses perceived as pursuing disruptive innovations to drive change in consumer buying behavior hoping to exponentially grow their revenues and generate profits in not too distant future. Explosion in use of mobile devices like smart phones and tablets have helped e-commerce move to the next level over the last couple of years. Businesses with interface with retail consumers have launched their mobile apps to provide access on the move to their existing and potential customers. This has clearly benefited players focused on developing mobile apps with 10 PE deals in this space amounting to USD 40 million.

Most of the new capital is expected to be used by e-commerce companies to access new markets, improve user experience through innovation and boost investment in back-end infrastructure. In this context, the proposed launch of 4G services by Reliance is hopefully going to push the incumbent telecom operators to make significant investment in up-gradation of their telecom infrastructure. E-commerce activity would receive further fillip with the availability of high speed internet connectivity on mobile devices.

Deal activity in this sector is likely to maintain its frantic pace in foreseeable future attracting rich valuations, given the huge untapped potential in India and if one looks at the other mature markets for guidance.

M&A activity to drive consolidation is also likely, aided and facilitated by the common private equity investors and amenable promoters.

Media reports suggest that larger e-commerce players have commenced preparations for Initial Public Offerings over the next 18 months. Successful listings would not only provide exit to early investors – VCs and PEs - but also help attract more investment in the sector. However, there are downside risks too. Over-crowding in e-commerce space leading to lack of differentiated offering would push back the anticipated growth and profits by several quarters if not by years. Secondly, the investment in back-end systems & processes and to build larger management teams need to keep pace with the investment in marketing & advertisement to grab market share and revenue. Absence of either is likely to hurt and hamper the growth aspired by the companies and their promoters/ investors.

"Deal activity in this sector is likely to maintain its frantic pace in foreseeable future attracting rich valuations, given the huge untapped potential in India and if one looks at the other mature markets for guidance. M&A activity to drive consolidation is also likely, aided and facilitated by the common private equity investors and amenable promoters."

David Panna
Partner
Grant Thornton India LLP

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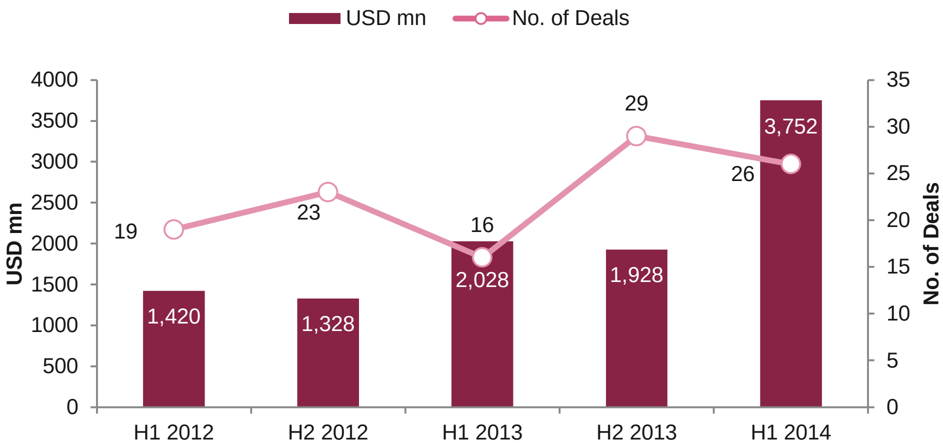
Pharma, Healthcare & Biotech

Mergers & Acquisitions

excluding internal restructuring

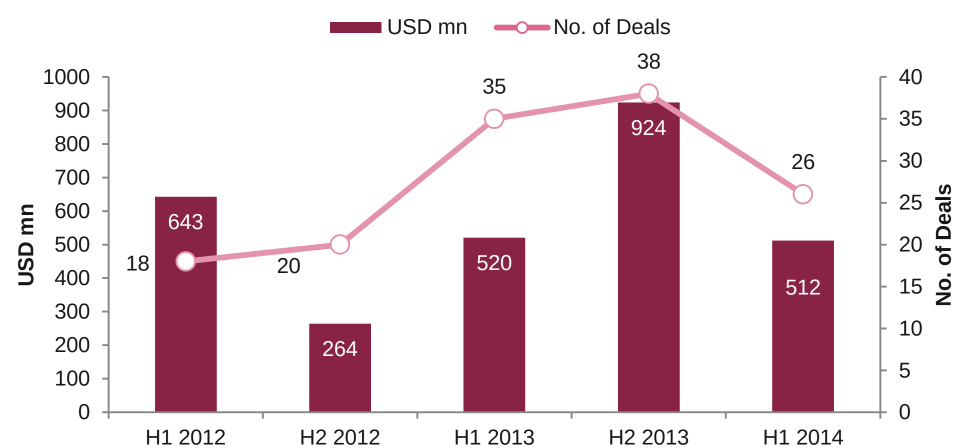


Half Yearly trend between 2012 - 2014

Sub Sectors	Deal Volume H1 2012	Deal Volume H1 2013	Deal Volume H1 2014	Deal Value (USD mn) H1 2012	Deal Value (USD mn) H1 2013	Deal Value (USD mn) H1 2014
Pharma & Biotech	10	9	14	564	1902	3605
Hospitals	5	4	4	117	95	61
Medical Technology	2	1	2	685	21	54
Primary Healthcare	1	0	5	50	0	28
Medical Devices	1	2	1	4	10	5

Private Equity

Sub Sectors	Deal Volume H1 2012	Deal Volume H1 2013	Deal Volume H1 2014	Deal Value (USD mn) H1 2012	Deal Value (USD mn) H1 2013	Deal Value (USD mn) H1 2014
Pharma & Biotech	4	10	7	120	97	344
Hospitals	9	14	10	397	319	119
Primary Healthcare	3	6	5	81	66	30
Medical Devices	2	5	3	45	39	14
Medical Technology	0	0	1	0	0	6



Half Yearly trend between 2012 - 2014

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Pharma, Healthcare & Biotech

Views on hot sectors and trends to watch out for in the Healthcare space

Healthcare and Life Sciences continues to be one of the most active sectors after IT/ITeS, in terms of volume of M&A and Private Equity deals, reflecting the continued interest in the sector from strategic and financial investors. The volume of PE activity is still substantially lower than the same period in 2012, which had seen a flurry of activity in pharma, medical devices and healthcare delivery segments, while the volume of M&A activity increased by about 25% over the same period.

Excluding the Sun-Ranbaxy transaction, there has been a reduction in overall M&A value from around USD 2 billion in 2013 to about USD 1.5 billion in 2014. The USD 3.2 billion Sun-Ranbaxy transaction substantially changes the value growth figures. About USD 1 billion of the USD 1.6 billion was on account of GSK increasing its stake in the Indian subsidiary to 75% (not a classic M&A transaction).

The Pharmaceuticals and Biotechnology sector witnessed 16 M&A transactions during this period, with 8 of those being outbound acquisitions by Indian pharmaceutical companies. There were no outbound acquisitions in this sector in the same period in 2013. The story is exactly the opposite on inbound acquisitions – 2 in the last 6 months in this space, compared to several significant transactions in the same period in 2013, including Mylan's acquisition of Agila Specialties for USD 1.8 billion. At least for the short term, the rush towards acquiring Indian assets seems to have slowed down. We see this trend changing towards the later part of 2014 and early 2015. We also expect to see heightened domestic consolidation activity in this sector in the coming 6-12 months.

Healthcare services, such as hospitals and diagnostics services, continued to witness reasonable deal activity. Majority of the deals were driven by the imminent domestic consolidation in these sectors and as such were small to mid-size deals.

In terms of Private Equity / Venture Capital investments, the year has seen a number of interesting early stage investments in the tech-enabled healthcare delivery space. Chain of single-specialty centres, such as eye care, dialysis care and primary care continues to be the most actively invested segment, while multi-specialty hospitals such as Aster DM Healthcare and Asian Institute of Medical Sciences and Thyrocare (diagnostics chain) attracted the larger investments.

Private equity interest in the pharmaceutical segment remained strong, with several deals coming to market in the second half of 2013 and early 2014. The most prominent deal announcement was the USD 150 million investment by Warburg Pincus in Laurus Labs Limited, a leading API manufacturer based out of Hyderabad.

Domestic formulations businesses, niche and scaled-up API businesses, medical devices companies and chains of single-specialty centres should continue to see substantial deal activity during the rest of the year. Exits by PE funds have been and should continue to be a key deal driver in this segment in the next 6-12 months.

"Domestic formulations businesses, niche and scaled-up API businesses, medical devices companies and chains of single-specialty centres should continue to see substantial deal activity during the rest of the year. "

Mahad Narayanamoni
Partner
Grant Thornton India LLP

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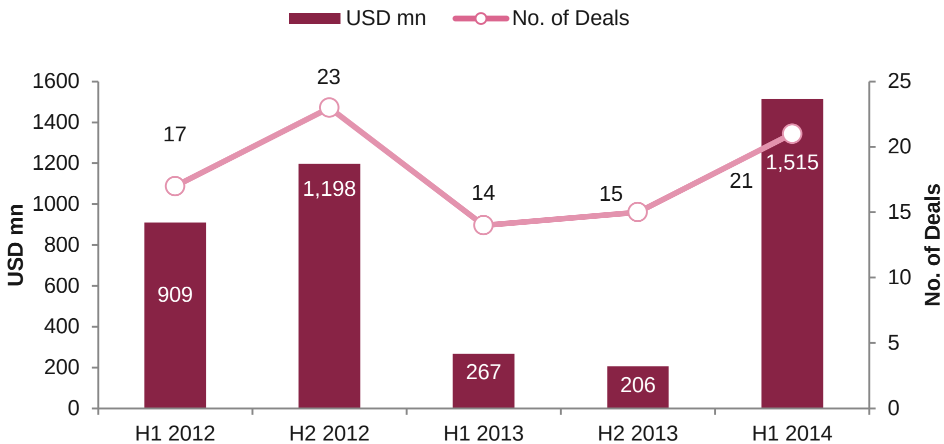
Retail & Consumer



Half Yearly trend between 2012 - 2014

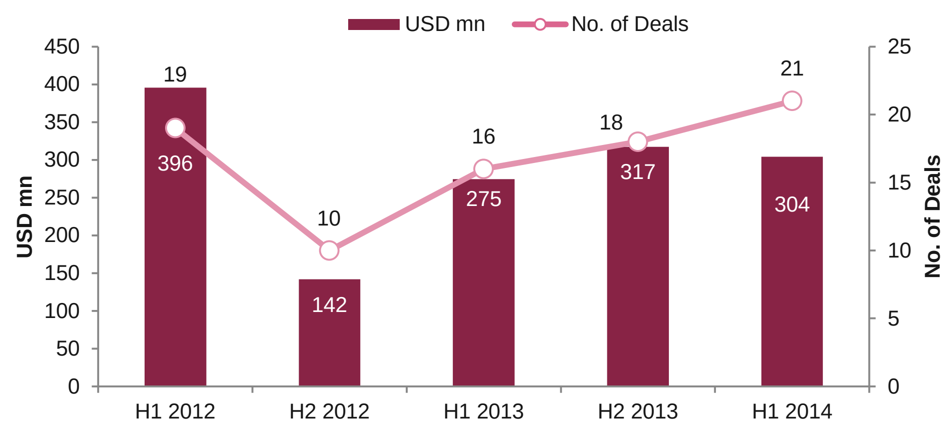
Mergers & Acquisitions

excluding internal restructuring

Sub Sectors	Deal Volume H1 2012	Deal Volume H1 2013	Deal Volume H1 2014	Deal Value (USD mn) H1 2012	Deal Value (USD mn) H1 2013	Deal Value (USD mn) H1 2014
FMCG	12	8	13	691	226	1340
Retail	3	2	4	205	20	155
Consumer Durables	1	3	4	8	15	20
Consumer Services	1	1	0	5	5	0

Private Equity

Sub Sectors	Deal Volume H1 2012	Deal Volume H1 2013	Deal Volume H1 2014	Deal Value (USD mn) H1 2012	Deal Value (USD mn) H1 2013	Deal Value (USD mn) H1 2014
Retail	10	7	9	341	139	132
FMCG	4	5	9	28	48	129
Consumer Services	3	0	2	7	0	34
Consumer Durables	2	4	1	20	88	9



Half Yearly trend between 2012 - 2014

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