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## **When in India, Bring Cash**

Roger's Corner  
By Roger Aguinaldo

The expansion of India's M&A activity has brought new attention from investment bank shareholders who are the decision-makers in brokering the bigger deals. The busy field of these promoters makes available financing the tipping point in making the decision to go ahead. More and more, we see that new business in India attracts banks that bring the financing in quickly to make the decision easier.

This week, Frank Hancock, Managing Director of Advisory Services at Barclay's India was quoted as saying, "Increasingly, we are seeing what a number of promoters will tell you: if you bring financing, we will give you the advisory role as well."

The prospect of advisory fees coupled with lower banking fees is drawing the most investors as India's M&A activity is going through the roof. With the addition of Reliance Infratel's USD 10.86B merger deal with GTL Infrastructure, the overall value of M&A deals has grown an astounding nine times over, totaling USD 24.8B in the second quarter.

Access to debt in this emerging market increases the comfort level of potential buyers. Where does that leave the middle market?

**One perspective comes from Shiraz Bugwadia, manager of the Mumbai office of IMAP India and o3 Capital. His credentials include a stint with Avendus Advisors and Rochem-India, where he headed up the life sciences and infrastructure sectors, comprised of custom synthesis, diagnostic services and CROs.**

**Bugwadia says that middle-market dealmakers who make cross-border deals should note the following trends:**

**1) Manufacturing is undergoing a growth cycle in automobile-related sectors and in making power equipment. He also says that these promoters look for foreign M&A deals.**

**2) India's infrastructure sectors such as highways and transportation venues is drawing intense interest from foreign dealmakers along the lines of joining forces in bidding on projects.**

**3) Within India, some companies are looking about for M&A deals in emerging economies in order to expand their market.**

“In essence, we are seeing a revival of cross-border deal flow in various segments after a significant drop over the last two years and (we) expect this to only improve in the medium term. The outbound deals are driven by need for technology or new markets, while inbound ones are driven by a desire to participate in the Indian consumption story,” says Bugwadia.

The nature of Indian firms being family-owned and run poses some thorny problems for dealmakers. Most of the strategic growth plans have been formulated by the family whose expertise falls short of the experience and knowledge of the new management team thus setting up a pecking order that is not always to the promoters’ liking. Resentments and miscommunications usually result in blunting the promoters’ efforts.

He also says, “(t)here are subtle cultural differences—for instance, Indian managers, like many of their other Asian counterparts, tend to be less forthright and informal as compared to Western professionals—that needs to be kept in mind while working on any cross-border transaction.”

In addressing the regulatory environment, Bugwadia warns that sometimes the regulations are not always as clear as the dealmakers are accustomed to. Though there has been some inroads made in clarifying the regulatory environment, the promoters should be aware that potential difficulties could arise.

Potential issues in some of these deals might include inaccurate valuations expectations, legal problems concerned with vague regulations (specifically in commodities), mismatches in labor laws and certainly cultural differences.

All in all, the best approach to make the best impression is to bring financing with you.