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IMAP

IMAP is an exclusive global partnership of the world's leading independent merger and acquisition advisory firms with a presence in more than 35 countries. IMAP closed over 2,100 transactions, valued at \$90bn in the last 10 years and is consistently ranked among the world's Top 10 M&A advisors (Thomson Reuters) for mid-market transactions.





IMAP
INSIGHTS

India
M&A Report 2016

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2015 – Year in Review

In the year 2015, India's M&A activity witnessed the highest ever annual volume, accounting for 9.7% of total Asia-Pacific market.

A total of 409 deals were announced aggregating to US\$ 35.9 billion. Deal value saw a minor decrease of 4.4% as compared with 2014, a result of fewer large cap deals. Average deal size decreased to US\$ 87.8 million as compared with US\$ 119.9 million in 2014.

Cross border deals drove momentum for the Indian M&A market. A total of 219 inbound deals (up by 30% from 2014) and 68 outbound deals (up by 20% from 2014) resulted in a total cross border deal size of US\$ 24.8 billion, accounting for over 2/3rd of the India M&A market.

Total inbound deal value stood at US\$ 19.6 billion, witnessing the highest ever deal value since 2011 (US\$ 25.5 billion).

American corporates maintained their lead in investing in the Indian M&A activity, investing in 83 deals worth US\$ 9.6 billion.

Challenging times for European entities resulted in a tepid involvement of European buyers. Total European investment into Indian M&A reduced to US\$ 3.3 billion from US\$ 6.6 billion recorded in 2014.

Looking forward, the Indian M&A sector is poised see continued record breaking higher levels. India is expected to continue to remain the fastest growing emerging market ahead of China which is experiencing several challenging headwinds. The softening of the commodity cycle and a strong, pro-business government at the centre will continue to attract investments into the country and ensure the vibrant M&A market in India continues to prosper.

Indian investors in mature markets will continue the focused, twofold strategy for pursuing deals: a outbound acquisition will allow adoption of new technologies and help establish a business reputation that will allow them to penetrate further in large developed markets.

INDIAN M&A TIMELINE 2015

JANUARY **FEBRUARY** MARCH APRIL MAY JUNE JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER

/ Mylan acquires Famy Care for US\$ 750 mn

/ Sembcorp acquires a 60% stake in Green Infra for US\$ 170 mn

/ Nickelodeon acquires a 50% stake in Prism TV for US\$ 152 mn

Key Trends at a Glance

US\$ 35.9 billion
in Indian M&A deal value

**Up from US\$ 32.0 billion in 2014
And US\$ 22.3 billion in 2013**

212.8% increase in

**Outbound M&A Deal Value
in 2015 over 2014 totalling to
US\$ 5.2 billion**

**Historical High –
Inbound M&A Deal Count**

219 deals
Up by 30% from 2014

**Cross border deals accounted for
2/3rd of the Indian M&A activity
Closing 287 deals in 2015**

**Technology, Media & Telecom (TMT)
was the most active sector with
104 deals worth US\$ 8.8 billion
contributing 1/4th to total India
M&A deal value**

US\$ 9.6 bn
**total inbound
investment by US
deal makers
in 83 deals**

**Declining Inflation, strengthening workforce, higher GDP growth and
positive investor sentiments will drive Indian M&A going forward**

JANUARY FEBRUARY **MARCH** **APRIL** MAY JUNE JULY AUGUST SEPTEMBER OCTOBER NOVEMBER DECEMBER

/ Dr. Reddy's buys UCB India for
US\$ 128 mn

/ Mylan acquires Famy healthcare
for US\$ 750 mn

/ Temasek buys 35% in Crompton
Greaves consumer for US\$ 316 mn

Sector-wise activity

Technology, Media and Telecom was the most active sector through the year with respect to deal volume and accounted for nearly one fourth of the total deals announced in 2015.

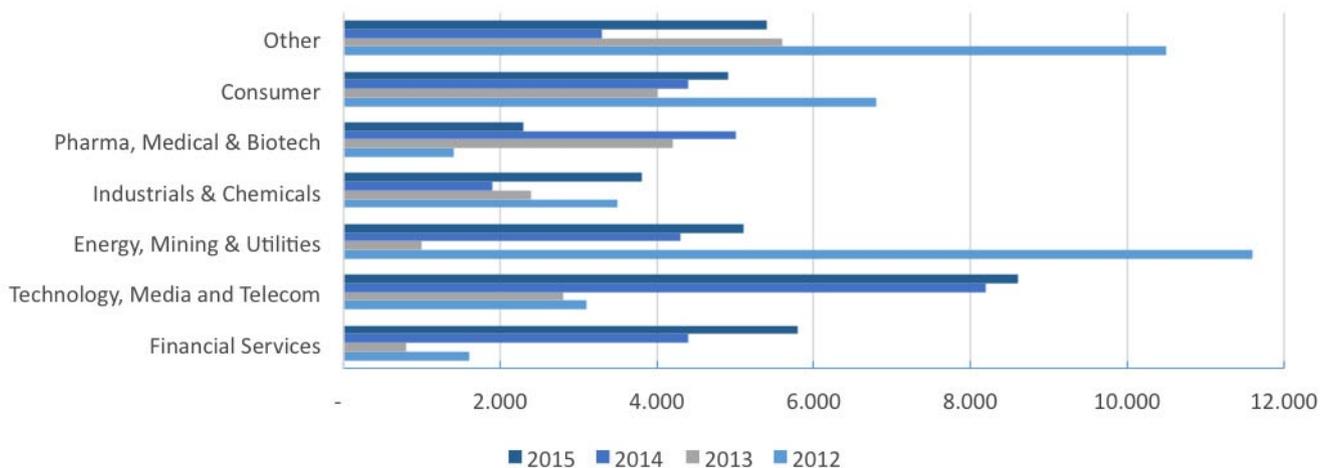
Industrials and Chemicals saw a sharp rebound in the 2015 stemming 2 consecutive years of decline deal volume.

Financial services saw an increase in inbound activity, with Insurance leading the pack. A total of 28 deals in the insurance space were announced with a total deal value of US\$ 1.5 billion. The key driver was an increase in the foreign direct investment cap in the sector from 26% to 49% in December 2014.

In the Energy space, the sector of focus was clean energy especially in Solar and Wind energy. The sector saw a cumulative of 14 deals with a total deal value of US\$ 576 million.

In the Pharmaceuticals space, outbound deals highlighted M&A activity as the higher risk appetite of Indian Pharma companies saw them taking aggressive bets on the consolidation being seen in the US Generics market. While the inbound interest in Pharma & Healthcare remained tepid in 2015, the sector saw a few large ticket transactions such as Mylan's US\$ 750 million acquisition of Famy Care.

India M&A Activity (US\$ million) – 2012 to 2015



Cross border focus – Outbound

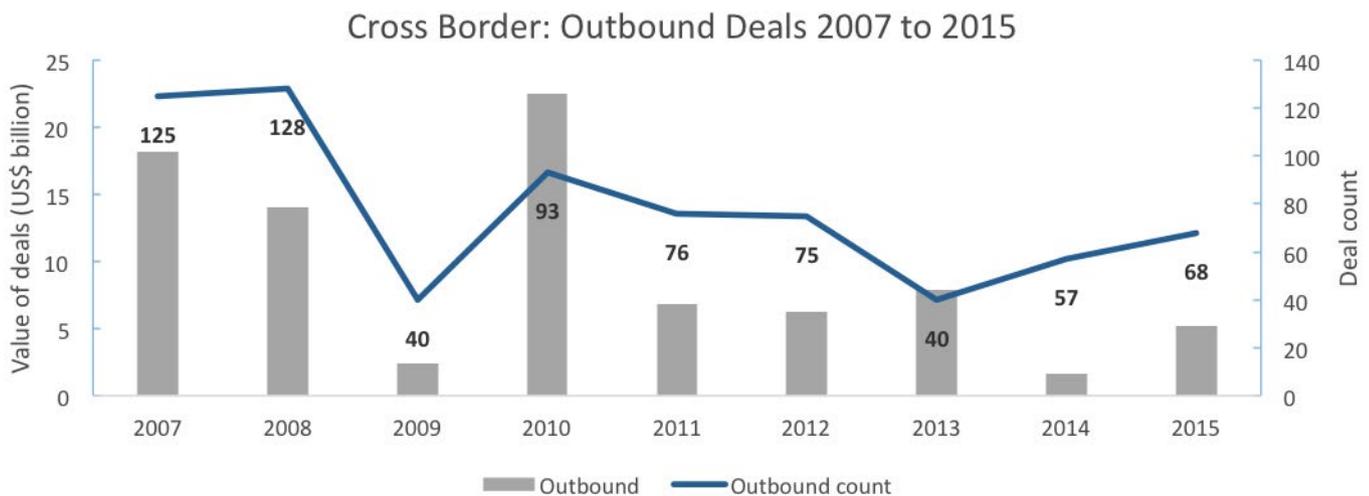
In a year where the domestic deal activity was tepid (mainly due to the lack of mega deals such as the US\$ 3.2 billion Sun-Ranbaxy merger and the Kotak-ING deal worth US\$ 4.2 billion), the cross border activity lifted the overall Indian M&A marker to a multi-year high.

Outbound activity of Indian corporates saw a marked increase this year. Led by large ticket transactions, total outbound deal value rose to US\$ 5.2 billion in 2015 up from US\$ 1.6 billion in 2014. Pharmaceutical players led the surge in outbound activities in order to gain access to newer markets, expand distribution reach and strengthen manufacturing capabilities.

In the Oil and gas space, state owned ONGC Videsh (subsidiary of Oil and Natural Gas Corporation of India) made a large acquisition of a 15% stake in the Vankorneff oil project from Rosneft for US\$ 1.3 bn in line with ONGC's drive towards enhancing India's energy security.

The United State continued to be the most dominant acquisition geography for Indian companies followed by the United Kingdom and Germany.

Irrespective of a global slowdown, Indian investors continue to be ready to mobilize resources when a good strategic opportunity arises.



JANUARY FEBRUARY MARCH APRIL MAY **JULY** **AUGUST** SEPTEMBER OCTOBER NOVEMBER DECEMBER

/ Lupin acquires Gavis Pharma for US\$ 880 mn

/ Cipla acquires InvaGen Pharma for US\$ 500 mn

/ Softbank acquires a 10% stake in Snapdeal for US\$ 500 mn

Cross border focus – Inbound

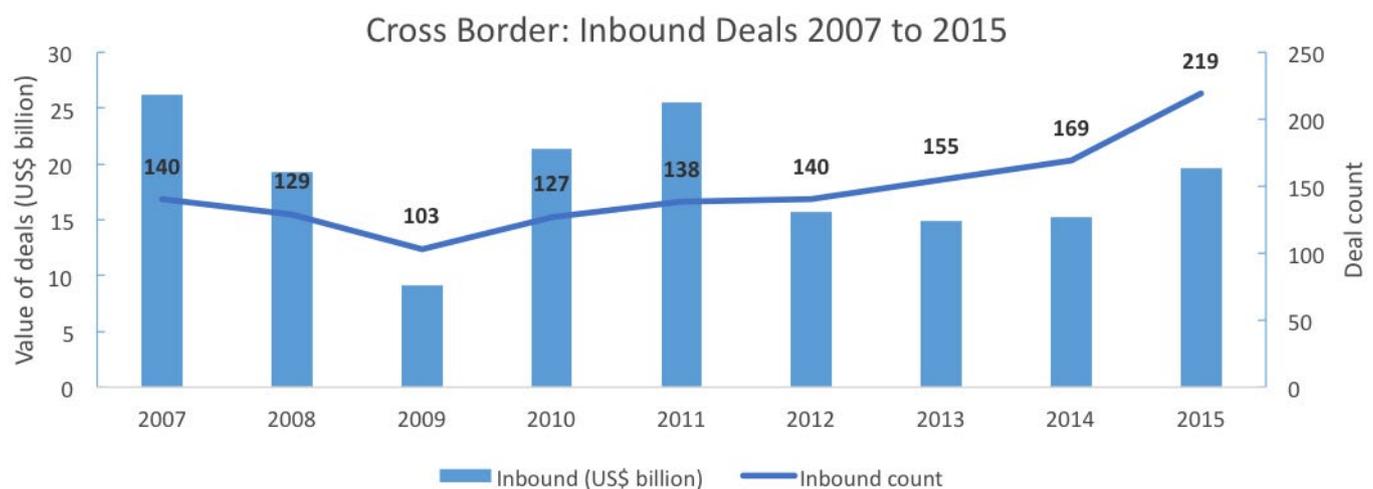
2015 was a record year for Inbound M&A transactions in India. The year saw 219 deals announced amounting to a total deal value of US\$ 19.6 billion.

The most popular sector for inbound M&A was Technology (US\$ 4.3bn, 53deals), experiencing its third consecutive annual increase in deal count to reach an all-time high. The e-commerce sub-sector bumped up deal value (27 deals, US\$ 2.8bn), due to attention-grabbing transactions such as the stake acquisitions of PayTM and Snapdeal by Alibaba Group for a collective value of US\$ 1.0 billion.

India continues to be a top priority for many US-based corporates, who look to capitalize on India's massive economic growth and growing consumer base. American corporates' continued interest in India was showcased by a total of 83 inbound deals worth US\$ 9.6 billion.

Inbound strategic interest in Indian companies also aided several PE exits. The largest PE exit in 2015 involved Apax Partners selling their stake in iGate for US\$ 1.2 billion to Capgemini.

The largest inbound M&A deal for 2015 was American Tower Corp's acquisition of a 51% stake in Viom Networks limited for US\$ 1.2 billion.



JANUARY FEBRUARY MARCH APRIL MAY JUNE JULY AUGUST **SEPTEMBER** **OCTOBER** NOVEMBER DECEMBER

/ ONGC acquires stake in Vankorneft for US\$ 1.2 bn

/ American Tower acquires 51% in Viom Networks for US\$ 2.0 bn

/ Recipharm acquires 74% in Nitin lifesciences for US\$ 103 mn

Indian M&A Outlook

We expect the Indian M&A market in 2016 to be highlighted by cross border transactions, as was the case in 2015. India remains at the top of investors' list of target markets and Indian corporates remain the most aggressive buyers among emerging market buyers for assets in developed countries. India's billion plus population which provides one of the strongest consumer demand in the world continues to attract foreign investors.

On the outbound front, Indian corporates will continue to remain attracted to European targets which can meet their strategic needs for technology, brands and access to newer developed markets. The difficulties faced in the Eurozone markets have led to some European businesses to restructure their corporate profiles, creating attractive valuations for Indian Corporates. The need for Indian corporates to secure technology and resources to move to the high end of the product chain is of top priority and will be the major deal driver in the coming years.

On the inbound front, partial divestments and divisional sell offs by large debt ridden corporates will provide M&A opportunities going forward especially in the infrastructure space. We expect a heightened inbound interest in the automotive and chemicals space. Indian mid-market companies in this space with a high growth potential and strong fundamentals will be ideal targets for global majors who are finding it increasing difficult grow in mature markets such that that in the US and Europe.

The strong government at the centre and the improving macro indicators are gradually dispelling risk concerns in the eye of foreign investors. There is no denying the fact that India remains a vital part of the growth puzzle which has eluded global conglomerates in mature markets.



JANUARY FEBRUARY MARCH APRIL MAY JUNE JULY AUGUST SEPTEMBER OCTOBER **NOVEMBER** **DECEMBER**

/ MS&AD acquires 40% in Cholamandalam Insurance

/ ERGO, Germany acquires 22% in HDFC ERGO for US\$ 168 mn

/ Virtusa, USA acquires 79% in Polaris for US\$ 237 mn