

March 2011

### GATEWAY TO Indo-European M&A



After a strong start to the year (13 deals in Jan 2011), transaction activity in February and March was subdued with only 6 and 7 deal closures respectively in the Indo-European corridor. Notwithstanding the reduced volume of deals, March saw the announcement of two billion+ Euro transactions – both featuring the Indian conglomerate Essar Group.

Vodafone announced its intention to acquire controlling stake in its Indian subsidiary by buying out its partner Essar Group's 33% stake in their Joint Venture, for a cash consideration of €3.85 bn. Interestingly, Vodafone also announced the sale of its 44% stake in a French mobile business – SFR to Vivendi – suggesting that India along with UK will be among the focus markets for the slimmed-down Vodafone Group. Vodafone continues to battle Indian tax authorities for the disputed \$ 2.5 Bn tax liability due on its acquisition of Hutchison's stake in Hutchison Essar Limited in 2007.

Essar Group, putting its capital to use, bought Shell's Stanlow refinery and other related assets in UK for a consideration of approximately €1 bn, €269 Mn of which will be paid in cash. In addition, the two companies have agreed to an exclusive five year crude supply contract by Shell to Essar and a long-term agreement for the supply of products in the UK by Essar to Shell.

In a media transaction, French advertising major Publicis Groupe acquired majority stake in Mumbai-based advertising agency Watermelon Healthcare Communications for an undisclosed consideration. Watermelon services leading pharma and biotech companies like AstraZeneca, GlaxoSmithKline, Johnson & Johnson, Merck Specialties, and Novartis. In another inbound transaction, Norwegian conglomerate Orkla, through its subsidiary Sapa Profiles, boosted its presence in India by buying out the aluminium extrusion assets of Alufit in South India. Sapa will be the first global aluminium extrusion company with local production facilities in India.

In the outbound transactions (from India), Elgi Rubber, engaged in rubber recycling and providing solutions to the rubber industry, acquired Netherlands based Rubber Resources B.V., developer and recycler of rubber materials mainly for the tyre industry, for an undisclosed consideration. Uni Deritend Limited, an India based manufacturer of air-melt investment castings and net shaped parts for engineering applications, acquired UK based Trittech Group that manufactures and supplies investment casting dies to aerospace, defense, and other industries, for an undisclosed consideration. The acquisition will enable the two companies to cross-sell in each others' aerospace markets and offer a wider array of casting solutions at a more cost competitive basis.

March marks the end of another fiscal year for Avendus. During the course of this year, Avendus advised on 6 successful transactions in the Indo-European corridor. In CY 2010, Avendus also ranked fourth in India-related cross-border M&A rankings (Source: Mergermarket).

M&A Statistics for March 2011 are outlined below.

#### **Organizational Announcement**

Robert Davis joins the team to lead the European operations. Robert will be taking over from Aashish Bhide who will be transitioning to India to assume a new role within the organization.

Robert was previously head of European M&A for Nomura International and has also worked for JP Morgan and Jardine Fleming. Robert brings with him many years of relevant experience doing cross border transactions between Asian and European businesses which we believe will help Avendus scale its capabilities in the region to the next level.

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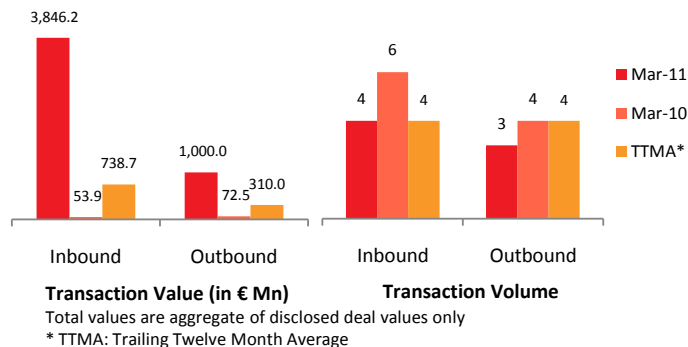
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## Transaction Summary

7 transactions were announced in March 2011 – 4 Inbound deals (into India) and 3 Outbound (from India) deals.

Transaction values were buoyed up by the announcement of two billion+ euro deals- 1 Inbound and 1 Outbound. Deal volumes were lower than the start of the year, but appeared to be at par with those in March 2010 and the twelve month averages.

Industrials led the pack with 5 out of the total 7 deal announcements.



## Notable Transactions

Vodafone Group Plc, the listed UK based telecom major, announced that it had reached agreement with Essar to acquire its 33% shareholding in Vodafone Essar Limited, one of India's largest telecom groups, for a cash consideration of €3.85 bn. Some reports have suggested a misunderstanding between the two groups on the value of stake, which could potentially delay deal closure. The transaction is in line with Vodafone's strategy to expand its business in one of the fastest growing telecommunications markets and will see Vodafone's shareholding go up to 75%. The company will need to sell just over 1% to comply with the Indian foreign ownership rules which allow foreign companies to own no more than 74% in a local mobile phone operator. Reports suggest that the Group may consider a listing of its Indian subsidiary in the future.

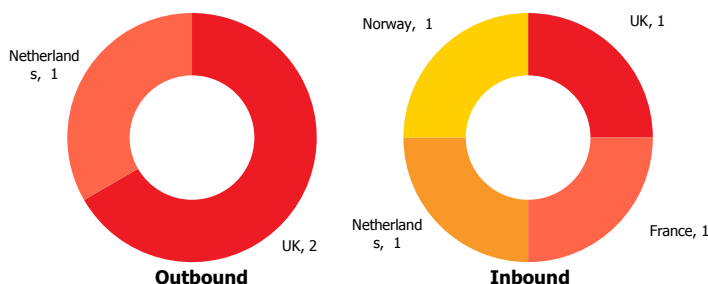
Essar Group, the recipient of proceeds in the previous acquisition, acquired the energy major Shell's 270,000 barrel-per-day Stanlow refinery in the UK and other related assets for a total expected consideration of approximately €1 bn, €269 Mn of which will be paid in cash. Stanlow refinery is the UK's second largest oil refinery, producing around one sixth of the UK's petrol. In addition to the sale, the two companies have entered into an exclusive five year crude supply contract by Shell to Essar and into long-term agreements for the supply of products in the UK by Essar to Shell.

French advertising major Publicis Groupe acquired a majority stake in the Mumbai-based advertising agency Watermelon Healthcare Communications (P) Ltd for an undisclosed consideration. On completion of the deal, the entity will become part of Publicis Healthcare Communications Group (PHCG) and will be renamed Publicis Life Brands Watermelon. Watermelon's clients include pharma and biotech companies like AstraZeneca, GlaxoSmithKline, Johnson & Johnson, Merck Specialties, and Novartis.

## Geographic Split

UK was a favored destination for Indian companies with 2 out of 3 Outbound acquisitions. Netherlands was the destination for the other.

Continental Europe participated in full force, with equal participation from France, Netherlands and Norway, in addition to UK.



## Transaction Size

The largest acquisition was the 33% stake increase in Vodafone Essar Limited by Vodafone Group Plc for €3.85 billion.

Transaction sizes remained undisclosed for 5 out of 7 transactions this month.

|          | < €25 Mn | €25-50 Mn | €50-100 Mn | > €100 Mn |
|----------|----------|-----------|------------|-----------|
| Outbound | -        | -         | -          | 1         |
| Inbound  | -        | -         | -          | 1         |

Transaction sizes were not disclosed for 5 transactions

## Sector-wise Breakup

Industrials was the most M&A active sector this month, witnessing closure of 5 out of the total 7 transactions.

Telecom, classified under ICT, was the beneficiary of the Vodafone-Essar transaction, while Consumer witnessed a solitary deal in the Media space.

|             | Outbound |       |      | Inbound |       |       |
|-------------|----------|-------|------|---------|-------|-------|
|             | Volume   | Value | Avg. | Volume  | Value | Avg.  |
| Industrials | 3        | 1,000 | NA   | 2       | NA    | NA    |
| Consumer    | -        | -     | -    | 1       | NA    | NA    |
| ICT         | -        | -     | -    | 1       | 3,846 | 3,846 |

Value & Average transaction size (Avg.) in € Mn; NA = Not Available



## TRANSACTION ANNOUNCEMENTS IN MARCH 2011

| TARGET  | ACQUIRER                    | COUNTRY     | DEAL VALUE (IN € Mn) | EV/EBITDA |
|---|-----------------------------|-------------|----------------------|-----------|
| <b>INBOUND (INTO INDIA)</b>   |                             |             |                      |           |
| Vodafone Essar Limited (33% Stake)  | Vodafone Group Plc          | UK          | 3,846                | NA        |
| Alufit's aluminium extrusion plant  | Orkla ASA                   | Norway      | NA                   | NA        |
| Watermelon Healthcare Communications                                      | Publicis Groupe             | France      | NA                   | NA        |
| Case New Holland Construction Equipment India Private Limited (50% Stake) | CNH Global NV               | Netherlands | NA                   | NA        |
| <b>OUTBOUND (FROM INDIA)</b>  |                             |             |                      |           |
| Shell Stanlow Refinery  | Essar Group                 | UK          | 1,000                | NA        |
| Tritech Group Limited   | Uni Deritend Limited        | UK          | NA                   | NA        |
| Rubber Resources B.V.   | Elgi Rubber Company Limited | Netherlands | NA                   | NA        |

Exchange Rate: 1 EUR = 1.3 USD

Source: Mergermarket, Avendus Research

### About Avendus Capital ([www.avendus.com](http://www.avendus.com))

Avendus is a full service Investment Bank with a strong presence in M&A Advisory, Private Placements, Structured Finance Advisory, Equity Capital Markets, Institutional Equities, Wealth Management and Alternative Asset Management. The company focuses on high growth industries where Indian companies have a strategic advantage globally, including IT Services, IT Enabled Services, Media, Life Sciences, Automotive and Engineering, Real Estate, Infrastructure, Infrastructure ancillaries, Financial Services and Consumer Products and Services. Avendus clientele ranges from high growth mid cap companies to large companies represented in the BSE SENSEX and established Private Equity funds. Avendus was ranked 4th by Mergermarket in 2010 in number of India-related cross border M&A transactions advised. Avendus is head quartered in Mumbai and also has offices in New York, London, New Delhi and Bangalore.

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