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ANALYSIS OF US-INDIA TRANSACTIONS IN 2011

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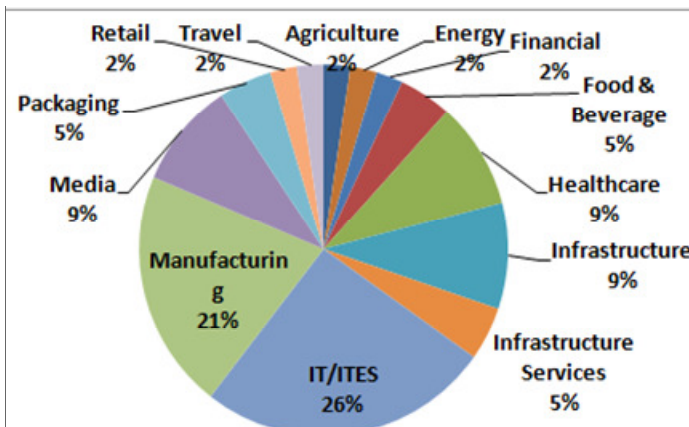
US-India Transactions in 2011

The year 2011 witnessed 43 transactions by US companies in India and 23 transactions by Indian companies in the US. Compared to 2010, these numbers represents a 50% decrease for Indian companies and no change for the US companies.

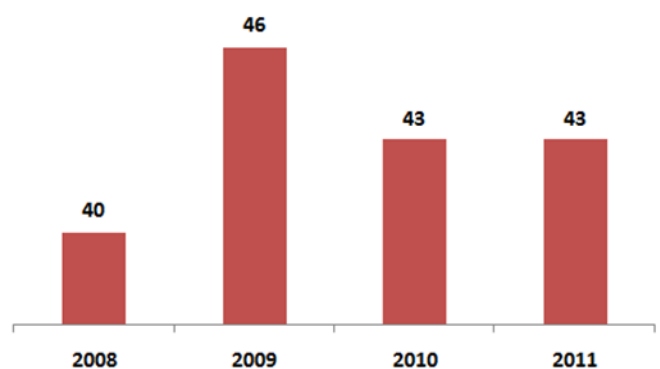
In terms of value, US companies spend over \$1.1 billion on Indian acquisitions in 2011 which represents a 75% decline from 2010. Indian companies spent over \$1.2 billion in US acquisitions which is 50% lower than in 2010. Majority of transactions were 100% acquisitions of shares with internal accruals as the prominent financing option. The strategic trends point to an increase in the number of India based acquisitions by the US companies in infrastructure services, e-publishing, medical equipments, and electrical equipment sector.

KEY HIGHLIGHTS AND TRENDS - INDIA BASED ACQUISITIONS BY THE US COMPANIES

- ✚ In 2011, US companies accounted for a total of 43 India-bound transactions with a cumulative transaction value of over \$1.1 billion compared to same number of transactions and \$4 billion transaction value in 2010
- ✚ Information Technology (26%) led the number of transactions followed by Manufacturing (21%), and Healthcare (9%). Compared to 2010, there was a significant increase in infrastructure related investments
- ✚ Information Technology transactions had the highest average value (\$50 million) and highest number of transactions (11) followed by Healthcare (\$38 million and four transactions)
- ✚ Over two-third of the transactions involved acquisition of 100% stake which reflects buyer's desire for complete control and integration
- ✚ For 2012, strategic indicators point to an increase in the number of acquisitions in the infrastructure services, e-publishing, medical equipments, and electrical equipment sector



2011 India based Transactions by US Companies



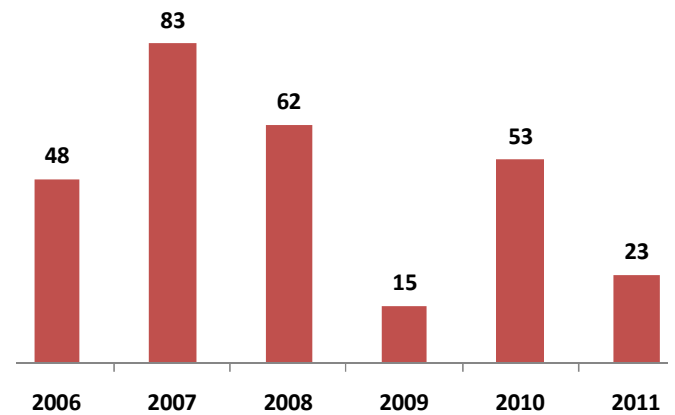
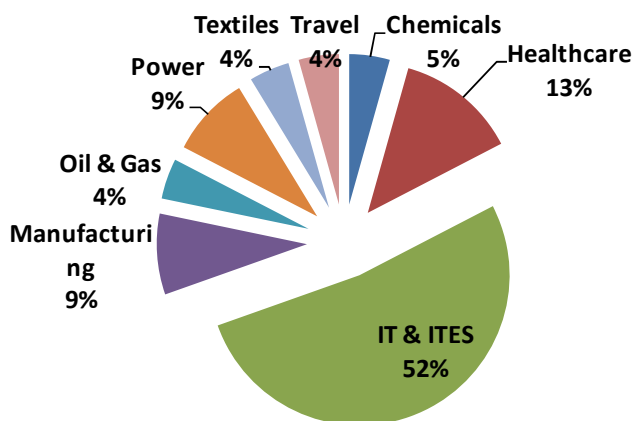
India based Transactions by US Companies 2008-2011

The majority of US transactions into India in 2011 were in the form of strategic investment in niche infrastructure segments such as project development services, basic building blocks manufacturers, water distribution, and power equipment manufacturers. The government of India is promising to spend over USD 1 trillion over the next five years in a massive infrastructure build out. This creates a high return potential from investment in manufacturing and infrastructure related companies. Food related service is another segment that has witnessed active deal-making given the rapidly increasing consumption by the middle class population.

With respect to Indian companies investing into the US, the effort from large companies such as Reliance, Aditya Birla Group, Crompton Greaves and the Tatas has been to consolidate their global business model. IT sector has been in the fore front of cross border activity.

KEY HIGHLIGHTS AND TRENDS - US BASED ACQUISITIONS BY INDIAN COMPANIES

- ✚ In 2011, Indian companies accounted for 23 US based acquisitions with a cumulative transaction value of over \$1.2 billion compared to 53 US acquisitions and \$ 2.2 billion transaction value in 2010. This represents a 50% decline in both the number and value of transactions from last year
- ✚ Information Technology (52%) led the number of transactions followed by Healthcare (13%), and Manufacturing (9%). Most of the acquisitions in 2011 were of specific skills, knowledge and technology
- ✚ The economic slowdown created opportunities to buy US-based companies at attractive valuations.
- ✚ The IT industry is in the midst of a massive transformation driven by a focus on non-linear services, vendor consolidation and emergence of cloud computing. This is most visible in the US-based acquisitions by mid-sized companies
- ✚ Companies like Reliance and Aditya Birla who have successfully integrated their ventures are looking to repeat the process with focus on natural resources and infrastructure



2011 US based Transactions by Indian Companies

US based Transactions by Indian Companies 2006-2011

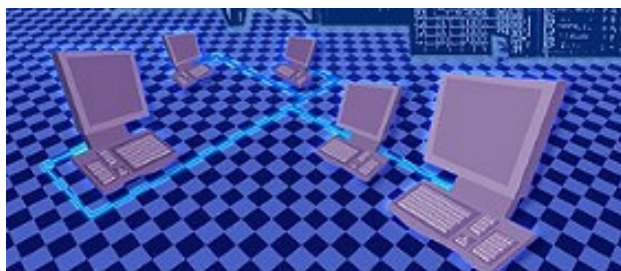


Analysis of Transactions by Industry

Information Technology

With over 12 US-bound acquisitions in 2011, information technology continues to be the most acquisitive industry in India.

Within this industry, technology consulting, remote infrastructure management, knowledge process outsourcing, and healthcare business process outsourcing sub-segments were attractive for acquisitions. Expanding client base, augmenting delivery capabilities, adding niche practices have driven M & A in the IT industry.



Indian IT & ITES (Information Technology Enabled Services) industry has come a long way from being providers of lower margin services, such as software maintenance, payroll processing, and call centre management to providers of high end services like software development, project management, technology strategy consulting, and enterprise software implementation. This has been achieved through a focused approach of moving up the value chain. Now, Indian IT and ITES

companies are looking to establish their position as leading service providers in these high end services.

Key Industry factors fueling transactions in Information Technology –

- Indian IT companies expect more revenues to come from non-linear services – work that yields revenues and profits disproportionately to the coders or back office employees.
- Vendor consolidation and demand for domain-expertise is forcing companies to acquire industry focused solutions not just in traditional segments such as financial services, telecom, manufacturing, but also in healthcare IT, remote infrastructure management, education, and retail.
- Customers are encouraging vendors to be more flexible in their contracts, shifting from fixed fee or time & material payment models to those based on process efficiency and cost savings.
- Cost of Indian delivery model has increased due to wage inflation. Indian IT companies that focus on innovative delivery models combined with high margin services and full services capabilities will likely have an advantage over their competitors.

Date	Acquiror	Target
11/21/2011	Aditi Technologies	Cumulux Inc
09/21/2011	Prism Informatics	Idhasoft Ltd
09/08/2011	Vembu Technologies	CloudNucleus
08/26/2011	Chakkilam Infotech	Cigniti Inc
08/16/2011	Datamatics Ltd	CIGNEX Holding
08/01/2011	MphasiS Ltd	Wyde Corp
04/27/2011	Polaris Software Lab	IdentTrust Inc
04/01/2011	Wipro Ltd	SAIC Inc-Oil & Gas Info Tech
03/22/2011	Arcopetal Technologies Ltd	Optech Consulting Inc
02/01/2011	Allsec Technologies	Retreat Capital Management Inc
02/01/2011	Investor Group	Smarthinking Inc
01/11/2011	Tata Communications Ltd	BitGravity Inc

Key Transactions in Information Technology

Wipro's acquisition of SAIC's Global Oil and Gas Information Technology practice

Wipro Technologies \$150 million acquisition of Global Oil and Gas Information Technology practice of SAIC is expected to further strengthen Wipro's leadership position in Oil & Gas vertical. IT spend in this sector is expected to grow as customers increasingly look to grow newer streams of revenues, optimize their operational cost and find better ways to become environmentally conscious. Oil & Gas companies are investing in the upstream business while looking at rationalizing cost through IT.

Mphasis' acquisition of US-based insurance solution provider Wyde Corp

With the buyout of Wyde, Mphasis is expected to expand its insurance business with an opportunity to marry its applications and BPO business with Wyde's software platform Wynsure.

Datamatics acquisition of Cignex

Datamatics acquisition of 72 per cent stake in Cignex for \$17.39 million is expected to help it expand focus on open source Enterprise Content Management solutions for businesses as well as government agencies.

Pharmaceutical & Healthcare

The year 2011 witnessed acquisitions beyond the traditional generic space and acquisitions to complement their earlier portfolios.

As a target location, the US has traditionally lagged behind Europe in pharmaceutical outbound acquisitions from India. However, this could change based on the upcoming generic opportunities and nonconventional segments including medical equipment and OTC.



Key Industry factors fueling transactions in Pharmaceutical & Healthcare Solutions -

- Large generic market as several drugs going off patent, it is estimated that drugs sales worth \$80 bn are going off patents during 2010-14 period
- more activity can be seen in small biotech firms are attractive as Biotech drugs are made from complex biological processes and are expensive to develop as compared to molecules produced via chemical processes
- Indian companies are looking for pie of the US market, and small VC-controlled biotech companies with good product pipeline are way to achieve
- The biotech sector is now trading on lower P/E multiples

E.I.D Parry's acquisition of Valensa International

E.I.D Parry, which held a 48 per cent stake in Valensa since 2008, completed its acquisition at a cost of \$5 million. This strengthens Parry's presence in the fast growing nutritional supplements, natural food ingredients and formulations business. Valensa offers a range of branded ingredients and formulations including Astaxanthin, spirulina, Saw Palmetto extracts and a range of seed extracts and a newly formulated krill product. The acquisition provides an opportunity for Parry to move up the value chain by producing formulations and marketing opportunities in the US and across the world.

Energy and Chemicals

The year 2011 witnessed landmark deals in the energy sector. Multinational Indian groups having diversified interests in energy, steel, power generation have achieved critical milestones through outbound investments in key markets particularly United States. Business groups have evolved over the years to become true conglomerates by successfully integrating their global operations.

Key Industry factors fueling Transactions in Oil and Gas, Energy and Power –

- Proven reserves in US command highest trading price
- From the regional distribution, oil and gas assets in North America is the world's most active areas of mergers and acquisitions in 2011
- Increased activity in unconventional oil and gas assets including shale gas, oil sands
- Transactions likely to get push from government amid uncertain supplies

Cals Refineries acquisition of Cenco and Atas refinery assets of Hardt

Cals Refineries Ltd. \$417 million acquisition of Cenco and Atas refinery assets of Hardt and currently located in the United States and the Turkish Republic of Northern Cyprus allows it to accelerate development of Haldia refinery project in India. This will also increase the aggregate refining capacity of Cals' planned refinery project in Haldia, West Bengal, India to 200,000 barrels per day.

Aditya Birla Group's acquisition of Columbian Chemicals

Aditya Birla Group's acquisition of Columbian Chemicals for \$875 million enhances its production capacity and expands its market to the Americas and Europe. The acquisition increases its annual capacity to two million tons and makes it the largest carbon

black company in the world. Indian carbon black makers have been scouting for acquisitions in the Americas and Europe to expand their manufacturing and sales operations beyond Asia, as they sell their products to global tire makers.

Key India based Transactions by US Companies

Aetna's acquisition of Indian Health Organization

Aetna International Inc of the US, a unit of Aetna Inc's wholly-owned Aetna Services Inc unit acquired the entire share capital of Indian Health Organization Pvt Ltd, a New Delhi-based provider of healthcare services. The move marks Aetna International's first foray into India and will provide the US-based health benefits company with a solid customer base of 80,000 enlisted IHO members upon which to further develop its platform in the country.

Aquatech's investment in WEX Technologies

Aquatech, a global leader in water purification for industrial and infrastructure markets, has made a strategic investment into WEX Technologies Private Limited, a leading provider of performance water treatment chemicals and services. Founded in 2001, WEX is a widely recognized chemical and services company focused on the rapidly growing Indian market. WEX's chemical product solutions address applications for boilers, cooling towers, and reverse osmosis and thermal evaporator antiscalants and cleaners.

Concur Technologies' investment in Cleartip

Nasdaq-listed online travel and expense management Company Concur Technologies Inc. bought a minority stake in Mumbai-based online travel company Cleartrip Travel Services Pvt. Ltd for \$40 million. This investment also marks the entry of Concur into India. Concur manages business travel

and expense reporting for more than 15 million employees. Cleartrip plans to use the investment in product development, creating more sales and distribution channels, enhancing existing brands and expanding to new international brands. The Indian online travel space has generated interest fuelled largely by the successful listing of Indian online travel firm MakeMyTrip Ltd on Nasdaq in August.

Dana's acquisition of Axles India

The US auto parts major Dana Holding is acquiring the commercial vehicle component product portfolio of Axles India for \$13 million. Started in 1983, Axles India constitutes of Wheels India, Sundaram Finance Group and Dana Holding Corporation. The company supplies 180,000 pressed axle housings annually to medium- and heavy-duty commercial vehicle manufacturers from two manufacturing facilities. Under the terms of agreement, Dana will take full ownership of the axle drive head and final axle-assembly operations in the venture. The deal will allow Dana to expand in the commercial vehicle auto components space.

International Paper's investment in Andhra Pradesh Paper Mills

International Paper's acquisition of 53.5% stake in Andhra Pradesh Paper Mills for \$257 million provides it an easy entry into the world's fastest growing paper market. The Indian paper industry is set to touch 11.5 million tons next financial, up 25% from a couple of years ago, according to estimates from the Associated Chambers of Commerce and Industry of India. After a non-compete fee and a compulsory open offer, International Paper could end up paying \$423 million for a 75% stake in AP Paper. AP Paper is one of the larger paper mills in the country that already has established its raw material sources and distribution set-up.

The road ahead...



US-bound acquisitions by Indian companies, in 2011, have been significantly affected by the economic downturn. However, at the same time the economic downturn has presented opportunities for distress related acquisitions at attractive valuations. Factors expected to impact US-bound acquisitions by Indian companies in the near future are discussed below:

- **Financing challenges:** Financing will be one of the most important challenges faced by Indian companies looking to acquire US companies in the near future as banks and financing institutions are already under pressure.
- **Distress related value buying:** We expect to see more deals targeted at acquiring control of the firms struggling in financial crisis.
- **Profitability enhancing and cost saving deals:** We expect deals targeting consolidation, cost savings and improving profitability rather than expansion and increasing scale of operations.
- **Increasingly positive interactions between India and US:** Talks on bilateral investment treaty has already started between India and the US, which is expected to improve investment conditions in both India and the US.

Cross Border Acquisitions in the US: Key Considerations

Quantitative M&A Considerations

As the acquisition strategy is being developed, consideration should be given to the financial impact that a poorly constructed and integrated deal can have on the acquiring company.

Valuation - Market comparables, free cash flow analysis, synergy valuation, and earning power should all be considered when valuing an acquisition target.

Integration Costs - Depending on the level of alignment, integration costs can be substantial. Sales/revenue dis-synergies can occur as the overall deal process tends to distract key stakeholders during the due diligence and M&A integration process.

Due Diligence - Comprehensive due diligence determines synergy value and uncovers potential issues. US-based companies generally have good management information systems, which create fast information flow.

Financing - Having financing in place during the acquisition process increases the chance of a successful transaction. Financing can be through a combination of internal accruals and debt/equity financing.

Acquisition Structure - While multiple factors need to be considered for determining the acquisition structure, jurisdiction, tax incidence, accounting, access to funds and local regulations are the most important factors. Generally, US-bound acquisition structures include an earn-out clause where a portion of the value is to be paid over a period of time based on milestones.

Qualitative M&A Considerations

Several qualitative issues can influence the success or failure rate of the acquired company within the organization and should be taken into consideration during the early planning phase.

Developing Acquisition Criteria - Having a clear strategic need and acquisition criteria, as well as analyzing the likely impact of an acquisition will help set a robust selection process.

Selecting Advisors - Advisors with prior experience in US-based acquisitions and an understanding of the market will ensure a smooth navigation through the acquisition process.

Legal & Regulatory - A major aspect in crossborder acquisitions is the thorough legal and regulatory analysis of a transaction. A wellplanned approach to managing contingent liabilities and contract issues is essential.



India based Acquisitions by US Companies in 2011				
Date	Acquiror Name	Target Name	Industry	Val (\$mil)
12/16/2011	Thomson Reuters Corp	NewsWire18 Ltd	Media	-
12/07/2011	YASH Technologies Inc	Aarseya Technologies Inc	IT/ITES	-
12/05/2011	Wolters Kluwer Health LLC	Medknow Publications and Media	Media	-
12/02/2011	United Technologies Corp	Agnice Fire Protection Ltd	Manufacturing	-
12/02/2011	United Technologies Corp	Sauter Race Technologies Pvt	Manufacturing	-
12/01/2011	Best Buy Co Inc	Next Retail India Ltd	Retail	-
11/25/2011	AB SCIEX	Labindia Instruments-Business	Healthcare	-
11/04/2011	SPi Global Solutions	Laserwords Pvt Ltd	IT/ITES	-
11/02/2011	Briggs & Stratton Corp	Premier Power Equip & Prod Pvt	Manufacturing	3.00
10/30/2011	Omnicom Group Inc	Mudra Communications Pvt Ltd	Media	-
10/26/2011	AptarGroup Inc	TKH Plastics Pvt Ltd	Manufacturing	18.00
09/07/2011	ADM	Geepee Agri Pvt Ltd	Agriculture	-
09/02/2011	Synopsys Inc	nSys Design Systems Pvt Ltd	IT/ITES	-
08/09/2011	Three Pillar Global Inc	BrickRed Technologies Pvt Ltd	IT/ITES	-
07/29/2011	Xander Group Inc	HCC Concessions Ltd	Infrastructure	5.45
07/26/2011	Cognizant Tech Solutions Corp	CoreLogic Global Services Pvt	IT/ITES	50.00
07/12/2011	Aetna International Inc	Indian Health Organization Pvt	Healthcare	-
07/05/2011	Aquatech International Corp	Wex Technologies Pvt Ltd	Infrastructure	-
06/23/2011	Molson Coors Brewing Co	Cobra Beer India Pvt Ltd	Food & Beverage	35.00
06/13/2011	AECOM Technology Corp	Spectral Services Consultants	Infrastructure Services	-
06/01/2011	McCormick & Co Inc	Kohinoor Speciality Foods	Food & Beverage	115.00
05/31/2011	Jacobs Engineering Group Inc	Consulting Engineering Svcs	Infrastructure Services	-
05/31/2011	Hertz Global Holdings Inc	ORIX Auto Infrastructure Svcs	Financial	-
05/29/2011	AES Corp	Covanta Holding Corp-(3)	Energy	-
05/25/2011	GlobalLogic Inc	Rofous Software Pvt Ltd	IT/ITES	-
05/23/2011	Par Pharmaceutical Cos Inc	Edict Pharmaceuticals Pvt Ltd	Healthcare	37.78
05/20/2011	PRA International Inc	Kinship Technologies Pvt Ltd	IT/ITES	-
05/13/2011	RPM International Inc	Kemrock Industries & Exports	Manufacturing	10.45
04/25/2011	Dana Holding Corp	Axles India-Truck Axle Bus	Manufacturing	13.00
04/18/2011	Concur Technologies Inc	Cleartrip Travel Services	Travel	40.00
04/14/2011	3D Systems Corp	Sycode	IT/ITES	-
04/12/2011	Ketchum Inc	Sampark Public Relations Pvt	Media	-
04/07/2011	SOHM Inc	Nova Trend Medicament Pvt Ltd	Healthcare	-
03/31/2011	SIRVA Inc	Allied Lemuir Pvt Ltd	Packaging	-
03/31/2011	Emerson Electric Co	Fisher Sanmar Ltd	Manufacturing	134.55
03/31/2011	Manpower Inc	Web Development Co Ltd	IT/ITES	-
03/29/2011	International Paper Co	The Andhra Pradesh Paper Mills	Packaging	105.08
03/04/2011	Dorsey Wright & Associate Inc	Stockezy Social Media Pvt Ltd	IT/ITES	-
02/03/2011	Kasa Cos Inc	Electro Anlagen Ltd	Manufacturing	-
01/12/2011	Intl Auto Components Grp North	Multivac India-Auto assets	Manufacturing	-
01/11/2011	Sun-Apollo India Real Estate	Parsvnath Buildwell Pvt Ltd	Infrastructure	22.18
01/08/2011	Groupon Inc	SoSasta.com	IT/ITES	-
01/03/2011	Evader Inc	Avtar Singh Constr Co Pvt Ltd	Infrastructure	-

*Source: Thomson Database

US based Acquisitions by Indian Companies in 2011

Date	Acquiror	Target	Industry	Val (\$mil)
12/21/2011	Reliance Industries Ltd	Terra Power LLC	Power	-
11/29/2011	GVK Biosciences Pvt Ltd	Spectrum BioScience Inc	Healthcare	-
11/21/2011	Aditi Technologies	Cumulux Inc	IT & ITES	-
09/21/2011	Prism Informatics Ltd	Idhasoft Ltd	IT & ITES	-
09/19/2011	EID Parry(India)Ltd	Valensa International LLC	Healthcare	-
09/08/2011	Vembu Technologies Pvt Ltd	CloudNucleus	IT & ITES	-
08/26/2011	Chakkilam Infotech Ltd	Cigniti Inc	IT & ITES	-
08/16/2011	Datamatics Ltd	CIGNEX Holding Corp	IT & ITES	17.39
08/11/2011	Solar Semiconductor Inc	Solar Infra Inc	Power	-
08/01/2011	MphasiS Ltd	Wyde Corp	IT & ITES	-
07/20/2011	Cox & Kings Ltd	WTT Inc	Travel	-
05/27/2011	Crompton Greaves Ltd	QEI Inc	Manufacturing	30.00
04/27/2011	Polaris Software Lab Ltd	IdentTrust Inc	IT & ITES	20.00
04/01/2011	Wipro Ltd	SAIC Inc-Oil & Gas Info Tech	IT & ITES	150.00
03/22/2011	Bafna Pharmaceuticals Ltd	Johnson & Johnson-Raricap	Healthcare	-
03/22/2011	Arcopetal Technologies Ltd	Optech Consulting Inc	IT & ITES	4.90
03/16/2011	Cals Refineries Ltd	Hardt Group GmbH-Cenco Asts	Oil & Gas	-
03/08/2011	Hanung Toys & Textiles Ltd	Cody Direct Corp	Textiles	-
03/08/2011	Kabra Extrusiontechnik Ltd	Gloucester Engineering Co Inc	Manufacturing	4.00
02/01/2011	Allsec Technologies Ltd	Retreat Capital Management Inc	IT & ITES	-
02/01/2011	Investor Group	Smrthinking Inc	IT & ITES	-
01/31/2011	Aditya Birla Mgmt Corp Pvt	Columbian Chemicals Acq LLC	Chemicals	875.00
01/11/2011	Tata Communications Ltd	BitGravity Inc	IT & ITES	-

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We provide India related Strategy & Roadmap Consulting, Partner/ Target Search, Operation Setup & Support, Cross-border M&A Advisory, Project/ Bid Advisory and Transaction Advisory services.

We have an established track record of over 15 years and 900 engagements providing advisory services to a diversified client base across manufacturing, infrastructure, energy, technology, industrial commodities, and retail. We also work with multilateral and bilateral government agencies, banks & financial institutions, and regulators.

We are headquartered in New York with eight offices locations in India. For more information, please visit www.ivgpartners.com or contact Anil Kumar at akumar@ivgpartners.com/ +1 (646) 807-9290.