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'Technology, pharma, auto components lead M&As'

Our Bureau

More product-based cos needed than service based firms

New Delhi , June 6

The technology, pharmaceuticals and auto components sectors are the most important today for the merger and acquisition market in the US and India, according to Virtus Global Partners, a US-based investment and advisory firm that has recently stepped into the Indian market.

At a media briefing here, the Managing Partners of the company, Mr Anil Kumar and Mr Harry Minj, announced that the firm would focus on cross border mergers and acquisitions (M&A), and strategic partnerships and related advisory services for mid to large size Indian and US companies. Mr Kumar said that with the Indian companies flush with cash, coupled with the increasing appetite of private equity players, and banks to fund overseas acquisitions, the pace of cross border M&A was scaling new heights.

Indian companies acquired 42 overseas companies worth \$2.3 billion in 2005. Whereas, in the first four months of 2006, Indian companies already have acquisitions valued at over \$2.1 billion.

Healthy market

Mr Minj said that he saw the M&A market clearly increasing in the future in spite of certain challenges such as deal structuring and contingent liabilities. Mr Kumar said, "Companies are surer about their requirements today. They have very specific needs because of which the M&A market both in US and India is getting healthier."

According to the partners, the trend seen was that Indian companies typically bought 100 per cent shares of an US company, whereas US companies bought only a part of the Indian company shares initially, buying the rest eventually having tested the waters. Mr Kumar said that what the Indian companies require were innovation and more product-based companies rather than service based firms.

At present, Virtus Global Services is engaged in providing M&A advice to clients with revenues in the range of \$40-150 million and assisting in private placements to the tune of \$15-60 million.

Mr Kumar said that the firm was already looking at six mandates in technology, two in

pharmaceuticals and a couple more in the auto component sector.

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