

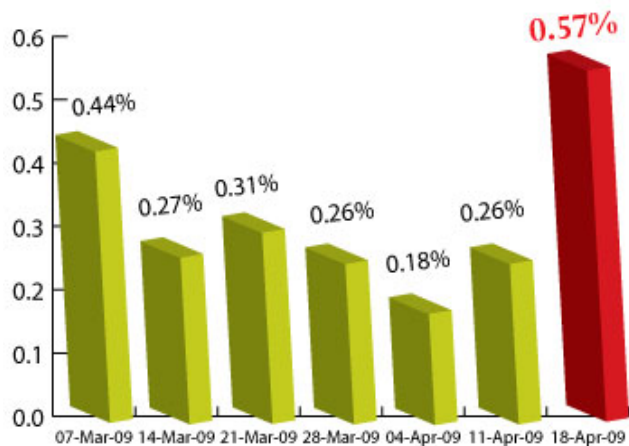
NEWS LETTER –APRIL 2009

CURRENT M&A SCENARIO IN INDIA

Recent Trend

Macro Trend

1). Inflation inches up



The annual, point-to-point inflation stood at 0.57% in the week ended April 18 compared to 0.26% in the previous week.

India's benchmark inflation, as measured by the wholesale price index (WPI), rose in the third week of April mainly on account of an increase in food prices even as fuel and manufactured products became a little dearer.

2). Forex reserves

Foreign Exchange Reserves Position			
Item	As on April 17, 2009	As on April 24, 2009	Variation as on April 24, 2009
	US\$ Mn.	US\$ Mn.	US\$ Mn.
1	2	3	4=(3-2)
Total Reserves	252,460.00	253,091.00	631.00

3). Gold import resumes after two months

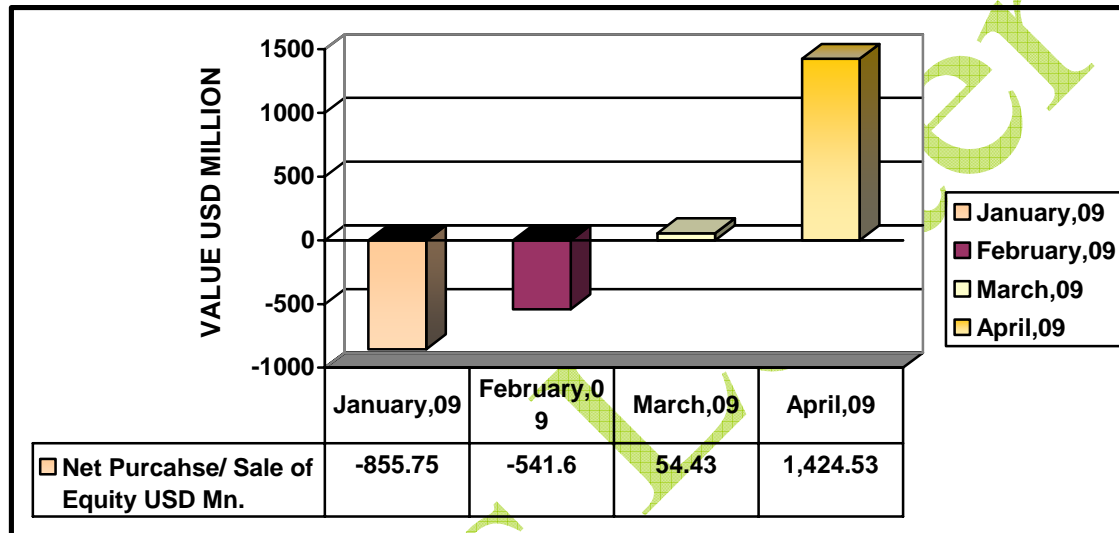
After lying low for two straight months, India has imported an estimated 25-30 tonnes gold in the month of April and it may go up if prices drop further. As prices have fallen from the high of USD 1,000 per ounce, traders have started placing orders.

Stock Market Updates

BSE Sensex performance

BSE Sensex continues its forward march and touches a six-and-a-half month high of 11,403.25 completing its straight eight-week of winning string.

Foreign Institutional Investors Activities In Indian Stock Market Jan-Apr, 2009



Sectorial Trends

1). Banking & Finance

Microfinance finds favour with PE players

Private equity players have made investments of \$230 million in the microfinance sector in the last two years and the outlook for this segment looks upbeat as it provides a refuge from the global financial market turmoil.

According to a survey the microfinance sector witnessed as many as 14 deals worth \$230 million during January 2007-March 2009. The finding of survey suggest that Microfinance is sufficiently insulated from the global financial downturn. Besides, this sector provides a good way for investors to diversify their portfolio at a time when the urban and manufacturing-related sectors are witnessing a slump

Microfinance is mainly focussed on rural areas and rural India is not so much dependent on exports. "Since microfinance is also cut off from the global economic crisis, it can post positive returns.

2). Metal & Mining Sector

Steel Production and consumption up 1.2% and 3.8% yoy during Jan-March

Due to a strong demand from the automobile, rural infrastructure and housing sectors, the Indian steel industry has shown a smart recovery in the three months ended in March. Steel production and consumption grew at 1.2% and 3.8%, respectively, in the January-March quarter over the same period last year, after turning in dismal figures in the previous quarter when production and consumption slipped 7.8% and 13.6%, respectively. The recovery in steel production has been aided by the improved sales performance of steel companies.

India's steel demand to beat global trend; grow 2 pc in 2009

Bucking the global trend, India's steel consumption is likely to rise by nearly 2 per cent to 53.5 million tonnes in 2009 against 526 MT in 2008, the World Steel Association has stated in its report.

3). Cement Sector

Cement consumption for the quarter has been buoyant on the back of rising government spend for infrastructure development. Overall consumption of the industry grew by 8% yoy during the quarter. Strong demand coupled with supply constraints particularly in Central, Northern and Eastern region led to sharp increase in prices over the last two months. However, western and southern regions faced significant slowdown in real estate activities which led to restricted increase in prices. This should translate into flattish earnings growth for our coverage universe.

4). FMCG Sector

FMCG firms to see 15% revenue growth

Due to the price hikes and increase in demand in rural markets, Major FMCG companies are likely to report a 15% revenue growth in the March quarter, according to a report. As per-capita income rises, rural consumers would upgrade to higher end products driving additional volume growth. FMCG firms are addressing the growth in rural demand by ramping up their distribution channels and launching localized marketing initiatives, the report stated. Besides, an excise duty cut during the quarter has helped cost savings for some product portfolio.

5). Automobile Sector

Quarter 4 FY09 brought some revival in automobile industry with volume improving on qoq basis. Improved credit availability with better affordability lead by excise duty cut, fuel price cuts and lower aluminium, & steel prices changed the fortunes of the sector.

Tata Nano- A revolution for auto Industry attracts over 203,000 bookings

The world's cheapest car Tata Nano has drawn over 203,000 fully paid bookings amounting to nearly \$ 505.5 million. A total of 610,000 forms were purchased from the booking centers. Around 70% of the total bookings received were financed, while 30% of the applicants booked in cash by paying fully.

The launching of Tata Nano has given a new dimension to Indian Auto industry with major industrial player looking to launch low cost cars targeting large customer base in the low cost segment.



Deals in making -Inbound

1). US engg. Services firm BWIR to acquire two Indian firms for \$5-Mn.

Barry Wehmler International Resources (BWIR), an US based engineering services outsourcing firm with 90% operations in India, is in the process of acquiring two Indian firms valued at US\$5 million. The acquisitions will enable the company to expand its customer base to markets in West Asia and Europe.

2). Pfizer may buy ICICI Venture's veterinary drugs unit for approx \$ 50 Mn.

Pfizer has emerged as the frontrunner to acquire RFCL's animal health unit, Vetnex, in a deal estimated around \$50 million. This follows the ICICI Venture-controlled RFCL's move to divest its animal health business earlier this year. Other companies in the race include Sanofi Aventis and Virbac.

3). American Tower Corp eyes Independent Mobile Infrastructure

American Tower Corp (ATC), a standalone tower firm, is in talks to acquire India-based Independent Mobile Infrastructure (IMIL). The deal size is not yet disclosed. IMIL has presence in 10 circles with 400 towers, of which some 125 have tenants. It is estimated to be valued at around \$ 24 million.

4). Wadias to buy out Danone from Britannia for \$200-Mn.

Leila Lands, part of the Nusli Wadia Group, is to buy out **French** group Danone's stake in India based listed biscuits manufacturer Britannia Industries Ltd. for about \$200 million. The transaction, values Britannia at around \$ 810 million, a premium to the current market cap of nearly \$ 709 million.

The Wadia Group and Danone owned 25% each in Britannia through Associated Biscuits International Holdings, a London-headquartered company. This company, in turn, owns a nearly 51% stake in Britannia.

5). BG, CLP looking to acquire DLF's wind power business

India-based listed real estate firm DLF is looking to divest its wind power business, and potential buyers include **UK**-based BG Group and **Hong Kong**-based CLP Group. Other bidders include India based Adani Group, Essar Power and IL&FS. The sale of the business is part of DLF's plan to sell non-strategic assets to raise \$ 395 million to restructure debt.

Deals in making-Outbound

1). Cognizant in talks to buy London-based Pa Consulting for \$300-350-Mn.

Cognizant Technology Solutions is in talks with London-based Pa Consulting for a buyout deal valued at \$300-350 million. The preliminary discussions with the privately-held technology-led consulting firm come even as Cognizant is actively scouting for acquisitions in the European market. Cognizant is looking to strengthen its presence in the UK and Continental Europe, from where the company gets 20% of its revenue pegged at \$2.89 billion.

2). Honey exporter Little Bee to acquire a processing unit in Germany

India's largest honey exporter Little Bee is in advanced stage of acquiring a small honey processing firm of Germany. The small processing plant would fulfill the requirement of German retailers such as Metro and Norma for supplying packed and bottled honey. This is in continuation to its plans to infuse around \$ 60 million on setting up warehouse in Germany, the USA and the UK in next three years, eyeing a growth of over 80 per cent in export turnover by 2009-10.

3). Ennore Coke eyeing 90% stake in Australian coal mine for \$12-Mn.

Ennore Coke, a domestic manufacturer of metallurgical coke, is looking to acquire a 90% stake in Broughton coal mines of Australia, valued at about \$12 million and having estimated reserves of 30 million tonnes of coking coal. It was also exploring the possibility of picking up stakes in coking coal assets in New Zealand.

4). Kaashyap Technologies to buy 49% stake in US firm Logistics Solutions

Kaashyap Technologies plans to acquire up to 49% stake in Logistics Solutions, an US-based IT consulting company. The deal will be done through issue of Global Depository Receipts on a back-to-back basis in lieu of cash consideration amounting not more than \$6 million. In 2007, the India-based Kaashyap had acquired the consulting division of Logistics Solutions for \$8.5 million.

Deals Done-Inbound

1). Phoebus Merges With Vintec Electronic Systems

Two of the premier business partner firms for **Hewlett Packard** in India **Phoebus Technologies** and **Vintec Electronic Systems** have announced a merger to build a wide and strong business portfolio. The newly formed entity would be identified as Vintec Electronic Systems and will have a headcount of more than 100 and revenues worth \$ 7 million.

2). Daimler AG buys out Indian JV partner Hero Group for €16-M

Daimler AG will pay €16 million for the remaining 40% in its Indian heavy truck joint venture with local partner Hero Group. The two partners had originally planned to divide the investment in proportion to the size of their stakes.

Daimler would invest at least €700 million over four years to enter and eventually use the subcontinent as a bridgehead to other emerging markets.

3). Tech Mahindra wins bid to acquire majority stake in Satyam Computers at \$576-M

Tech Mahindra, the winning bidder for the scandal-affected IT Services firm Satyam Computer Services, will pay more than \$500 million for a controlling stake in the latter. It will pay \$351 million for a 31 % preferential allotment of new shares, and then make an open offer for a further 20% of the company at a cost of up to around \$225 million.

Tech Mahindra, 31%-owned by Britain's BT Group, edged out engineering conglomerate Larsen & Toubro, and private equity firm WL Ross & Co to acquire Satyam..

4). US software co. Selectica sells India subsidiary to DAX Partners for \$4-Mn.

San Jose-based Selectica has sold its Indian subsidiary Selectica India to DAX Partners, an affiliate of Trinity Management, a New York-based investment fund with a core strategy of making infrastructure and other investments in India, for \$ 4 million.

5). South African firm buys Cipla's distributor for \$228-M n.

Adcock Ingram, South Africa's leading healthcare group, will buy generics company Cipla Medpro South Africa (CMSA) for nearly \$228 million in an all-cash deal. The payment will be made in cash, with an option for shareholders to re-invest up to 25% in the new entity. While Cipla has no equity in Cipla Medpro, it has a 20-year supply agreement with the latter. CMSA has nearly 11% share in the South African generics' market.

Deals Done -Outbound

1). Tata Steel picks up 5% more stake in Australian mining firm for \$ 28 Mn.

Tata Steel has picked up a 4.99% stake in Sydney-based Riversdale Mining, which owns coal mines in South Africa and Mozambique, for \$ 28 million. It has steadily bought into Riversdale through its Singapore-based subsidiary Tata Steel Global Minerals Holdings.

2). Britannia buys out partner Fonterra's 49% stake in dairy JV

Britannia Industries has entered into an agreement with Fonterra Brands, Mauritius, for acquiring the latter's 49% equity and preference shareholding in Britannia New Zealand

Foods (BNZF), for an undisclosed amount.. With this acquisition, Britannia, along with its wholly owned subsidiary will hold the entire equity and preference capital of BNZF.

3). Jaisal Securities acquires Maldives-based Intek Systems for \$1.3 Mn.

Indiai-based Jaisal Securities has acquired Maldives-based enterprise software firm Intek Systems for \$1.30 million. Intek has specific products for sectors like hospitality, textile, retail, human resource, tourism, education and restaurant. Intek Systems has offices at Maldives and India.

4). Vedanta buys 9.5% stake in Canada's HudBay Minerals

Indian mining group Vedanta Resources has bought a 9.5% stake in Canada's HudBay Minerals. It has bought the stake involving 14.5 million HudBay shares for an undisclosed amount. The transaction was routed through a subsidiary, Lakomasko BV, a privately-held company based in Amsterdam.

5). Cadila invest's \$11-M in US biotech firm Novavax.

Ahmedabad-based Cadila Pharmaceuticals Ltd. has purchase \$11 million worth of shares in Nasdaq-listed biotech firm Novavax Inc. The latter will use this investment among others to pay a portion of its debt due in July 2009. Dr. Rajiv Modi, Managing Director of Cadila, will join the Novavax Board of Directors.

Cadila has also formed a joint venture with Novavax to develop, manufacture and market vaccines, pharmaceuticals and diagnostic products in India. Cadila, which will own 80% of the JV, will contribute approximately \$8 million over 3 years to support the JV's operations.

6). Banyan Tree acquires 10% stake in Trimax IT Infra

Banyan Tree Growth Capital Fund, a \$125 million mezzanine fund, has acquired a 10% stake in India-based IT infrastructure management services firm **Trimax IT Infrastructure & Services Ltd.** for an undisclosed amount, media reports indicate. The company employs 1,500 people across 40 locations in India.

Private equity Funding

1). Cobol Technologies raises \$ 30 Mn. from Pangea

Solar power firm Cobol Technologies, owned by Deepak and Ratul Puri of Moser Baer, has raised about \$30 million from Pangea Emerging Infrastructure Fund, in return for a minority stake.

2). Axious Investments picks up 4% stake in Quippo Telecom Infra for \$ 40 Mn.

Singapore-based Axious Investment is picking up a 3.8% stake in Quippo Telecom Infrastructure (QTIL). The deal size is estimated to be around \$ 40 million.

3). India Value Fund buys 51% stake in Inlogistics for around \$ 40 Mn.

India Value Fund (IVF) has acquired a majority stake in Innovative B2B Logistic Solutions (Inlogistics), a private container trains operator, for around \$ 40 million. The stake acquired was substantially more than 51%. Inlogistics commenced operations two years ago, and is India's first private container operator having covered over nine lakh railway kilometres and carried 7.5 lakh million tonnes. IVF manages over \$1 billion in the Indian market across like healthcare, media and entertainment and outsourced services.

4). Navis Partners picks up majority stake in Edutech for \$30-M

Navis Partners has invested \$30-M in for a stake of between 55-80% in Edutech, an Indian education company. Edutech offers tertiary, post-graduate and part-time executive programmes in fields such as finance, healthcare, hotel management and hospitality. The capital will be used to increase Edutech's number of campuses as well as curriculum offered. In 2008, it made \$11 million in revenues. The school currently has seven campuses across India.

5). Hospital management software firm Insta Health raises \$1-M from Inventus Capital

India-based Insta Health Solutions, a start-up providing hospital management software (HMS), has received funding of almost \$1 million from Inventus Capital Partners. Insta Health provides products and solutions accessible over the Internet. It has a special focus on smaller hospitals including those in Tier 2 cities and towns. The company aims to have revenues of \$ 40 million in the next 4-5 years.

6). Standard Chartered PE invests in Man Infra

Standard Chartered Private Equity (PE) has picked up an equity stake in construction services company, Man Infraconstruction Limited, by investing in the company. The deal details were not disclosed.

7). SBQ Steels raises \$ 28 million in PE funding from ADG Fund

India -based SBQ Steels Ltd has raised \$ 28 million of private equity funding from ADG Fund Ltd, **Mauritius**. SBQ Steels is promoted by the RKKR group. The company is putting up a \$ 223 million, 500,000-tonne project at the port city of Krishnapatnam, Andhra Pradesh, India to make special grades of steel.

Latest Policy Changes

1). Highlights of Annual Monetary Policy review by RBI

- ❖ GDP growth for 2009-10 to be around 6 percent.
- ❖ GDP growth for 2008-09 at 6.5-6.7 percent.
- ❖ Annual rate of inflation to be four percent by end of March 31, 2010.
- ❖ Consumer price inflation to be in positive territory this fiscal.
- ❖ Foreign currency convertible bond buyback limit increased to \$100 million from current \$ 50 million.
- ❖ External commercial borrowing ceiling relaxation extended.
- ❖ Current foreign bank policy to remain, review to happen once world economy recovers.
- ❖ Money supply growth for 2009-10 forecast at 17 percent.
- ❖ Government's market borrowing schemes will infuse liquidity worth Rs.1.2 trillion in first half of 2009-10

2). New investment rules for airlines come into effect

New rules governing operation of scheduled airlines which include fixing minimum levels of equity and barring any investment by foreign carriers, have come into effect by becoming part of the civil aviation regulations.

The new rules, to be applicable for new entrants in the sector, require that applicants for the scheduled airline permit, must have a minimum paid up capital of \$ 10 million and a fleet of five large aircraft, having a take-off mass of over 40,000 kg, when they begin operations. For each additional aircraft beyond these five, the company should put in additional equity of \$ 4 million. The airlines may not add to its equity base if it has reached the level of \$ 20 million.

3). RBI eases FCCB buyback norms further

The Reserve Bank of India has further eased norms for Indian companies to use their internal accruals for buy-back of their foreign currency convertible bonds, as corporate houses continue to queue up to buy back their foreign loans at a deep discount.

In its Annual Statement of Monetary Policy, the central bank has proposed to increase the total amount of permissible buyback of FCCBs, out of internal accruals, from \$50 million of the redemption value per company to \$100 million. The central bank has linked the higher amount of buyback to larger discount.

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