M&As in India – Trends and Evidence

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Abstract

This chapter reviews the evidence on various aspects of M&A activities to, in, and from a single large emerging market economy, India. The purpose and justification for focusing on exclusively Indian M&As is to be bring out a few of the special features of emerging economy M&As found in the recent literature as distinct from the general findings about M&As in the global context. Starting from a negligible base barely a quarter century ago, India now adds considerable deal volume and value to begin to matter in the global league tables. However, more than its growing importance, Indian M&As are important to study as repeated studies seem to indicate their success in a field where the average deal is known to be value-destroying. There is, therefore, value, in carrying out an enquiry of the extent of the success of these M&As and more importantly, of the possible reasons behind their performance. While the evidence is still preliminary and the explanations speculative in nature, the literature seems to suggest that Indian acquirers have a more strategic "complementary capabilities" approach towards acquisitions, tend to disturb the target management less, and appear to have greater success in combining complementary advantages between home and destination countries to obtain more efficient and competitive supply chains and product portfolios.

I. Introduction

Like much of its financial market activities, Mergers and Acquisitions (M&As) in India have been one of the several children of financial sector reforms that virtually began with economic liberalization in 1991. As a serious economic phenomenon, therefore, they are of reasonably recent vintage in India. And yet, with 388 deals amounting to nearly 65 bn USD in 2016, India accounted for about 10% of M&A value in Asia (ex-Japan). Though less than a fifth of China's M&A value, this was up 90% from close to USD 36 bn the previous year[2]. Of this nearly USD 31 bn, or slightly less than half, came from inbound acquisitions or FDI.

Given the steep rise of M&A volumes in India in the span of a decade and a half and the traditional research interest in M&As in the West as a key area of work in corporate finance, it is hardly surprising that the phenomenon would come under considerable scrutiny from finance researchers. Over the years, several aspects of Indian M&As have been analysed threadbare. This chapter presents an overview of this literature. A recurring theme in much of the empirical strategy and finance research investigating Indian M&As is the relatively strong performance of Indian M&As in the face of generally depressing evidence of M&As worldwide. This, in turn, has spawned interest in trying to understand what the Indian acquirers are doing right, though at this stage, that investigation is yet to move beyond

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the speculative phase where features observed in hindsight are offered as probable explanations of the positive results.

To get a sense of the relative scale of domestic and cross-border acquisitions (CBA) in either direction connected to India it is useful to turn to Erel et al (2011) who analyse a large sample of CBA around the world. Their merger sample is taken from Security Data Corporation's (SDC) Mergers and Corporate Transactions database announced between 1990 and 2007 and completed by the end of 2007 and excludes LBOs, spin-offs, recapitalizations, self-tender offers, exchange offers, repurchases, partial equity-stake purchases, acquisitions of remaining interest, and privatizations, as well as deals in which the target or the acquirer is a government agency, or in the financial or utilities industry. Finally, they drop deals from countries with incomplete stock market data between 1990 and 2007. Table 1 below (table 1 of Erel et al (2011)) shows the matrix of acquisitions in their data with the figures for India highlighted.

[Table 1 about here]

India has had, in that dataset with the above restrictions, 764 domestic mergers, 473 outflows (Indian acquirers, foreign targets) and 637 inflows (foreign acquirers, Indian targets). Among the acquiring countries, the USA came first by a significant distance (233; close to half the total inflows) with UK a distant second (101; slightly below the quarter mark). Germany, France and Switzerland made up the next rung with 43, 39 and 28 respectively. The targets for Indian acquirers also came largely from the same nations – USA (173), UK (82), Germany (29) and Singapore (22) being the top four destinations.

Figure 1 summarizes the M&A flows in India post 2007. The first panel of Figure 1 shows the evolution of the three different kinds of M&A activity using Grant Thornton Deal Tracker data. The second panel provides the global M&A volume growth data from Statista database for reference. The second panel clearly brings out the cyclical nature of the global M&A activity, while the first panel seems to indicate quite a different pattern.

[Figure 1 about here]

Our objective here, to provide a broad overview the research related to Indian M&A, necessitates summarizing the key findings from the vast literature on returns to mergers and acquisitions if only to provide a background for understanding the Indian situation. The major takeaways from the global M&A research include the following:

(1) Mergers come in waves;

(2) Industry shocks and deregulations are key drivers of mergers and acquisitions;

(3) Acquirers lose, targets gain on announcement of deal, with the net effect positive on average;

(4) Long-run (3-year) post-merger abnormal returns are negative on average;

While acquisitions are presumably made in the hope of creating value, in the US in the short-run (3-day period), markets penalize acquirers on an average by 0.7%, rewarding the target by approximately a 16 % rise (Andrade et al 2001). The asymmetric pattern actually worsens in the long run, with the acquirer's shareholder value falling by 3.8%, and the target's shareholder value rising by 23.8%. Many factors like the lack of expected synergies, winners' curse, agency issue, and overconfidence of the managers are held responsible for this (Jensen, 1986; Roll, 1986; Varaiya, 1988; Morck et al., 1989; Malmendier and Tate, 2008).

Between 1961 and 1993, the equal-weighted three-year post-merger abnormal returns for over 2000 US acquirers have been a full -5% while for the stock-financed acquisitions among them the figure has been -9%. Between 1980 and 1997 acquiring-firm shareholders lost about $32 billion in value on announcement of the acquisition. The merger wave during the late 1990s boom has been particularly harmful for shareholder wealth. Between 1998 and 2001, shareholders in acquiring firms lost around announcement the equivalent of 12% of the total amount spent on acquisitions (a total loss of $240 billion) as compared to the 1.6% loss (totalling $7 billion during the merger wave of the 1980s). The post-acquisition performance of these value-destroying acquirers has also been poor. In 5 years since beginning of 1998, an equal-weighted portfolio of these value-destroying acquirers yielded a return of about -53% when the monthly CRSP value-weighted index return was -5%. On an industry-adjusted basis, the buy-and-hold abnormal return for these acquirers has been around -14%.

The recent Indian M&A experience needs to be viewed in the light of these stylized facts. Recent research on the subject of M&A in India can be broadly classified into three categories – purely domestic acquisitions; M&A associated with FDI inflows; and the acquisition of foreign targets by Indian companies. Our review in the current chapter is also structured along those lines. The following section reviews the themes analysed in the literature about domestic Indian M&As; section 3 focuses on inward acquisitions by foreign acquirers; section 4 studies the opposite flow.

II. Domestic M&A activity

Several studies have examined various features of M&A in post-liberalization India. Pawaskar (2001), using a sample of 36 Indian mergers during 1992–1995found that a firm with above average industry performance acquiring a firm with lower than industry average profitability and size, does not lead to any profitability improvement. In other words, there is no evidence of the mergers creating a monopoly effect.

Agarwal and Bhattacharjea (2006) used a larger timespan, 1973–2003, to examine if industry shock contributes to merger activities. Identifying three sub-periods of merger activities in India – low intensity period: 1973–1988; moderate intensity period: 1988–1994; and high intensity period: 1995–2001, they demonstrated the clustering of mergers in a few industries in a wave.

Which firms are more likely to be involved in M&A activities? Kumar et al. (2007) analysed 227 acquirers and 215 target firms involved in mergers during 1993– 2004 focusing on their financial characteristics. They show that besides being larger firms, acquirers typically have higher cash flow, PE ratios, book value, liquid assets, and lower debt to total assets as compared to target firms. The cash flow and net profit of target companies were on average about 25% and 19% respectively of the acquirers. The difference was less marked with long-term debt where the target's figures were about 80% of the acquirer's. A drop in liquidity increased a company's chances of becoming a target.

Mathew (2007) examined the shareholding pattern of 500 Indian companies to analyze the prospects of hostile takeovers in the Indian M&A. She predicted a drop in hostile takeovers for three reasons. Dominant shareholding position of founding members; the burden of government approvals; and the provision in the Indian takeover code favouring promoters. Additionally, with higher growth in India, and rising share prices, cheap targets would be harder to find. This would be different, however, during the slowdown phase of the business cycle.

Agarwal and Bhattacharjea (2008) focused on the M&A regulations in India. Examining the Competition Act 2002 and its subsequent amendments, they felt that as the entry barrier to India reduced owing to the free trade and cross-border economic cooperation agreements signed by India, new foreign firms are likely to enter the Indian market through acquisitions, reducing potential domestic competition in India. In their view the ease of acquisition is likely to hurt innovation by small firms.

Looking at the impact of acquisitions, Beena (2008) analysed financial ratios of acquirers in India during 1995–2000. She found no improvement in profitability ratios of acquirers after the acquisition. The capacity utilisation ratio and R&D intensity seemed to decline after acquisitions. Acquirers typically raised dividends to win shareholder support after the acquisition. The financing structure also changed noticeably during the period with a decline in external funding confirming the "pecking order" theory of capital raising.

The stock market reaction to M&A is the place where the greatest deviation from global results are seen. Multiple studies (Chakrabarti, 2008; Zhu and Malhotra, 2008; Gubbi et al., 2010; Banerjee et al., 2014) suggest that unlike in the US, Indian acquirers experience a rise in market value at the time of acquisition. Using the data of Indian public acquirers during the period 2000 to mid-2007, Chakrabarti (2008) showed that Indian acquirers create shareholder value. Banerjee et al. (2014), however, found that Indian acquirers created shareholder value until 2007; the returns accrued to Indian acquirers were negative during 2008 to 2011.

The evidence in Chakrabarti (2008) tells a nuanced story. In close to 400 deals with Indian acquirers between late 2001 and mid-2007, 44% of them with foreign targets, the acquirers experienced, on average, a gain of close to 2% over and above the Sensex returns in the ten days following the announcement. The median value was above 1% with over 56% of the acquirers reporting gains. Clearly the Indian markets liked acquirers.

Was this optimism warranted? The faith the markets put on takeovers appear to be justified if we look at a relatively smaller sample of cases of completed deals between 2001 and 2004 for which data over a three-year post-acquisition window was available and where there is no other subsequent acquisition in that window that may complicate the story. Both the average and the median acquirer deliver returns in excess of an impressive 55% over and above the Sensex in the three years that follow the acquisition.

One explanation is the industry effect. If we measure the long-run performance of the acquirers against their respective industry indices rather than the Sensex – the statistical significance of the long-term over-performance disappears (though the average stays at a redoubtable 45%, there is just too much scattering across acquirers for the average to be meaningful). Thus, part of the puzzle lay in the of the acquirers' industry relative to the Sensex and has little to do with the acquisitions themselves. Acquirers in that sample have tended to come from "winner" industries.

This is, however, still an incomplete story. To answer the question whether the acquisitions added value we should ideally compare them with the counter-factual – did they do better than what would have happened if the acquirers had not made those acquisitions? This latter case is, of course, unobservable and hence the exercise cannot be done. But a stab at it may be made by looking at how well the acquirers were doing, relative to the market, prior to the merger and whether the deals improved or worsened their performance vis-à-vis the market index.

Here the results are somewhat surprising. Over the three years prior to the deal, these acquirers out-performed the Sensex by a whopping 109%. These were clearly the super-achievers who went shopping for targets in that period. Subsequent to the acquisitions, their level of market performance – measured by the extent of out-performing the Sensex – actually dropped to below half the previous level. The contrast is perhaps even more striking for the industry adjusted changes. Here, the pre-acquisition three-year average return, over and above the respective industry indices, is a statistically significant and economically meaningful 89%. Thus the contribution of the acquisitions themselves to the market performance of the acquirers is more than likely to have been negative. It is likely the acquirers would have done even better had they not gone for the deals.

Bhaumik and Selarka (2012) examined Indian M&As over half a century, 1954–2004 to analyze the impact of owner concentration on the post-M&A performance of firms. Their result suggests that the post-M&A performance of companies may improve if a significant portion of its ownership is in the hands of company directors but not in the case of domestic promoters holding the share.

Banerjee et al. (2014) considered the period 1995–2011. As in Chakrabarti (2008) they show that Indian acquirers created shareholder value until 2007; from 2008 to 2011, however, acquirers clocked negative returns. A more crowded space for acquirers could be the reason for the declining acquirer returns in Indian M&As.

III. Acquisition of Indian targets by foreign acquirers

The Indian M&A landscape has also witnessed several major acquisitions of Indian companies by foreign MNCs as part of their entry strategy into India. A few of the landmark acquisitions in this category over the years include the 2004 IBM takeover of the BPO service provider Daksh e-Services valued at between US $ 130 million and US $ 170 million. In 2007, the Vodafone Group first acquired the controlling interest of 67 per cent held by Li Ka Shing Holdings in Hutchison-Essar for US $ 11.1 billion and then bought out the remainder 33 per cent stake of Essar Group for US $ 5 billion. In 2008, Daiichi-Sankyo of Japan acquired, in two stages, the Indian pharma major Ranbaxy for US $7 bn.

US-India CBA pretty much started around 1995, rose steadily till 2000 and then declined post the dot.com bubble burst to recover its 2000 levels in 2006. Karels et al (2011), focusing exclusively on the US-India cross border acquisition activity in both directions, note that US firms suffer significant losses on the announcement of Indian acquisitions of Indian targets which realize significant gains on the announcement. The reverse is asymmetric. Publicly-traded Indian acquirers of US targets realize insignificant or significant positive returns on their announcement of acquisitions of US firms depending upon whether the targets are publicly traded or privately-held respectively. The gains for the publicly-traded US targets are insignificant. Table 2 (table 3 of Karels et al (2011) summarizes the results.

[Table 2 around here]

Nagano and Yuan (2014) have also studied the phenomenon of cross-border acquisitions of targets in China and India in the 1998-2006 period to draw a few interesting conclusions. They find that, as in industrialized countries, cash rich firms were the frequent targets. Also contrary to the US-India conclusion of Karels et al (2011) above they find that cross-border acquisitions to these countries (combined sample) contributed to an increase in acquirer's market value on announcement.

They use this evidence to argue that the acquisition mode of capital flow has positive effects particularly as opposed to crisis-inducing portfolio flows of the 1990s, and that FDI flows to China and India through the M&A route seem to provide better prospects to advanced country firms than their domestic targets as reflected in the standard M&A literature.

IV. The emergence of Indian MNCs

Of the three kinds of acquisitions, the outward ones, that is acquisition of foreign targets by Indian companies, has by far captured the maximum research interest. In the years since liberalization, a process that started in the early 90s, has effectively exposed the Indian market to foreign competition, gradually reducing the barriers to foreign investment in the country. Indian businesses, particularly large diversified Indian business groups, czars of their protected territories for decades, have been quick to realize that they have to change strategies to survive in the new setting. Some, like Reliance, have stuck to their "India play" leveraging their experience to take on the foreign competition in one of the fastest growing large markets of the world. Others, especially India's revered Tata group, have decided to define the viability of their business at a global scale and have launched upon aggressive globalization initiatives. And their global expansion drives have typically used the M&A route to rapidly create a global presence at times buying iconic global brands like the Tetley Tea or the Land Rover Jaguar of the UK or a steel giant like Corus much greater in size than its Indian acquirer. The outcome has been the quick emergence of a new generation of MNCs from Emerging Market countries, that has both made media headlines and become the subject of research in the finance, law and, more than anywhere else, in the strategy and international business fields.

Nayyar (2008) provided one of the earliest accounts of the new wave of outbound FDI and M&A. It underlined the new wave of emerging market FDI outflow by pointing out that the stock of outward FDI from developing countries shot up over 5 times from US$149 billion in 1990 to US$871 billion in 2000 and then slowed a bit to rise to US$1274 billion in 2005. The share of developing countries as a source of FDI rose from 8.3 per cent in 1990 to 13.5 per cent in 2000 and fell to 11.9 per cent in 2005. As a percentage of their GDP, the outbound FDI from developing countries climbed steeply from 4.3 per cent in 1990 to 13.4 per cent in 2000 and dropped marginally to 12.8 per cent in 2005. For India the rise was even more dramatic, particularly in the new millennium, from $124 million in 1990 to US$1859 million in 2000 and US$9569 million in 2005. India's share in the total stock of outward FDI from developing countries rose from a negligible 0.08 per cent in 1990 to 0.21 per cent in 2000 and 0.75 per cent in 2005. As part of India's GDP it grew from negligible in 1990 to 1.2 per cent in 2005.

The rise was perhaps even more impressive elsewhere. The count of MNCs headquartered in five selected developing countries – Brazil, China, Hong Kong, India and Korea – increased from 2681 in the early 1990s to 14,762 in the early 2000s, by as much as 451%. The corresponding rise for developed countries was a far modest 47%, from 34280 in the early 1990s to 50520 in the early 2000s. A revealing statistic even after taking into account the base effect. The climb for India was even more dramatic, from 187 in the early 1990s to 1700 in the early 2000s, over eight-fold.

The vehicle of choice of this outward FDI, of course, was acquisitions. During 2000-2005, total sales (inbound acquisitions) were US$10.9 billion and total purchases (outbound) were US$8.2 billion. In two of the six years, purchases outstripped sales.

Manufacturing was the key sector accounting for over 40% of deals (pharmaceuticals, automotive, consumer goods, chemicals, fertilizers and metals) while services made up 30% (information technology, software, and business process outsourcing). 80% of targets were industrialized countries, with a third coming from the United States and UK each, and two-fifths from Europe.

International acquirers were concentrated too. During the period 2000-2006, just 15 Indian made 98 out of 306 acquisitions. Their motives could be ascribed as market access for exports, horizontal or vertical integration, delivery of services, capturing international brand names, access to technology, sourcing raw materials and global leadership aspirations. This had interesting sectoral patterns.

Market access for exports seemed to be particularly important in the pharmaceuticals sector and the automotive sector. Horizontal, in part vertical, integration was particularly important in the steel (Tata Corus) and chemicals sectors. Delivery of services seemed to matter most in information technology, computer software and business process outsourcing. The capture of international brand names (Tetley tea, Daewoo motors, Thomson SA, RPG Aventis) was particularly important in the consumer goods sector and the pharmaceuticals sector. Access to technology was key in energy and telecommunications as well as in semi-conductors and seed-technologies. The sourcing of raw materials, drove a large number of small acquisitions in copper, coal, coke and iron ore, mostly in Australia, as well as acquisition of shares in Petrobras in Brazil and the Greater Nile Oil Project in Sudan by ONGC, and the acquisition of Sakhalin oilfields in Russia.

But all this global acquisitive action raises the age-old question of M&A literature – do they create value for the acquirers? Gubbi et al (2010) has been the first to focus on this question. They explore the extent and determinants of this value creation using the time-honoured event study methodology to find that unlike a majority of acquisitions worldwide but in keeping with India's domestic M&A experience, Indian overseas acquisitions yield positive abnormal returns on average. Also returns are substantially higher developed country targets.

Gubbi et al (2010) explain these returns in the international context using organization learning and creation of dynamic capabilities. Building on Luo & Tung, 2007 they argue that Indian acquirers seek from developed country targets strategic assets denied to them at home by institutional and market constraints. The acquisitions are therefore part of a series of aggressive, risk-taking expansionary measures to achieve global competitiveness, often not path-dependent nor evolutionary. Capron, et al., 1998 argue acquisitions provide the easier way of getting these resources than the inefficient markets for such intangible resources. They argue that as Uhlenbruck, Hitt, & Semadeni, 2006 suggest these acquirers are pushed by liberalization at home threatening their survival, these firms use acquisitions as a short cut to capability. Hence foreign acquisitions provide a significant, tangible value for emerging economy firms outweighing many of its challenges.

The global competitive landscape is morphing in several ways with firms less inclined to repeat the value chain in each country, reconfiguring it instead globally in terms of where revenues are high or costs are low (Barkema & Drogendijk, Forthcoming). Our second finding relates to these increasing complementarities in value chain of developed and emerging economy businesses.

They also conclude that, unlike developed economy acquisitions, emerging economy firms derive benefit through completing globalization by leveraging on their low labor cost advantages to complement those provided by their developed market targets, in line with Capron and Pistre (2002) Chari, et al., 2007 and Wooster, 2006.

Their broad conclusion, therefore, is that foreign acquisitions by Indian firms are motivated largely by strategic asset-seeking considerations. This sits in contrast to the conclusion of Buckley et al. (2007) finding that Chinese FDI is largely market-seeking, risk averse, and directed to culturally close markets.

What helps Indian firms to venture out? Aulakh et al (2014) has inquired into the drivers of international acquisitions by Indian firms and argue that factors that help reduce perceived risks of overseas acquisitions play a critical role in getting acquirers out of the closet. Using a ten-year sample period, they show that prior experience of the CEO matters. Also companies with large controlling shareholding, typically by the promoters, are more likely to make overseas acquisitions. The presence of foreign institutional investor raises the chances too, presumably by helping companies to raise funds as well as knowledge about foreign targets.

These results add to the recent finding in Chinese and Indian contexts that state-owned or business group affiliated facilitates internationalization through FDI because the nature of their investors reduces the risks to the individual firm. They show that prior experience of the firm in international markets (i.e. export intensity), existing resources and capabilities (reflected in marketing and R&D expenditures), and presence of institutional infrastructure (by being affiliated to a business group) positively impact the propensity of firms to internationalize through acquisitions. This is also borne out in Gaur, et al 2014 who posit that business group affiliation plays a positive role in aiding a firm's internationalization from exports to FDI. Also larger and older firms from India are more inclined to pursue overseas acquisitions, in line with evidence on MNCs in developed markets. Finally, firms with lower financial leverage are more likely to venture out presumably given their greater ability to raise funds.

More recently Buckley et al (2015) have asked the question whether Emerging Multinational Enterprises are asset augmenting or asset exploiting in their acquisitive behaviour. Using a sample of acquisitions made by Indian MNEs, they find support for the conventional asset exploitation view. They conclude that the financial capabilities and the absorptive capacity of Indian acquirers have enabled them to undertake foreign acquisitions to acquire technology and marketing related strategic assets.

This availability of financial resources, they ascribe to late liberalization and the large home market size (Munjal et al., 2013), that allow many Indian firms to earn monopolistic rents. Thus, home market features have helped shape the firm-specific advantages of these acquirers (in line with Elango & Pattnaik, 2007; Tan & Meyer, 2010; Yiu et al., 2007) and help their bundling skills – some prior to internationalisation.

Buckley et al (2015) also find that Indian acquirers enhance foreign technological know-how to add to their own technological resources (Lall, 1983; Tolentino, 1993). The lack of their prior strong technological resources is also an outcome of market imperfections at home (Desai, 1972) which leads to the firm adopting catch-up strategies, where, as Gubbi et al (2009) asserted before, acquisition provided the quickest way to get the technology.

V. Towards a new M&A Paradigm? Lessons from a serial acquirer

The relatively substantial literature reviewed above explores various aspects of M&A in India. Its most important finding, appears to be the success of the act flying in the face of convincing evidence to the contrary worldwide. That is particularly remarkable given that both M&As are new to India and that the Indian economic and corporate practices are hardly known to be path breakers globally. While empirical findings have sought to decode the mystery behind the success of Indian M&As, the phenomenon has caught the imagination of management profession worldwide to the extent that in 2009 the *Harvard Business Review* featured an article (Kumar (2009)) boldly titled "How Emerging Giants are Rewriting the Rules of M&A".

Kumar (2009) uses the case study of the Indian aluminium major Hindalco to argue that emerging market acquirers are actually putting the received wisdom of M&A on its head and charting their own roadmap. He points out that at least half of mergers worldwide fail to deliver their projected business value. Companies from developing countries like India, however, are beating these odds. Using M&A as their primary globalization strategy they are succeeding at it more than their developed country counterparts. What is their secret?

A difference in strategic ***objective*** to start with, Kumar (2009) argues. While Western companies use M&A to promote efficiency or immediate growth through cost reduction, emerging country giants like Hindalco acquire companies for more strategic reasons, to obtain technologies, competencies, and knowledge essential for their strategy.

During the 2000s, Kumar (2009) points out, Hindalco made a series of increasingly bigger and far-off acquisitions, leading to sizeable cross-border deals. Each one helped it acquire new competencies essential to its goal of global leadership by expanding its aluminium business, climbing up the value chain of products, and expanding marketing reach around the world. These competencies were varied: perfecting acquisitions by selecting targets, negotiating, and integrating companies at home; turning around companies in trouble; operating businesses in developed markets; handling investor relations; and managing a global supply chain. In operations, they generally retain the existing management and workforce in the target firms helping integration.

Their key strategic approach towards finding the right "fit" for targets appeared to be identifying key weaknesses in the company and target companies acquiring whom could fill the lacuna. For instance, in 2003 Hindalco, an upstream player in a commoditized industry with variability in profits, decided to stabilize its profits by acquiring Indal in India, and Novelis in North America to add downstream operations (aluminium products) to its bouquet.

Given their clear long-term vision they are prepared to give the target time to pay off. On acquiring Novelis, Hindalco proceeded on integrating it at various levels at different pace. Financial integration happened quickly aligning financial-reporting periods, consolidated quarterly results, ensuring regulatory compliance. Organizational integration was gradual. The Novelis people top management stayed unchanged with Hindalco deputing just two executives (a risk-management executive and a logistics expert) to improve its global supply chain. In terms of business-process integration, Hindalco established a company in India to handle Novelis's IT systems, taking advantages of lower costs of engineers there.

Finally, for market integration, Hindalco projected a 100% rise in demand for aluminium products in India between 2007 and 2012 with half of that for the flat-rolled products of Novelis. It earmarked a third of Novelis's output in three years for India. It started supplying aluminium can manufacturers in India with flat-rolled aluminium from a South Korea Novelis plant. After the increase in volumes, Hindalco would set up a flat-rolled aluminium plant in India itself.

In seven years, Hindalco managed to leverage the acquisition to raise revenues from $500 million to $15 billion, emerging as the world's largest aluminium and aluminium-products producer.

While it may be risky to generalize from one case study particularly with hindsight, the article points to the preparedness of the management world to sit back and analyse the success of the acquirers from a relatively newcomer emerging market player, India, in how to get the difficult question of M&A right. Regardless of whether these traits identified here are common to much of the Indian acquirers or are exclusive to them, or even really causal determinants of the observed business success, it is undeniable that notwithstanding its still relatively small size by global standards, Indian M&As have been able to carve out a niche for themselves in the imagination of researchers and practitioners alike by dint of its unexpected success over the last few years. Only future can tell if this success is a structural or a transitional feature. Further research in the area is necessary to shed light on this phenomenon. Thankfully the global interest in Indian M&As seems to be adequate to spur such work.

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Table 1: Estimates of Indian M&A vis-à-vis other nations

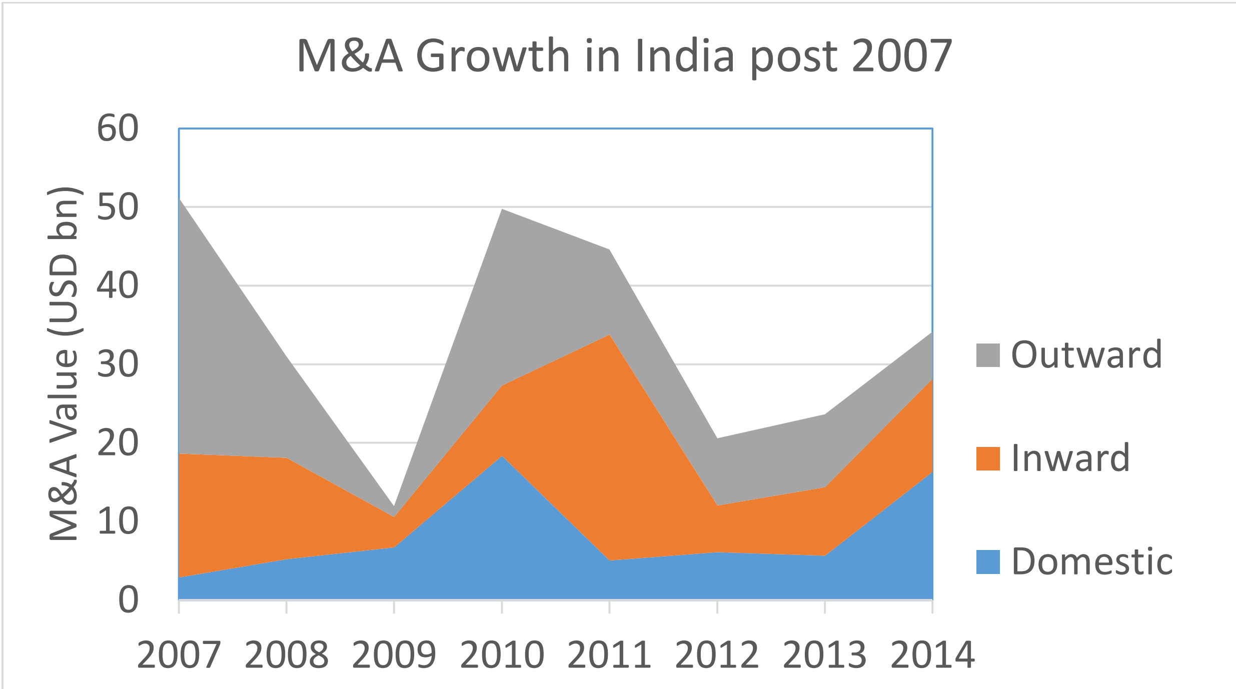
Acquirer Country

Destination	AR	AS	AU	BL	BR	CA	CC	CE	CH	CO	CT	CY	DN	FN	FR	GR	HK	HU	ID	IN
Argentina(AR)	201	1	4	4	30	42		13		1			5		57	1	1			2
Austria(AS)		341	4	8		19	1						19	7	35	3	1	2		2
Australia(AU)		3	4,875	7	2	145			1				20	7	62		43		5	16
Belgium(BL)		7	13	494		12							21	12	169	4	1			9
Brazil(BR)	40	3	14	9	565	48		15		4			14	6	94		3			6
Canada(CA)	1	10	59	14	7	6,220	1		8				12	11	112	2	16		3	11
Czech Republic(CC)		31	1	9	1	10	143				1		14	6	38	1	1	8		5
Chile(CE)	6		14	1	4	39		101					1	1	8			1		1
China(CH)	1	2	36	14	1	43			513				9	10	31	2	214		3	9
Colombia(CO)	1		2		3	17		3		37				1	8					1
Croatia(CT)		12									26		3		7	1		5		1
Cyprus(CY)						1						37			1	7				
Denmark(DN)		5	4	10		9			1		1	1	889	39	39	1	2			3
Finland(FN)		9	7	7		16							69	1,614	34		2	1		2
France(FR)	1	20	28	236	7	116			4				68	38	4,837	8	13	2		12
Greece(GR)			1	3		4						6			6	339				
Hong Kong(HK)			28	1		22			42				10	4	20	3	348		2	1
Hungary(HU)		28		4		3	2				2		2	5	28	3		136		2
Indonesia(ID)			10	1		15								1	2	1	9		98	4
India(IN)		5	24	3		15			1				5	2	39		8		1	764
Ireland-Rep(IR)		1	5	4		8							6	1	18	2	2			4
Israel(IS)			2	2		10							3		8		1			1
Italy(IT)		24	17	23	6	24			3				24	19	236	13	10	1	1	10
Japan(JP)			1	5		6			4				4	2	31	3	12		2	1
Luxembourg(LX)		1		16											8	2				
Malaysia(MA)			17			6							6	2	7		17		2	2
Mexico(MX)	2		4	3	6	116		4	1	2			8	2	24	3	4			
Norway(NO)		3	4	5	2	8						1	102	55	27	1				1
Netherlands(NT)		16	26	95	5	44		2	1			1	36	27	122	3	9	1		9
New Zealand(NZ)		2	302	1		41			2				4	3	8		5		1	2
Peru(PE)	1		2	1	3	54		6		1						1	1			
Philippines(PH)			10			9									6		5			
Poland(PL)		9	1	11		12	4				2		26	16	45	3		5		6
Portugal(PO)		1	3	5	5	5		1					8	1	44	1	1	2		2
Russian Fed(RU)		4	2	7		24	2					8	9	23	10	5		3		2
South Africa(SA)			36	2		35							4	4	23	2	3			7
Singapore(SG)			28	1		7			1			1	7	4	16		35		10	22
South Korea(SK)		2	3	4		10			1				4	1	27		4			2
Spain(SP)	2	6	8	32	4	27		5		2	1		44	8	296	8	3			7
Sweden(SW)		9	10	14		24							176	198	67	3	5			4
Switzerland(SZ)		43	9	31		20			1		1		38	15	122		5	1		7
Thailand(TH)			5	2		2			1				2	1	9		10		1	7
Turkey(TK)		1	1	6		4						1	2	3	16	5	1	2		
Taiwan(TW)			4			5							2	1	5		11			
United Kingdom(UK)		29	177	91	2	305	3		1		2	4	158	66	485	17	60	2	2	82
United States(US)	10	36	392	121	35	2,752	1	8	34	6	1		128	130	719	28	95	1	10	179
Venezuela(VE)	1			1	4	22		1					2		11					
Germany(WG)		234	42	105	6	80	5	2	5		1		124	134	454	13	20	3	2	29
Total	66	557	1,360	919	133	4,236	19	60	112	16	12	23	1,199	866	3,634	150	633	40	45	473

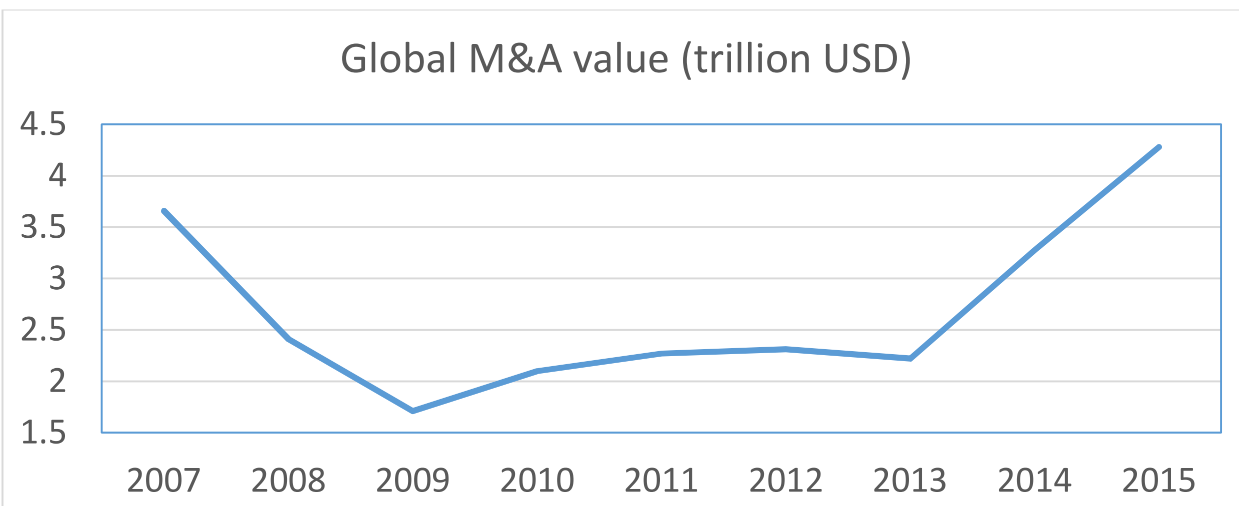
Destination	IR	IS	IT	JP	LX	MA	MX	NO	NT	NZ	PE	PH	PL	PO	RU	SA	SG	SK	SP	SW	SZ	TH	TK	TW	UK	US	VE	WG	Total
Argentina(AR)	6		17	4			16	1	28	3		1				2			54	5	14	1			58	243	4	22	640
Austria(AS)	7	1	25	7	8		1	7	25				2	1		2	1		5	19	33		1		52	84		255	637
Australia(AU)	24	6	8	69	2	51	1	10	64	145		5		1	1	58	75	5	5	40	47	2	1	2	430	812		63	2,238
Belgium(BL)	16	2	17	24	5			9	206	1			1	3	1	6	1		9	30	18		1		148	197		79	1,022
Brazil(BR)	8	8	41	18	6		19	9	28	3				35		4	5		52	16	22		1	1	58	388		60	1,038
Canada(CA)	13	9	19	58	11	4	4	13	54	5	1	3			1	9	1	3	6	34	56			4	328	2,516	1	80	3,500
Czech Republic(CC)	6	1	7	3	3			9	25				8		6	1			8	16	23				47	77		76	442
Chile(CE)	1		4	1			7	6	10	5	3		1	2					21	3	1			1	13	82	1	8	246
China(CH)	1	2	13	53	1	27	1	6	19	3		3				2	120	34	6	11	10	4		19	58	301		22	1,091
Colombia(CO)				4	2		10		1	1	2					2			13	3	4				6	35	1	1	121
Croatia(CT)		1	4	1					2										1	1	2				8	4		6	59
Cyprus(CY)															1						1				2	1			14
Denmark(DN)	11	3	11	8	2	1		94	38				1		1	1	4		4	198	28				117	173		80	890
Finland(FN)	22	2	11	23	4			53	24						7	1	5		11	281	31	1	2	1	60	147		41	874
France(FR)	27	13	164	97	28	1	1	22	209					8	2	6	5	2	87	116	154	2		1	708	970		434	3,610
Greece(GR)			7	1	2			1	6				1	2						3	5				15	18		9	90
Hong Kong(HK)		4	2	30		73			6			2				4	80	8	2	4	7	3	1	4	67	170		14	614
Hungary(HU)	2	4	11	5	2			4	42				5		2		2		2	11	14		1	1	26	69		52	334
Indonesia(ID)			1	16		19		2	4			1				2	24	8		2	7	4	1		26	32		7	199
India(IN)	1	2	12	16		17		5	19			1	1		3	6	11	7	6	19	28	3			101	233		43	637
Ireland-Rep(IR)	354	1	3	5	1	1	1	6	10				1	1	3	3	2		2	5	5	1	1		265	172		15	555
Israel(IS)	1	160	2	1					3							3	1	1		3	3		1	1	26	171		12	256
Italy(IT)	9	9	1,633	29	16	2		7	98	1				2	5	5	2		38	60	65		1		233	428		164	1,585
Japan(JP)	1	3	1	5,698		1			16			1			1	2	1	12	2	11	8	1		9	46	259		42	488
Luxembourg(LX)			3		8				5	1								1	1	4	2				12	13		14	83
Malaysia(MA)		1	1	19		1,711	1	2	7	4		4			1	2	123	1	2	2	8			4	28	43		9	321
Mexico(MX)	4		6	7	1		188	1	18	3	1	1					2	1	35	10	8			1	33	320	1	18	650
Norway(NO)	2	2	5	3	4	2	1	688	30			1		1	1	2	1		2	193	21				103	130		26	739
Netherlands(NT)	60	9	29	39	9	4	2	18	1,512	2			2	2	1	9	3		16	66	47	1	2	3	441	436		228	1,826
New Zealand(NZ)	7			19		13		2	14	570		1				6	13	2		5	7	3			71	140		6	680
Peru(PE)						2	3		2		39								5		3				7	30		1	123
Philippines(PH)				11		10	2		1			115					12	1	1	2	2				13	32		2	119
Poland(PL)	12	3	19	2	13			16	39				227	4	2	2	1	2	13	23	10				57	76		63	497
Portugal(PO)	2		11	2	1		1	4	13					246					72	12	12				51	40		20	320
Russian Fed(RU)	2		11	3	9			14	18	1			6		526				4	25	15		3		59	83		30	382
South Africa(SA)	3	1	7	11	4	5		2	11	2		1		2	1	790	3	1		15	15			1	170	113		36	520
Singapore(SG)		2	5	25		98		10	8	1		1				3	614	2	1	9	7	9		6	42	116		15	492
South Korea(SK)		4		30		2	1	2	10						1	1	6	631	2	3	8			2	27	107		30	294
Spain(SP)	10	4	121	29	2		6	15	133				1	60	1	1	1		1,896	60	35				271	287		169	1,659
Sweden(SW)	10	4	11	23	9	1		182	65				1		1	2	3		2	1,558	31			2	218	288	1	99	1,463
Switzerland(SZ)	10	15	36	16	6	3		8	49				1	2	5	4	6		4	45	794			2	103	261		311	1,180
Thailand(TH)			1	36	1	23		1	6	2		1	1			2	37	1		3	2	194		4	22	40		9	232
Turkey(TK)	2	2	10	2		1			9					1	4	1			3	4	2		72		27	33		27	170
Taiwan(TW)		1		13		2			2								21	5		4	1	2		130	10	82		10	181
United Kingdom(UK)	410	20	92	173	21	21	2	89	313	14		1	2	8	10	86	42	9	43	206	126	7	2	5	15,196	3,122		443	6,753
United States(US)	316	169	146	827	28	24	73	86	453	28		13	1	5	21	75	104	54	91	351	358	9	5	68	3,073	66,948	5	817	11,886
Venezuela(VE)			5		1		2		2										7		5				8	49	16	1	122
Germany(WG)	38	16	128	111	40	8	5	42	443	1		10	6	3	5	18	11	11	37	194	375	1	5	3	724	1,611	1	5,771	5,106
Total	1,044	324	1,027	1,874	242	416	160	758	2,588	226	7	51	41	142	90	333	729	171	675	2,127	1,686	54	29	145	8,468	15,034	15	3,969	56,978

Source: Erel et al (2011)

Figure 1: Growth in M&A in India post 2007



Source: Grant Thornton DealTracker (various years)



Source: IMAA Statistics