

Cash-rich Indian companies on acquisition trail in Europe

A string of recent big-ticket acquisitions and takeover moves — from Romania to France — is changing the profile and face of India in Europe. Although India-born Lakshmi Mittal's \$22.5 billion takeover bid on Arcelor continues to hang in balance, India Inc. is eyeing takeover opportunities in Europe like never before.

It is no coincidence that two of the biggest acquisition deals struck by Indian companies in the current calendar year were in the European market, with companies little heard of before rising from the shadow in recent months to take over European companies in areas like drugs, energy and chemicals.

The latest to join the acquired list is Romania's generic major Terapia SA which has been scooped up by Ranbaxy, India's largest generic drug maker, for \$324 million. This acquisition followed its buying up of GSK of Italy's unbranded generic business.

Wind turbine maker Suzlon Energy recently bought Belgium-based Hansen Transmissions International for \$565 million in an all-cash transaction.

Suzlon's acquisition of the world's second largest maker of wind turbine gearboxes has made it the second-largest foreign corporate takeover by an Indian company in the current year.

Earlier this year, Indian drug major Dr. Reddy's Laboratories surprised the stock market by acquiring German generic drug maker Betapharm for a staggering \$570 million to expand presence in the European market. The deal followed other major acquisitions in the pharmaceutical space last year, including Matrix Laboratories' takeover of Belgium's Docpharma and Wockhardt buying German drug maker Esparma for \$11 million.

Videocon Group, a leading Indian electronics goods maker, inked a major takeover deal in June last year with the television tube making business of France's Thomson SA for 240 million euros (\$290 million). The acquisition of Thomson's television tube making business strengthened the international expansion strategy of Videocon, which competes with South Korea's LG and Samsung in the consumer electronics and white goods market in India.

The deal also allowed the group to develop its global manufacturing base through the integration of Thomson's four major tube manufacturing plants that together employ around 11,500 people. The four plants are located at Foshan and Dongguan in China, Mexicali in Mexico, and Piaseczno in Poland.

Bangalore-based contract manufacturing firm Kemwell Private Ltd. said last month it had bought Pfizer's production plant in Uppsala, Sweden, for an undisclosed sum. The acquisition is expected to be completed by April.

Tata AutoComp Systems Limited (TACO), an auto component products and services provider arm of India's diversified conglomerate Tata Group, in August last year acquired the business and assets of a German automotive components supplier.

TACO said it acquired the business and assets of Wündsch Weidinger, which produces functional plastic parts and systems for the automotive industry, as well as its 270 employees. The German firm's customers include Audi, Bentley, BMW, Daimler Chrysler, Volkswagen and Volvo.

Analysts said the string of acquisitions in the European market in recent months were helped by spiralling Indian industrial earnings on the back of a booming economy and a blistering stock market rally.

"For the Indian corporate houses, the world has truly become their playing field. Acquisition has become the key business strategy for expansion in the overseas market," said D.H. Pai Panandiker of the think tank, RPG Foundation.

"Europe is a big market for a vast spectrum of industrial sectors. The companies that want to have a global footprint will not like to ignore such a huge market at any cost," Panandiker said.

While the economy was poised to expand by 8.1 percent in the year that ended on March 31, making it one of the fastest growing economies in the world, the benchmark share market index has risen over 15 percent in the current year so far.

Foreign institutional funds, which provide crucial support to long-term rally in the Indian capital market, pumped in a record \$10.7 billion in the market in 2005 and have already bought shares worth over \$3.37 billion this year.

"The biggest change that has happened to the Indian corporate sector is the mindset change," said N. Srinivasan, director general of the premier lobby group Confederation of Indian Industry (CII).

"Indian companies are now acquiring firms of global scale to get proximity to the market they are targeting. There is an appetite to become global players by adding capacity, getting new technology and proximity," Srinivasan said.

And fuelled by this passion of establishing a global footprint, India's corporate firms were on an overseas shopping spree in 2005 like never before.

The past calendar year saw Indian companies striking as many as 100 acquisition deals in the overseas market by spending a total of whopping Rs.106.70 billion (\$2.37 billion). This compares with 60 acquisition deals worth Rs.76.50 billion (\$1.7 billion) in 2004, according to India Advisory Partners, a London-based database firm on mergers and acquisitions. The latest report shows that the total number of overseas acquisitions made by the Indian companies had touched a meagre 28 in 2002 and 49 in 2003. ■

RECENT ACQUISITIONS

- Ranbaxy Laboratories acquired leading Romanian pharmaceutical company Terapia for \$324 million in March.
- Indian wind turbine maker Suzlon Energy bought Belgium-based Hansen Transmissions International for \$565 million in an all-cash transaction in March.
- Hyderabad-based drug major Dr. Reddy's Laboratories acquired German generic drug maker Betapharm for \$570 million in February.
- Bangalore-based contract manufacturing firm Kemwell Private Ltd. bought Pfizer's production plant in Uppsala, Sweden in February.
- Tata AutoComp Systems Limited (TACO) acquired the business and assets of a German automotive components supplier in August last year.
- In August 2005, Sun Pharma bought raw materials in Hungary from Valeant Pharmaceuticals.
- Videocon Group inked a major takeover deal in June last year with France's Thomson SA for 240 million euros.
- Torrent Pharmaceuticals acquired Heumann Pharma Generics of Germany through its wholly-owned German affiliate Torrent Pharma GmbH.
- Matrix Laboratories announced plans to buy a 22-percent controlling stake in Belgium's Docpharma for 217 million euro in June last year.
- In April last year, Essel Propack, one of the leading makers of laminated tubes, acquired 100 percent stake in Britain-based Telcon Packaging.