

# **CORPORATE CATALYST (INDIA) PVT LTD**

(in joint venture with SCS Global)

Transaction Advisory >>

# MERGERS & ACQUISITIONS >>

Mergers and Acquisitions (M&A) refers to the buying, selling and combining of entities for the maximizing of corporate growth. M&A is not confined to amalgamations and buyouts but is also used for strategic transactions like joint ventures. With the objective of accelerating growth and increasing profitability, M&A is a popular option in the expansion plans of corporates.

## Key consideration in a M&A transaction:

- ❖ Product expansion
- ❖ Access to new markets and geographies
- ❖ Spread of risk
- ❖ Access to new technology
- ❖ Access to capital
- ❖ Business Synergies

## Process and timeline (selling a business)



## Key issues for M&A transactions in India:

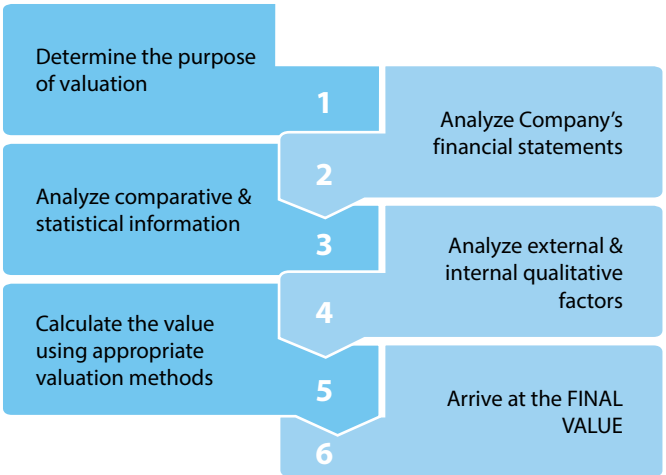
- ❖ Mismatch in expected valuations
- ❖ Equating the relinquishing of control with being sidelined
- ❖ Differing views on corporate governance
- ❖ Tax and structuring issues
- ❖ Cultural differences

# VALUATION >>

Valuation is the perceived value of a business at a given point in time. It plays a central part in any M&A transaction.

To arrive at a fair value of the Company, various valuation methodologies are used including Book Value Method, Market Approach, Discounted Cash Flow (DCF), etc.

## Typical Valuation Process



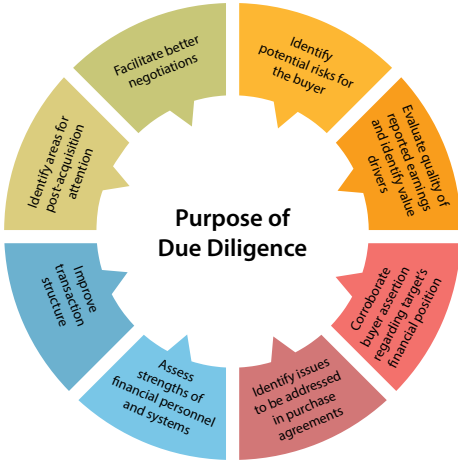
## Our valuation services are to meet the following objectives:

- 1. Valuation according to Indian Exchange control requirements:** Reserve Bank of India (RBI) guidelines require companies to get their shares valued at the time of issue or transfer of shares from a resident to a non-resident and vice versa.
- 2. Business Valuation:** Valuation of a business may be required for variety of purposes such as M&A, making an Initial Public Offer, for Employee Stock Option Plans, resolution of disputes, succession planning of business or voluntary assessment

In cross border M&A transactions, the negotiated business value must also meet the prescribed RBI guidelines which mandates a fair valuation of a company using globally accepted valuation techniques

# DUE DILIGENCE >>

Due diligence in M&A refers to the review of financial and tax records, besides verification of legal titles, disputes, etc. It helps to confirm all material facts relating to a proposed transaction and serves the following purposes:



ASA offers financial and tax Due Diligence services.

## Our Due Diligence process:

### I. PRELIMINARY DISCUSSIONS & REVIEW

- Define mandate - well defined & agreed upon scope of work
- Confidentiality of agreements
- Questionnaire & checklist shared with target

### II. ONSITE VISIT

- Data room access
- One on one meetings with management of the target
- Data collection & review
- Discussion & analysis

### III. REPORT

- Presentation of analysis & observations
- A summary of pricing and protection issues
- Limitations

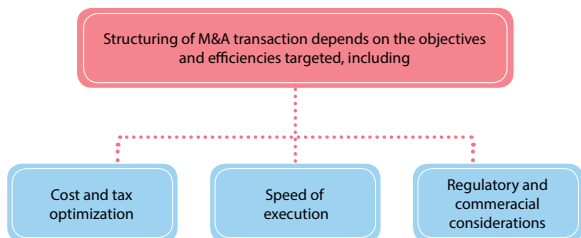
### IV. FINALIZATION

- Discussion on report with the investor
- Help determining warranties and indemnities in transaction documents

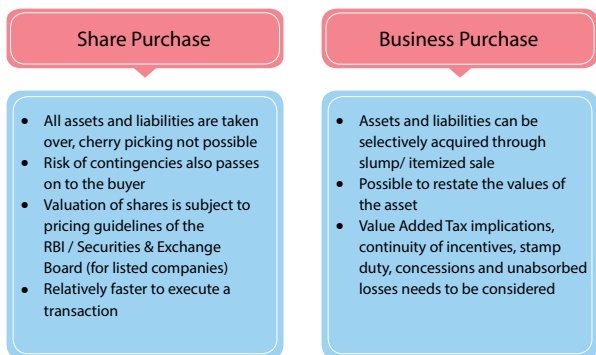
## Typical due diligence issues in Indian target companies:

- ❖ Sustainability of reported numbers
- ❖ Off balance sheet items
- ❖ Related party transactions
- ❖ Level of internal controls and reporting standards

# M&A TRANSACTION STRUCTURING >>



## A transaction for acquisition may be executed as:



# ALTERNATIVES TO M&A >>

## A. Fund Raising

| Private Equity   | Venture Capital  |
|--|--|
| Consists of privately organized investors or funds that invest directly into companies depending on nature of investment | Comprises HNI (High Net worth Individual's) and funds that focus investing in high potential growth startups, new business ideas |
| Investment tenure normally ranges between 5- 7 years   | Such investments are normally high risk investments and investing at initial stages of the business                              |

## B. Alliances / Joint Ventures (JV's)

| Equity  | Technology Alliances   |
|---|--|
| Companies contribute respective resources   | Entails sharing of technology in exchange of royalty, licensor doesn't share risks / rewards of the business |
| Resources may include monetary capital, technology, market expertise, etc.        | Can be used as a testing ground for any long term relationship   |
| Helpful for companies looking to penetrate markets outside their established ones |  |

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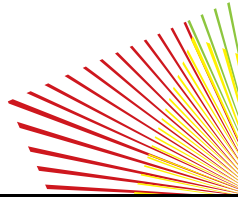
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Prepared by Corporate Catalyst (India) Pvt Ltd, a joint venture with SCS Global (under guidance of ASA & Associates LLP, chartered accountants)

**National Affiliates**

Chandigarh, Jaipur, Jammu, Kolkata, Lucknow, Ludhiana, Pune

**International Affiliates**

Australia, Austria, Belgium, Canada, China, Denmark, Egypt, France, Finland, Germany, Hongkong, Hungary, Indonesia, Ireland, Israel, Italy, Japan, Luxembourg, Malaysia, Mauritius, Myanmar, Netherlands, Norway, Philippines, Poland, Portugal, Russia, South Korea, Singapore, Slovenia, Spain, Switzerland, Sweden, Thailand, Turkey, UAE, UK, USA, Vietnam

\* This document has been prepared as a service to the clients. We recommend that you seek professional advice prior to initiating action on specific issues.