ASA

Going The Extra Mile

Transaction Advisory >>

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MERGERS & ACQUISTIONS >>

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)

4 weeks	Preparation of 'first look' documents (Teaser, Information Memorandum)
8 to12 weeks	Search for prospective buyers (long and short lists)
8 to 12 weeks	Negotiation / Agreement on Valuation and related matters
6 to 8 weeks	Due Diligence
8 to 12 weeks	Closing Activities

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

1. Determine the purpose of valuation
2. Analyze Company's financial statements
3. Analyze comparative & statistical information
4. Analyze external & internal qualitative factors
5. Calculate the value using appropriate valuation methods
6. Arrive at the FINAL VALUE

Our valuation services are to meet the following objectives:

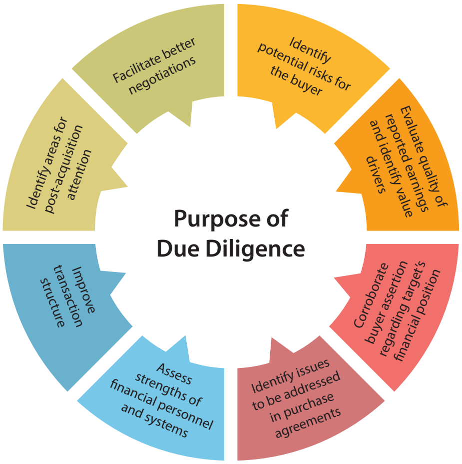
1. **Valuation according to Indian Exchange control requirements:** Reserve Bank of India (RBI) guidelines require companies to get their shares valued at the time of issue or transfer of shares from a resident to a non-resident and vice versa.

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 >>

Structuring of M&A transaction depends on the objectives and efficiencies targeted, including

- Cost and tax optimization
- Speed of execution
- Regulatory and commeracial considerations

A transaction for acquisition may be executed as:

Share Purchase

- All assets and liabilities are taken over, cherry picking not possible
- Risk of contingencies also passes on to the buyer
- Valuation of shares is subject to pricing guidelines of the RBI / Securities & Exchange Board (for listed companies)
- Relatively faster to execute a transaction

Business Purchase

- Assets and liabilities can be selectively acquired through slump/ itemized sale
- Possible to restate the values of the asset
- Goods and Services Tax implications, continuity of incentives, stamp duty, concessions and unabsorbed losses needs to be considered

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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