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Summary:

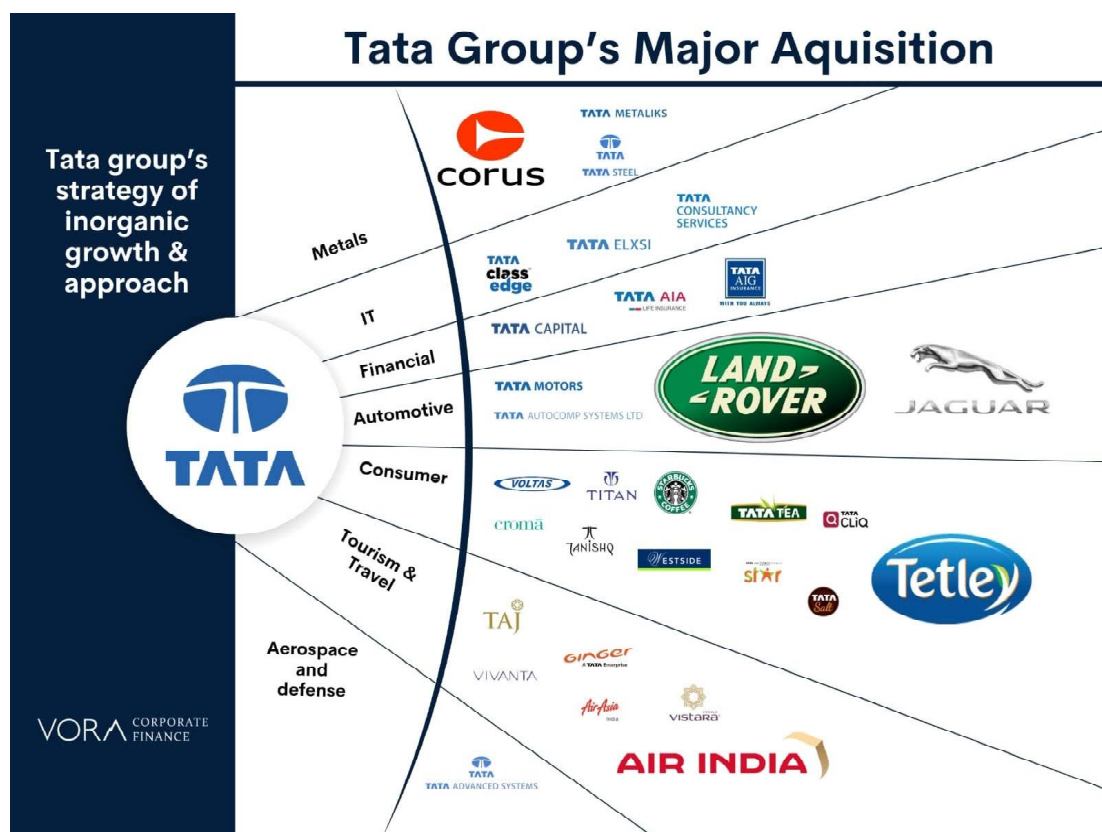
Tata group, started in 1868, is a global enterprise headquartered in India and is today India's largest conglomerate with operations in over 100 countries. Significant growth for Tata's came after 1991 when group chose inorganic route as a growth strategy and began to acquire number of companies. The group undertook various large global acquisitions like Tetley Tea, Corus Steel and Jaguar Land Rover etc in last three decades. We try to analyze some of the Tata group's key acquisitions, its approach towards this acquired companies and its experiences in this short case study. Other key PE Deals Even Healthcare raising \$30 million in Series A funding.

The BSE Sensex closed at 79,389.06 lower by -5.83% & the Nifty 50 closed at 24,205.35 lower by -6.22% in October 2024, amid geo political uncertainties and weak corporate results.

Mergers and Acquisitions (M&A) and Private Equity (PE) key deals:

M&A: Tata Group's strategy to focus on Mergers & Acquisitions for growth:

The Tata Group's growth from \$4 billion in 1991 to around \$165 billion in revenues in 2024 is a significant success story in the Indian corporate landscape, largely driven by the Group's strategic mergers and acquisitions (M&A) across various sectors and geographies under the leadership of late Shri Ratan Tata.



- **Tata Group of the 80s:**

In the 1980s, pre Indian liberalization, India was not open to foreign ownership of corporates, and hence available route open to foreign MNCs was to enter India through local Joint Ventures. Tata Group was India's largest and most diversified group at that time and became an obvious choice for large MNCs to enter the Indian market through JVs. This also gave Tata's edge over Indian competition and access to new products and technologies. However, post-liberalization of 1991, many of these foreign partners now could enter India on their own, which forced Tata to change its growth strategy.

- **Inorganic Growth as a Strategy and Tata's Approach:**

Ratan Tata took the reign of the group at a time when the group required someone to lead the charge and break the passive image of the group. He argued that Tata has always been and should be a pioneer and at the forefront of technology. He was a visionary and decided that Tata should be into cutting-edge industries and should focus on technological disruptions.

Tata's strategy focused on acquiring companies that would keep Tata Group in high-margin markets internationally. Tata Group's approach to acquisitions was a "feather touch" approach, which meant that the existing management was largely kept untouched and large-scale changes that generally follow M&A deals were to be kept to a minimum. Tata would only provide financial support and sometimes directional support to the acquired company. This strategy also meant that Tata was against Hostile takeovers as they would always expect the existing management to lead. (Indian businessmen, as if following Tata's footsteps, have still largely stayed away from Hostile takeovers to date). Lastly, Tata always saw acquisitions as a long-term strategic decision and entered only when the business aligned with Tata Group's philosophy and where Tata could create long-term value. Acquisitions were never financial decisions for Tata Group and

they were against acquiring, creating value, and exiting.

- **Acquisition of Tetley (2000):**

One of the earliest major global acquisitions by an Indian company, Tata Tea acquired the UK-based Tetley Tea, which positioned Tata in the international consumer goods market. The acquisition had synergies as Tetley purchased tea that was produced by tea plantations owned by the Tata Group. Also, the acquisition gave Tata access to an international branded market with high margins. Tetley turned out to be a success story and is today the second-largest Tea Company globally after Unilever.

- **Acquisition of Corus (2007):**

Tata Steel's largest purchase was, Corus, a European steel giant, which it acquired for a price of over \$12 Billion. Tata won the acquisition battle against

Brazilian company CSN and deal made Tata Steel one of the top 5 steel producers globally. The deal was struck at the time of the bullish steel industry. Cost synergies with Tata Steel due to advanced steel manufacturing technologies were also expected.

However, the Steel industry soon turned south with cheap Chinese steel hitting the market along with the global economic crisis which impacted demand. Tata's approach of feather touch also didn't help. Corus was a merger of a UK entity and a Dutch entity put together by a financial investor and the company required large-scale changes and a hands-on approach to be successful. The business was acquired by debt and started bleeding very soon. Corus was later absorbed by Tata Steel after multiple efforts to sell the British operations failed.

- **Jaguar Land Rover Acquisition (2008):**

In an iconic deal, Tata Motors acquired the luxury car brands Jaguar and Land Rover from Ford in 2008

for \$2.3 Billion in an all-cash deal. JLR had just made a £400 million loss in 2008 in the wake of the financial crisis but Tata realized that the company had a rich set of designs in the pipeline. Tata's feather touch approach meant that the Tata group kept the JLR management untouched and didn't impose Tata's management on it. Tata also supported JLR financially despite cash pressure on the group in the wake of multiple acquisitions and pumped over a billion pounds into JLR for research and other endeavors.

The approach worked perfectly and JLR became a rare example of a foreign turnaround story by an Indian corporate. JLR started posting profits from 2010 onwards and in 2024 has posted a profit of over £2.5 Billion. Apart from that, JLR technology and high-performance designs increased the success rate of Tata Motors launches considerably.

Interestingly, the JLR acquisition is also a story of sweet retribution. Earlier in 1998, Tata launched Indica, a diesel hatchback, and entered the consumer segment, but sales were dismal and Tata soon decided to sell off the business. Ford came up as a suitable acquirer and Tata flew to the US to meet the Ford chairman. Ford humiliated Tata and told them that Tata did not know anything about the passenger car division. Ratan Tata took the comment at heart and decided to focus even more. Fast forward to 2008, Ford was on the verge of bankruptcy in the wake of the financial crisis. Post all cash deals between Tata and Ford, the same Ford chairman thanked Tata publicly "You are doing us a big favor by buying JLR!"

• **Other Acquisitions & divestments:**

Tata made several other acquisitions directly or through group companies to rapidly grow the turnover and acquire technologies. Notable ones included truck maker Daewoo, the soda ash business of General Industries, Starbucks JV, multiple acquisitions by TCS, etc. Not the least, Air

India was also welcomed back in the group in 2021 after a gap of 90 years. (<https://vorafin.com/insights/ma-tata-group-to-acquire-100-stake-in-air-india/>)

At the same time, Tata Group also continuously rationalized businesses to free up capital and management bandwidth. Amongst the businesses to go were interests in cement, pharmaceutical, and paint businesses amongst others.

• **Financial Management & Social Commitment:**

Tata made sure that the group was always financially well managed despite cash outflows and debt burdens due to a string of acquisitions. An acquisition like Corus was a drag on the balance sheet for years after the acquisition due to adverse market conditions.

The financial strain became visible in the group post-2008 Lehman crisis, however, Tata's son's financial support and well-managed financial planning made sure that the group never faced an existential crisis.

At the same time, even in the most adverse times, Tata Group never left its roots maintained its reputation for ethical business practices, and stayed committed to people and social causes. This trust also facilitated easier access to financing and made acquisitions smoother, as stakeholders were often more receptive to Tata as an acquirer. Today, Tata Group is India's largest conglomerate with operations in over 100 countries and a market capitalization of over \$400 Billion.

PE:Even Healthcare raises \$ 30 Million in Series A funding round from Khosla Ventures

Transaction:

- Bengaluru-based startup Even Healthcare, has raised \$30 million (about Rs 252 Crore) in series A funding round led by Silicon Valley-based Khosla Ventures, along with participation from Founders Fund, 8VC and Lachy Groom among others.

About Even Healthcare Private Limited:

- Founded in 2020 by Mayank Banerjee, Matilde Giglio, and Alessandro Ialongo, the company operates as a managed care provider, offering members comprehensive healthcare services, including unlimited consultations, diagnostic tests, and cashless hospitalization.
- Even is a healthcare provider that offers 24/7, unlimited consultations with in-house clinical and wellness team to offer episodic care, lifestyle care and managed care to keep members healthy and out of hospitals. Members can access these services online (pan-India) or by visiting Even Clinics in Bengaluru.
- Members can also add optional OP group insurance (for external consultations and tests/scans) and IP group insurance (DayCare, 24-hour hospitalization, emergencies) on top of their Even Care plan. These services are offered through Even's insurance partner, Magma HDI.
- These services are provided through its in-house clinical team, owned and partner clinics, as well as insurance partners.
- The company currently has around 300 employees, with clients across India. The company is focusing on metro cities and tier-2 cities. "Delhi, Mumbai, Hyderabad and Pune are their main centres, apart from Bangalore itself.
- Even Healthcare is planning to open three hospitals in Bengaluru focused on secondary care.

About Khosla Ventures:

- Founded in 2004 by Vinod Khosla, a former general partner of Kleiner Perkins. Khosla Ventures is a private American venture capital firm based in Menlo Park, California.
- It is known for making early capital investments in startups such as Impossible Foods, Instacart, Affirm, DoorDash Square and OpenAI.

Rationale:

- The funds will be used to launch hospital operations in Bengaluru and scale up patient care & recourse processes. This round brings the company's funding till date to \$50 million with \$5 million in 2021, followed by a \$15 million round in November 2022.
- As per startup data intelligence platform The Kredible, the company has been valued at around Rs 753 Crore or \$91 million post-funding.
- In FY 2023-24, the startup reported \$9 million in revenue and expects to achieve cumulative turnover of \$35 million by the end of FY 2025, with its current run rate already at \$28 million.
- The development comes at a time when the Indian healthcare startup landscape is getting investors' attention. For instance, healthcare financing startup HealthCRED raised \$1.2 Mn in a seed funding round co-led by venture capital firms Antler India, TRTL VC and iSeedVC in August, whereas, healthcare startup Jivi AI raised funds from AI Fund, a venture studio.

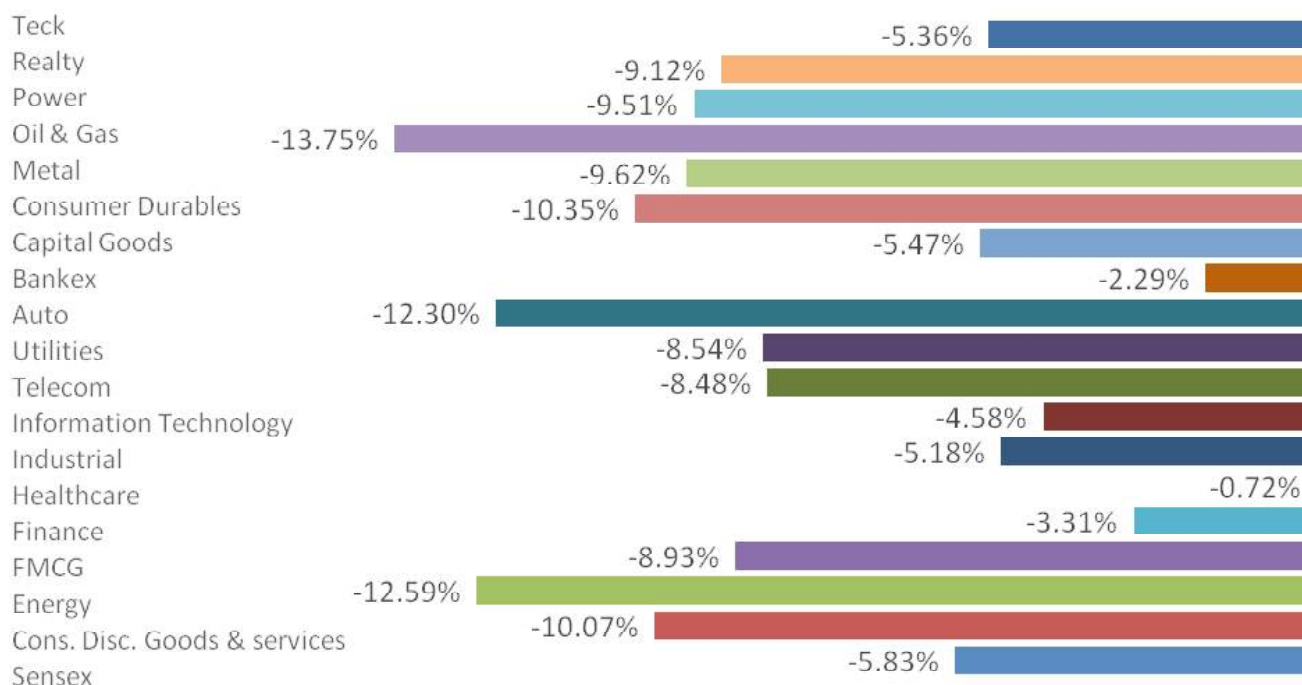
Secondary Market:

- The BSE Sensex closed at 79,389.06 lower by - 5.83% & the Nifty 50 closed at 24,205.35 lower by - 6.22% in October 2024, marking their worst monthly performance since March 2020.
- Indian stocks have been a leader for much of 2024 but corrected sharply in October, falling 7.3% in local currency terms, due to weak corporate results and global geopolitical uncertainties.
- Indian share prices experienced the biggest decline in the index amid fears of an escalation in the conflict in the Middle East which could lead to potential disruptions in the supply of oil, a key commodity imported by India.
- The declines in the retail and FMCG sectors highlight inflation's impact on discretionary spending, with consumers potentially limiting non-essential purchases. Shifts in consumer preferences and higher operational costs may also impact these sectors' performance.



Equity Markets	Sept-24	Oct-24	% Change
BSE Sensex	84,299.78	79,389.06	-5.83%
Nifty 50	25,810.85	24,205.35	-6.22%
BSE 500	38,227.64	35,738.11	-6.51%
BSE Healthcare	44,235.58	43,914.98	-0.72%
BSE IT	42,369.66	40,428.31	-4.58%
BSE FMCG	23,787.61	21,663.37	-8.93%
BSE Industrial	15,822.57	15,002.29	-5.18%
BSE Auto	61,050.69	53,539.83	-12.30%
BSE Teck	19,688.82	18,632.84	-5.36%

Performance of BSE Indices in % in October 2024



- In October, foreign portfolio investors withdrew a record Rs 1.14 lakh Crore from Indian equities, causing the Nifty 50 and S&P BSE Sensex to decline significantly. While, Domestic institutional investors mitigated the impact by purchasing Rs 1.07 lakh Crore.

Primary Market Update:

There were 07 main board IPOs in October 2024 of Godavari Biorefineries Limited, Deepak Builders and Engineers India Limited, Waaree Energies Limited,

Hyundai Motor India Limited, Garuda Construction and Engineering Limited, Diffusion Engineers Limited, KRN Heat Exchanger and Refrigeration Limited, as against 13 main board IPOs in September 2024. There were 05SME IPOs in October 2024 as against 07SME IPOs in September 2024.

Indian markets are seeing the best ever year for IPOs with a string of successful IPOs. This is because of bullish sentiments in market post pandemic recovery & deepening of investor base.

Hyundai Motor Company Limited:

About the Company	Established in 1967, Hyundai Motor Company is present in over 200 countries with more than 120,000 employees dedicated to tackling real-world mobility challenges around the globe. Hyundai Motor is accelerating its transformation into a Smart Mobility Solution Provider. The company invests in advanced technologies such as robotics and Advanced Air Mobility (AAM) to bring about revolutionary mobility solutions, while pursuing open innovation to introduce future mobility services.
Funds Utilization	Hyundai plans to continue its dedication to India, with plans to invest in new products, advanced technologies, and R&D capabilities. The company aims to localize the electric vehicle (EV) supply network in India, including battery systems, cells & drive systems, as part of its plan to pioneer future technology. Hyundai reaffirms its commitment to social responsibility in India, with initiatives like 'Samarth by Hyundai' campaign and the establishment of the Hyundai Motor India Foundation.
Concerns	Hyundai IPO is a complete Offer for Sale (OFS), and the proceeds of the sale will go to the selling shareholders, rather than to the company. This structure allows existing shareholders to exit, a practice some criticize. In secondary market transactions, companies do not make any additional revenue from the sale of shares, as they are simply transferred between shareholders.

IPO Performance The record \$ 3.3 billion IPO was over subscribed more than two-fold, led largely by institutional investors. The stock, listed at Rs 1,934 on NSE, below its offer price of Rs 1,960, & fell as much as 7.6% before closing at Rs 1,820. That valued the company at Rs 1.48 trillion (\$17.6 billion). The IPO valued Hyundai at 26 times its earnings for FY24, not far off Maruti's multiple of 29.

Funds Mobilization by Corporates (Rs. In Crore)

Particulars	Aug-24	Sept-24
I. Equity Issues	32,451	50,964
a. IPOs (i+ii)	15,464	16,213
i. Main Board	14,700	14,825
ii. SME Platform	769	1,388
b. FPOs	0	0
c. Equity Rights Issues	3,346	671
d. QIPs/PPs	12,282	21,483
e. Preferential Allotments	1,360	12,597
II. Debt Issues	79,857	1,29,017
a. Debt Public Issues	445	1,695
b. Private Placement of Debt	79,411	1,27,322
III. REITs/ InvITs	400	6,666
a. REITs	0	0
b. InvITs	400	6,666
Total Funds Mobilized (I+II+III)	1,12,714	1,86,647

Acknowledgements: RBI Bulletin (www.bulletin.rbi.org.in), SEBI (www.sebi.gov.in), NSE (www.nseindia.com), BSE (www.bseindia.com)
