



# Navigating M&A Landscapes: Insights from Recent Cases in India





# Broader Objectives of M&A Transactions

## Inorganic Growth

### Mergers

Horizontal

Vertical

### Acquisitions

Conglomerate

*Acquisition or merger of business to grow inorganically – enhancement of capacity, size, Financial Strengths/ Geographic expansion, Market Expansion/ Vertical Integration / **diversification**/ etc.*

## Unlocking the Value of unconnected business

### Demergers

### Hive-off/ Sale of Business

*Hiving off one or more business undertaking(s) to another company to enable focused business/ unlocking the value of hived-off business, strategic realignment of business/ leadership clarity etc.*

## Simplification of Group structure

### Capital Restructuring

### Mergers/ Amalgamation

*Reduce no. of entities/ Reduce complexity/ Remove the non-required entity/ Simplification of group structure/ shareholding structure/ reduce layering/ Family succession planning, control structure.*



# Inorganic Growth



# Composite Scheme of Amalgamation of HDFC Investments Limited and HDFC Holdings Limited with HDFC Limited and subsequent Amalgamation of HDFC Limited with HDFC Bank Limited



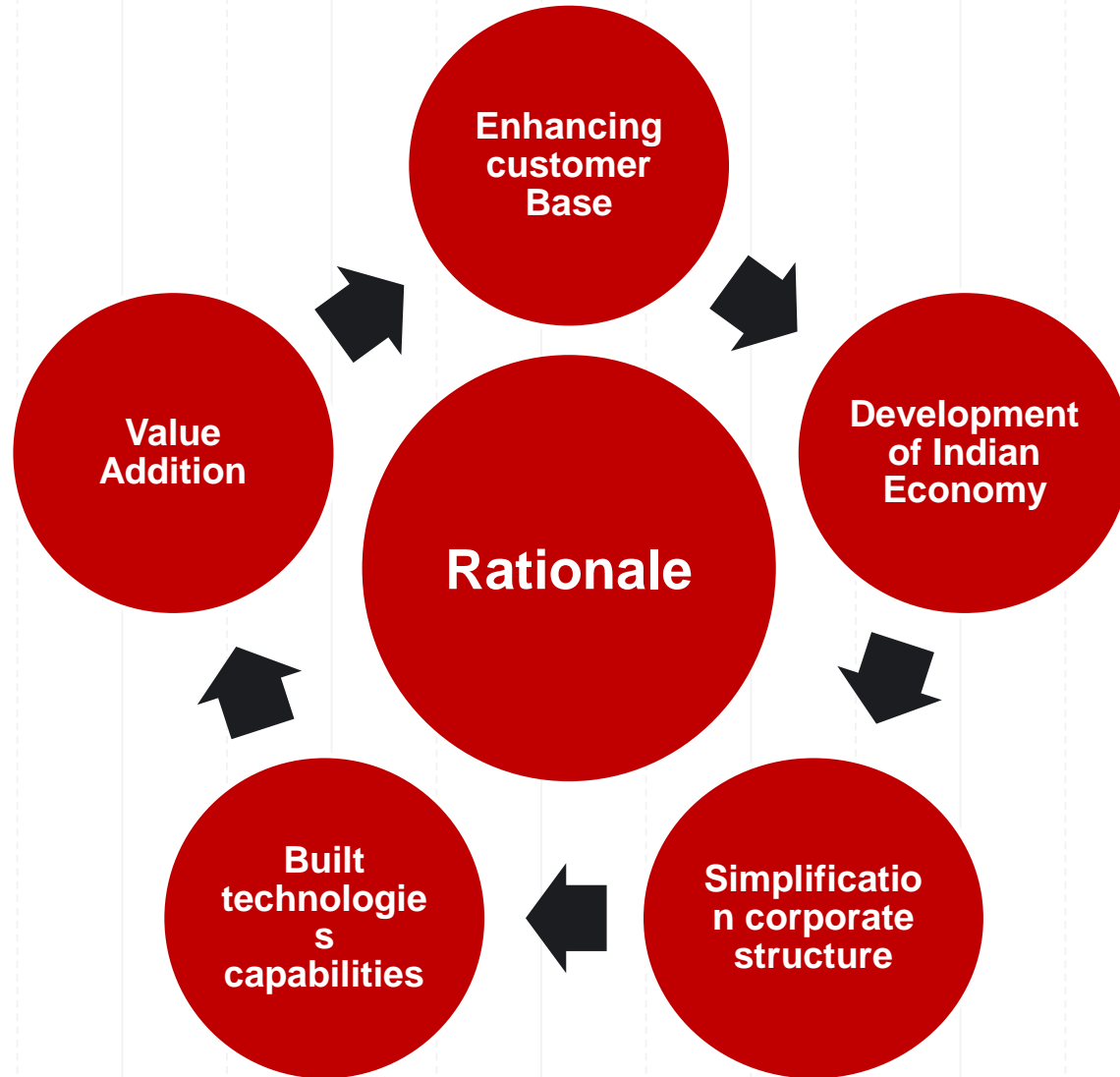
❖ HDFC Bank Limited had entered a Composite Scheme of Amalgamation wherein HDFC Investments Limited and HDFC Holdings Limited merged with HDFC Limited and subsequently, HDFC Limited got merged with HDFC Bank Limited.

❖ The merger of HDFC Limited with HDFC Bank, HDFC Bank has become the largest private lender in the country.

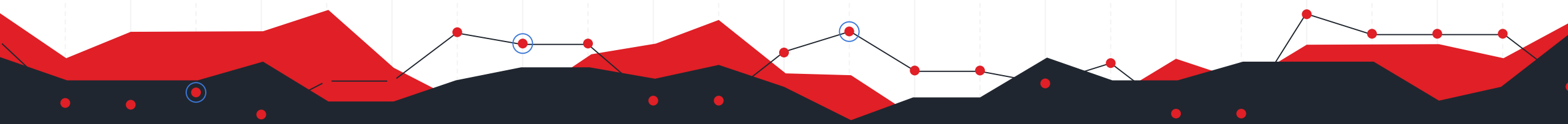
HIGHLIGHT



## BENEFITS & RATIONALE OF THE TRANSACTION



- ❖ Post Amalgamation, HDFC Limited's shareholding in HDFC Bank got extinguished and HDFC Bank is 100 per cent owned by public shareholders. Existing shareholders of HDFC Limited will own 41% of HDFC Bank.
- ❖ While this will improve the ability to cross-sell products to a larger customer base, the move will help them leverage their distribution across urban, semi-urban and rural areas.
- ❖ The HDFC Bank saw a net profit rise to approx. 16,000 crores in the September quarter from INR 10,600 crores a year ago.
- ❖ Prior to this merger, the market cap of the HDFC Bank was INR 7.3 lac crores which has been increased to INR 11.5 lac crores in the post merger scenario.



# Unlocking the value of unconnected business

# Demerger of ITC Hotel Business from the ITC Limited



- ❖ ITC Hotels plans to issue equity shares directly to ITC shareholders, ensuring a 60% stake in proportionate to their ITC shareholding, while the remaining 40% stays under ITC's ownership;
- ❖ In essence, current ITC shareholders will retain full ownership of ITC Hotels, with 60% held directly and the remaining 40% through their shareholding in ITC;
- ❖ Consequently, share entitlement ratio need not be determined based on fair valuation of the companies;

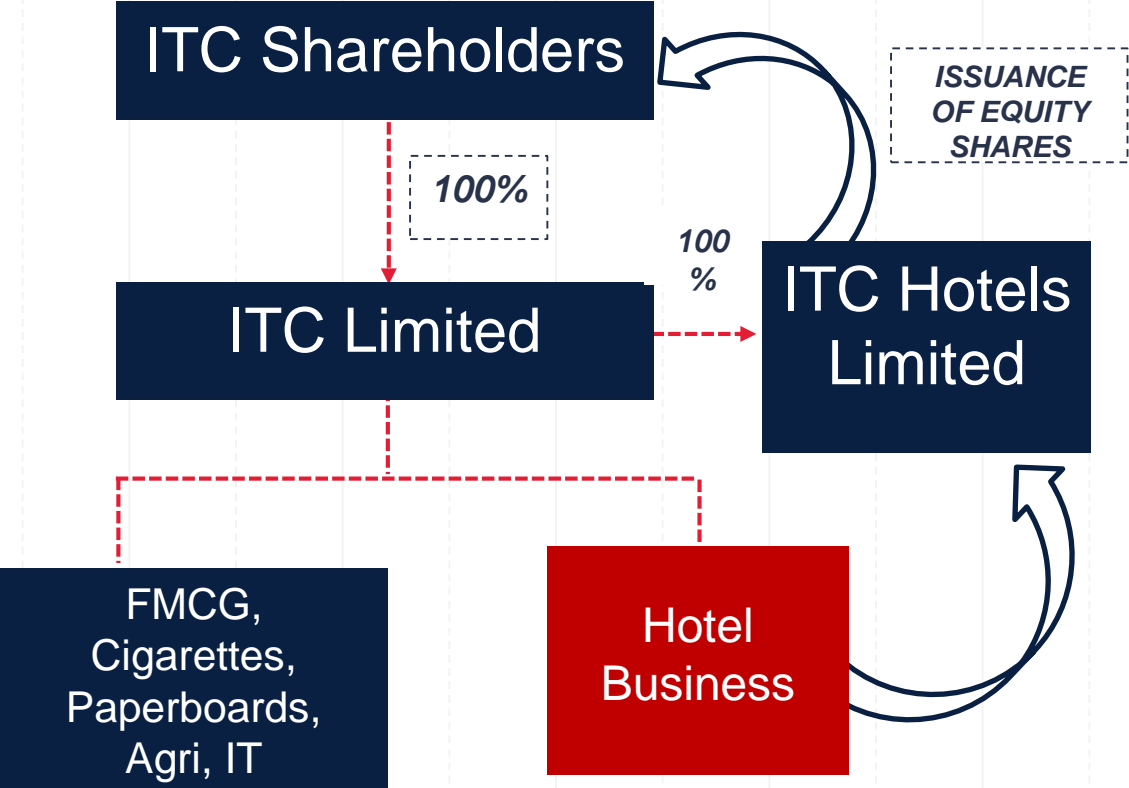




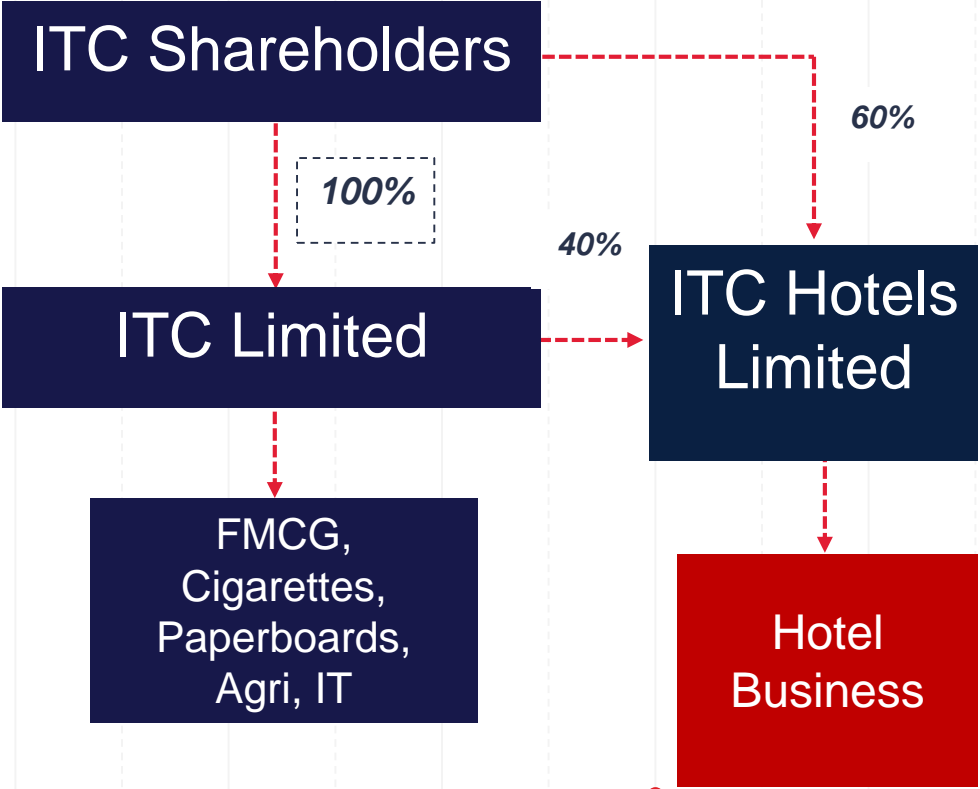
# PROPOSED & RESULTANT STRUCTURE OF THE TRANSACTION



## Proposed Transaction



## Resultant Structure







## RATIONALE OF THE TRANSACTION

- ❖ Hotels Business has matured over the years. It is well poised to chart its own growth path as a separate entity
- ❖ Creation of a separate Pure Play Hotels entity to enable crafting the next horizon of growth & sustained value creation for shareholders
- ❖ New entity would operate with an optimal capital structure, with the ability to access equity / debt markets for funding growth requirements
- ❖ Unlock Value for ITC shareholders
  - Direct stake to existing ITC shareholders in a pure play Hotels entity;
  - Independent market driven valuation of focused new entity;
  - Continued access to cross synergies;



# Demerger of “Financial Services Business” of RIL into its WoS and subsequent change of name to Jio Financial Services Limited



Reliance  
Industries Limited



Jio

- ❖ RIL has demerged its financial business arm having value of INR 65 crores to Jio Financial Services limited (“Resultant Company”).
- ❖ Resultant Company allotted its equity shares to the shareholders of RIL in ratio of 1:1.
- ❖ The difference between the issue price and the face value of equity shares to be issued and allotted by Jio has been recorded as securities premium.
- ❖ Jio financial services got listed on BSE and NSE pursuant the Scheme.

HIGHLIGHT



## BENEFITS & RATIONALE OF THE TRANSACTION

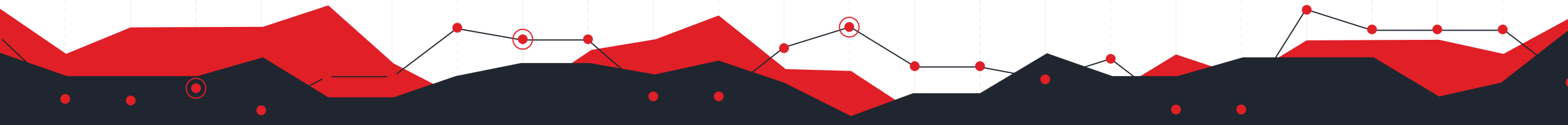
### ❖ **Unlocking of value of the business:**

- Prior to the transaction, the market cap of RIL was 15 lac crores.
- While the market cap of the Resultant Company is 1.4 lacs crores.
- Post Demerger, the combined market cap of both the entities as on date is approx. 17 lac crores.

### ❖ **Demerging allows the financial services business to operate independently, thereby making Jio Financial a true fintech which will house financial business, insurance business, AMC, Broking and modern fintech businesses.**

### ❖ **The demerger has also opened an opportunity for the group to acquire/partner with some of the prominent financial institutions in India.**

### ❖ **Regulatory Compliances: Financial services often come with stringent regulatory requirements. Demerging allows for a more focused and efficient approach to complying with these regulations, reducing complexity and improving regulatory governance.**





# Demerger of five businesses of Vedanta Limited



- ❖ Vedanta Limited (“VEDL”) entered into a Scheme of Arrangement for demerging its 5 vertical of businesses.
- ❖ VEDL will continue to hold strategic investment in Hindustan Zinc Limited, Vedanta stainless business, its proposed semiconductor business and display glass manufacturing.
- ❖ Effectively, the existing VEDL will be split in 6 different Companies (including existing Vedanta Limited) which will house different businesses.



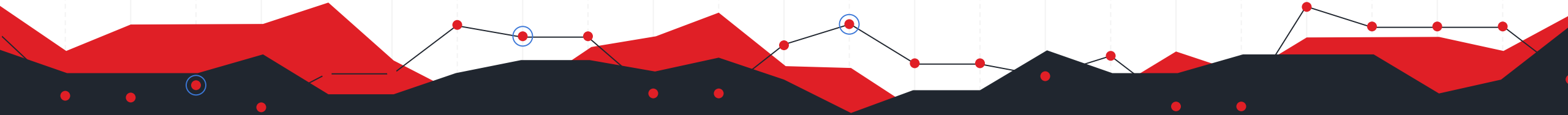


## RATIONALE OF THE TRANSACTION

The demerger is designed as a straightforward vertical split, with shareholders receiving one share of each of the five newly listed companies for every share of Vedanta Limited.

Following are identified to be the rationale of the proposed transaction:

- ❖ Allow investors great choice to invest in either or all the businesses.
- ❖ Better align strategy to each vertical with customers, investment cycles and end markets.
- ❖ Simplify Vedanta's Corporate structure.
- ❖ Drives value across the asset base.



# Simplification of Group Structure



# Merger/ Amalgamation – Simplification of Group







## Recent cases of mergers aiming at Simplification of Group Structure



**Mahindra  
&  
Mahindra**

- ❖ Merger of three group Companies with Mahindra & Mahindra Limited;

**WELSPUN**



- ❖ Merger of five group Companies with Welspun India Limited;

**Indiabulls**

- ❖ Merger of seventeen group Companies with Yaari Digital Integrated Services Limited;

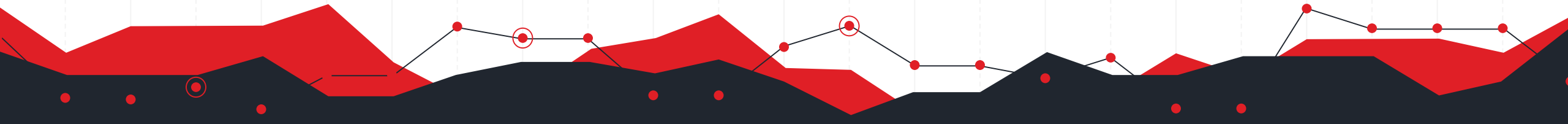
  
**OBEROI**  
REALTY

- ❖ Merger of four group Companies with Oberoi Realty Limited;

# Trends of M&A impacting the value of companies

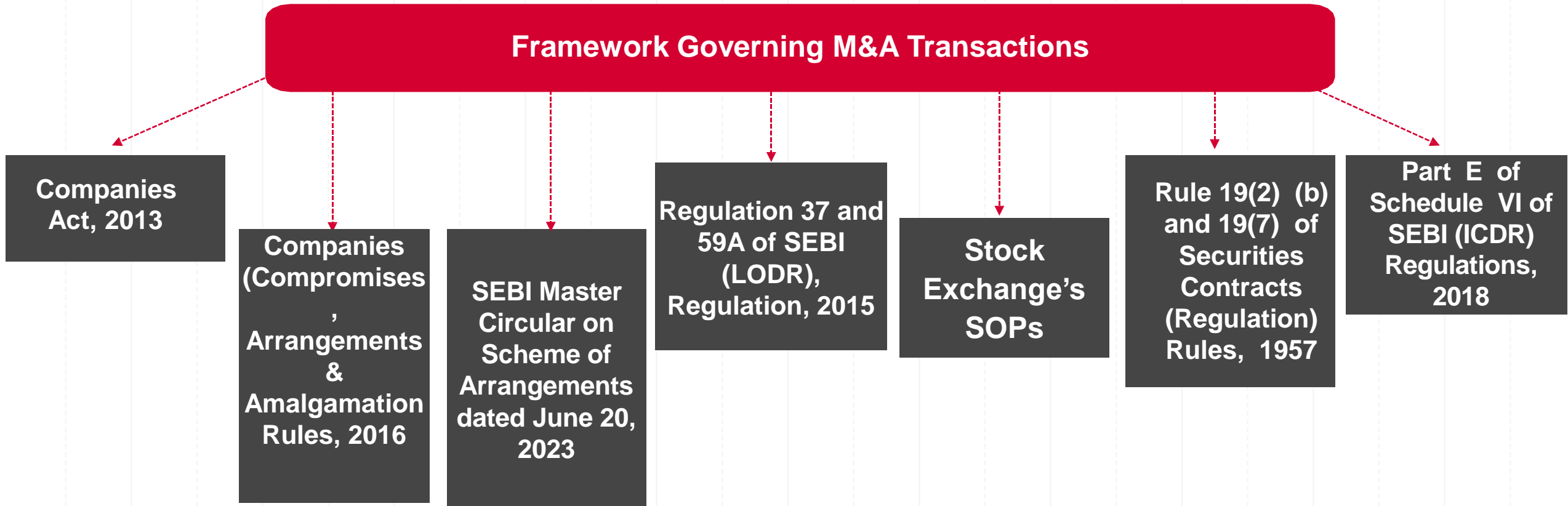


Nature/ Purpose	Name of the Company	Date of approval of scheme	Price before approval of scheme	M Cap before approval of scheme (in Cr)	Price today	M cap today (in Cr)
			Before Scheme		As on date	
Demerged	Sharda Motor Industries Limited	05-Apr-19	1482	881.24	1256	1000
Resulting	NDR Auto Components Limited	-	-	-	739	219
Demerged	Dhampur Sugar Mills Limited	07-Jun-21	344.2	2283.73	270	1794
Resulting	Dhampur Bio Organics Ltd				163	532
Merger	PVR INOX Limited	27-Mar-22	1827	11144	1653	16201



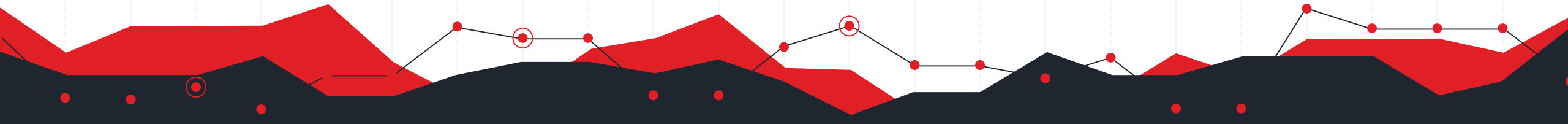
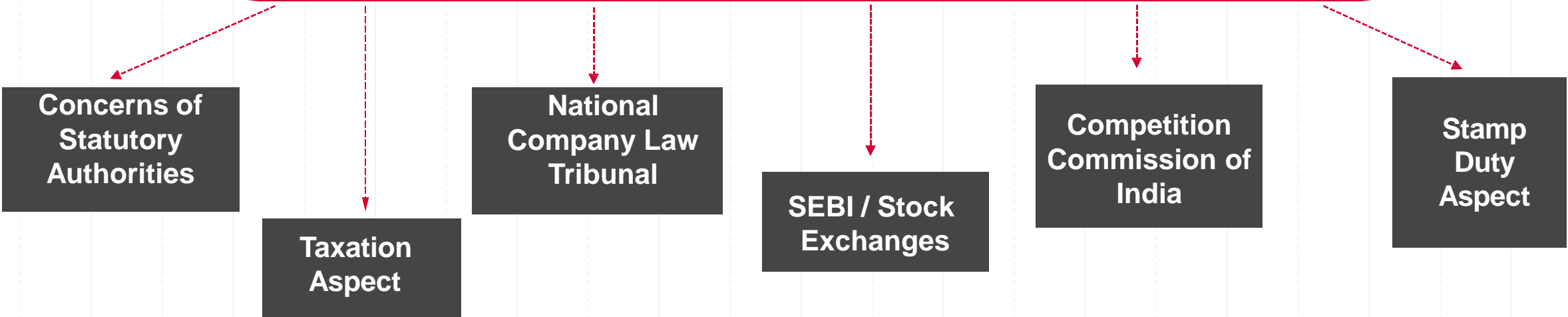


# Framework Governing M&A Transactions



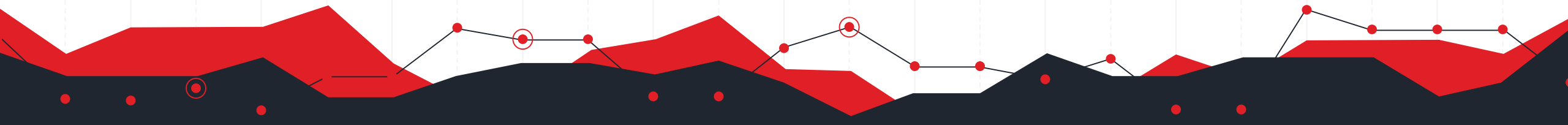


Practical challenges under M&A Transactions



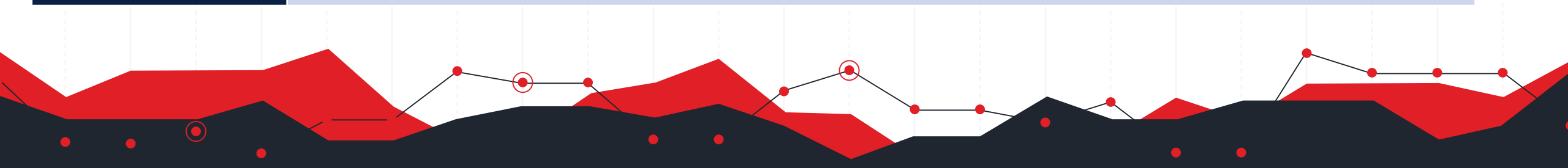


- One of the major issues in M&A transactions is related to the implication of stamp duty
- It has been settled by various judicial pronouncements that the order passed by the National Company Law Tribunal (“NCLT”) sanctioning a Scheme of Arrangement is an instrument and accordingly stamp duty is to be levied on this instrument.
- Under a Scheme of Arrangement, property is transferred from one person to another person, and accordingly falls within the ambit of the term “Conveyance” as defined under the Act
- The rate of Stamp Duty on merger and amalgamations differs from state to state. While certain States have amended to the definition of conveyance by including within its ambit the transactions under Section 230-232 of the Companies Act, 2013 and have provided specific entry regarding rate of stamp duty in respect of the order of the NCLT.
- On the other hand, in the absence of a specific rate of stamp duty, stamp duty is generally levied under the Article “Conveyance”. For instance, in the NCT of Delhi, stamp duty is levied at the rate of 3% on the consideration amount set forth in the instrument i.e. the NCLT Order





STATE	RATE OF STAMP DUTY
ANDHRA PRADESH	INR 2/- for every INR 100/- or part thereof of the market value (MV) of the property.
CHHATTISGARH	7.5% of the MV of the immovable property transferred located within Chhattisgarh Or 0.7% of aggregate of MV of shares issued or allotted and consideration paid,  whichever is higher.
MADHYA PRADESH	5% of the MV of the immovable property transferred located within Madhya Or 0.5% of aggregate MV of shares issued or allotted and consideration paid  whichever is higher.





STATE	RATE OF STAMP DUTY
<b>GUJARAT</b>	1% of the aggregate of MV of share issued or allotted OR face value of such shares, whichever is higher AND the consideration paid for such amalgamation, or 1% of MV of immovable property situated in Gujarat of the transferor Company.  whichever is higher. (Maximum duty INR 25 Crore)
<b>KERALA</b>	2% of the MV of the immovable property of the transferor company Or 0.6% of aggregate MV of shares or marketable securities, issued or allotted and amount of consideration paid  whichever is higher.

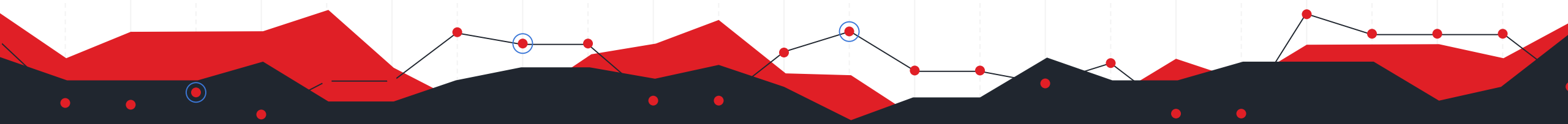




STATE	RATE OF STAMP DUTY
MAHARAHTRA	<p>10% of the market value (MV) of the shares issued or allotted and consideration paid for such amalgamation-</p> <p>Provided amount of duty shall not exceed-</p> <ul style="list-style-type: none"><li>(i) 5% of the MV of the immovable property located within Maharashtra of the Transferor Company; or</li><li>(ii) 5% of the MV of shares issued or allotted and consideration paid, whichever is higher:</li></ul> <p>Provided that in case of reconstruction or demerger the duty shall not exceed-</p> <ul style="list-style-type: none"><li>(i) 5% of the MV of the immovable property located within Maharashtra transferred by Demerging Company to the Resulting Company, or</li><li>(ii) 0.7% of the MV of shares issued or allotted to the Resulting Company and the amount of the consideration paid, whichever is higher</li></ul>



STATE	RATE OF STAMP DUTY
<b>WEST BENGAL</b>	<p>The same duty as a Conveyance on the aggregate of MV of the shares issued or allotted, and consideration paid –</p> <p>(a) by the transferee company, for such amalgamation or merger:</p> <p>Provided that the amount of such duty chargeable shall not exceed–</p> <p>(i) 2% of the MV of the immovable property located within West Bengal of the transferor company, or</p> <p>(ii) 0.5% of the aggregate of MV of the shares issued or allotted and consideration paid, whichever is higher.</p> <p>(a) by the resulting company, for such reconstruction or demerger:</p> <p>Provided that the amount of such duty chargeable shall not exceed–</p> <p>(i) 2% of the MV of the immovable property located within West Bengal of the transferor company, or</p> <p>(ii) 0.5 of the aggregate MV of the shares issued or allotted, to the resulting company and the amount of consideration paid, whichever is higher.</p>



# Restructuring Procedure



# Process of Mergers & Demergers

Discussion & finalization of Scheme of Arrangement, Valuation and other documents



Approval of Scheme by the BOD of all the Companies involved



Filing of first Motion Application before NCLT



NCLT convened meetings of Shareholders and Creditors of the Companies / Dispensation with the meeting of creditors if the respective class of creditors (90% in value) give their NOC in the form of Affidavit



Filing Chairperson's Report before NCLT



Filing of Second Motion Petition



NOC from Registrar of Companies, Regional Director, Official Liquidator, Income Tax Department and Sectoral regulators (if any)



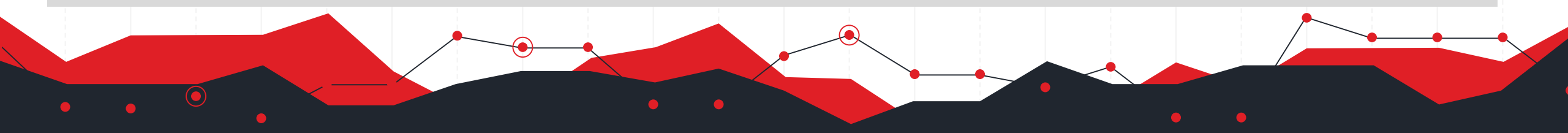
Final Hearing before NCLT



Obtaining and filing NCLT order with Registrar of Companies



Post Merger Compliances





# Pre-Steps, if listed Company is involved

Discussion & finalization of Scheme of Arrangement, Valuation and other documents



Approval of Scheme by the Board of Directors of all the Companies involved



Intimation to Stock exchanges with detailed outcome within 30 minutes of the conclusion of the Board Meeting



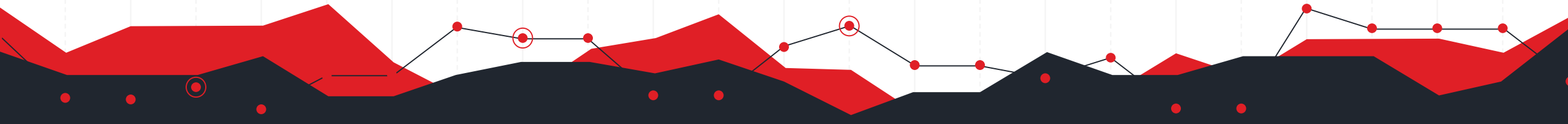
Filing of Scheme under Regulation 37 of SEBI (LODR), 2015 with the Stock Exchange seeking their NOC



Receipt of No Objections/approvals of Stock Exchanges to the scheme



Filing of first Motion Application before NCLT





Thank you!



**Corporate  
Professionals**

**Manoj Kumar**

Partner & Head –M&A, Transactions & Investment  
Banking

D 38, 1<sup>st</sup> Floor, NDSE -I,  
New Delhi 110049

M: +91 9910688433

T: +91 1140622228

[www.corporateprofessionals.com](http://www.corporateprofessionals.com)