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EXCLUSIVE INTERVIEW: PRACHANDA • RANBAXY'S PILL DEAL

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Crimes of *passion*

Extra-marital affairs, possessive males, liberated women. It's proving a deadly mix as crimes of passion register a sharp rise across India. What's behind it?

Also: Guest Column by **Ekta Kapoor**

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**S. SAMINATHAN,
PYRAMID SAIMIRA**

ACQUIRED: FunAsia for \$10 million, Spize DTH for \$100 million, a UK-based theatre chain for \$100 million
RATIONALE: It is now the second largest multiplex chain in the world
GLOBAL REVENUES: Rs 750 crore

"Five years ago one could not raise money abroad, but now things have changed."



SHRIYA PATIL SHINDE

man and MD of Pyramid Saimira, was a Chennai-based cable operator. When a conditional access system was introduced in the city in 2004, Saminathan suffered losses and decided to acquire theatres in the city and overseas. From a turnover of Rs 5 crore then, Pyramid Saimira is now the world's second-largest multiplex chain, with over 900 screens and six lakh seats per show. Says Saminathan: "Five years ago it was not easy for an Indian to raise money. Today that has changed after the Corus and Arcelor deals.

**ANIL JAIN,
JAIN IRRIGATION**

ACQUIRED: Chapin Watermatics for \$6.25 million in 2006, Aquarius Brands and Naandan Irrigation for \$21.50 million each last year
RATIONALE: It has become the world's second-largest in drip irrigation
GLOBAL REVENUES: Rs 800 crore

"Domain knowledge about our industry and markets helps us acquire companies."



Funding in international markets is credibility-driven and not balance sheet-driven."

Indeed, from Hong Kong to London, investors cannot have enough of India Inc, which is finding it easier to fund its acquisitions. Most of these are funded by debt or foreign currency convertible bonds. Karuturi raised \$50 million (Rs 200 crore) before acquiring Sher Agencies, while Pyramid Saimira raised close to \$100 million (Rs 400 crore) last year. Explains Jain: "Foreign investors are willing to bet on the stocks of smaller Indian companies."

When switchgear maker Havells wanted to bid for Sylvania, the company's supply chain team was in India scouting for low-cost manufacturing partners. Though Sylvania's management scoffed at Havell India's Joint MD Anil Gupta's ambition of acquiring the world's fourth-largest lighting company, asking if he was a "Red Indian", it closed the deal in less than two weeks after Gupta offered a \$300 million (Rs 1,200 crore), all-cash buyout. From Rs 100 crore in 2000, Havells is now worth Rs 5,000 crore, having taken a big leap of faith by acquiring a company bigger than itself. Private equity fund Warburg Pincus has invested \$110 million (Rs 440 crore) in the company, while the remaining was raised as debt. Says Gupta: "India's cost advantage makes acquisitions work, but in the long term, it's more about market access and growth."

Take Gitanjali Gems, a diamond roughs player which is now working towards commanding a presence in the US through the acquisition of two retail chains, Samuels and Rogers. The chains had fallen into the trap of high costs and low realisations as their sourcing strategy was not competitive. With the Indian cost advantage, they can expect enhanced profits. It would have cost Gitanjali Gems \$400,000 (Rs 1.6 crore) to set up one store in the US, while through the acquisition route it spent \$41.5 million (Rs 166 crore) for over 120 stores. Says Mehul Choksi, chairman of Gitanjali, "Now that we own the entire value chain, we can drive down costs."

Evidently, Indian entrepreneurs faced with infrastructure deficit and difficult operating conditions are not waiting for reforms to happen. They are acquiring companies to upgrade, build scale, induct technology and improve market access by going global. From being treated as second-class citizens at global events to the world's number one in diverse businesses, the Empire is surely striking back. ■

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