

# INDIA OUTBOUND

T&A Consulting

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Post the March quarter high, the summer quarter was as usual tepid. Macroeconomic realities of revised GDP numbers re-ignited the debate on the success of demonetization. At 6.1% Q-o-Q GDP growth in Q4 FY17, and negative growth (-2.1% Y-o-Y) in investment demand, the famed capex cycle seems yet to take off. On the policy front the Government's momentous occasion came with the success in meeting its committed timeline of implementing the Goods and Services Tax. Else where, Prime Minister Modi continued with his Global Outreach, in particular his meeting with US President, Donald Trump in Washington DC. Whilst Indian IT industry expected to see some toning down on the H1-B visa issue, there was little to cheer for them. We at T&A have been observing a trend of sorts in the Indian outbound investment story over the last few quarters with step-down subsidiaries and more specifically overseas step-down subsidiaries becoming more active in inorganic acquisitions than their parents. While one needs to delve deeper into the causes, issues, and related sector trends, it is still worth further research. The usual sector suspects of Pharma, and Information Technology were active even during the quite summer months, growing inorganically in

Europe and the United States. One of the world's largest vaccine manufacturers and India's most successful closely held pharma firm - Serum Institute - ventured in the Eastern European market acquiring a vaccine manufacturer. Indian IT giants Cognizant and HCL Technologies consolidated their Business Process Services verticals in the United States. More interestingly, for Indian consumer care companies, Africa seems to have emerged as an overseas battlefield for market share. While Godrej Consumers has been known to have ventured in Africa for a few years now, acquiring various hair care and beauty product brands, the entry of local rival Dabur in the Southern African region makes for an interesting story among Indian consumer players that is likely to unfold over the coming few years.

Going forward the historic visit of an Indian Prime Minister to Israel is likely to boost bilateral business engagements further especially in areas of Water and Technology (Defence, Communications, IT). And the G20 meeting in Hamburg is expected to further strengthen the narrative of India's growth story. For us, as always, we shall keep track of what Indian firms try to paint on the global canvas.

## In This Issue

- Serum Institute Acquires Eastern European Manufacturer 2
- HCL Tech Acquires US Mortgage Services BPO 2
- Cognizant Acquires US Business Process Healthcare Firm 3
- L&T Tech Acquires Silicon Valley Design Services Firm 3
- Tenon Group Acquires UK Facilities Management Firm 4
- Dabur Expands In Africa 4
- Happiest Minds Acquires US Digital Transformation Company 4
- Jubilant Life Sciences Acquires US Radio Pharmacy 5
- Thomas Cook India Acquires Kuoni's Destination Management Business 5
- NIIT Tech's Unit Acquires US Based Digital Integration Company 5
- Essel Group's Middle East Arm Acquires Spanish Production House 6



## Serum Institute To Buy Czech Vaccine Manufacturer For USD 78 Million

Serum Institute of India Ltd has agreed to acquire a defunct unit of Nanotherapeutics Inc., a Czech Republic-based injectable polio doses maker for USD 78 million. Serum has paid about USD 50 million for the acquisition and will pay the remaining over the next year .

Pune-based Serum, the world's largest vaccine maker by number of doses produced and sold, expects the deal to increase production capacity of polio vaccines four-fold to more than 200 million doses by 2019 and make it the largest injectable polio vaccine maker in the world.

This is the company's first overseas takeover since it acquired Netherlands Vaccine Institute's production unit Bilthoven Biologicals.

Serum Institute plans to invest up to USD 45 million more to upgrade the Czech unit and make it functional over the next two to three years.

## HCL Tech To Acquire US BPO Urban Fulfilment

HCL Technologies Ltd, India's fourth-largest software services exporter, has agreed to acquire US-based Urban Fulfilment Services LLC for up to USD 30 million in cash to boost its mortgage business process outsourcing business. The deal amount includes contingent payments subject to certain financial milestones,



Urban Fulfilment provides mortgage business process and fulfilment services to customers. It has 350 employees in the US and is undergoing restructuring. The company posted revenues of USD 48 million for the financial year ended 31 December 2016, up from USD 39 million the year before and USD 18 million in 2014.

## Cognizant To Acquire US-Based TMG Health

Nasdaq-listed IT services major Cognizant is to acquire Health Care Service Corporation's (HCSC) subsidiary TMG Health for an undisclosed amount.



The deal is expected to strengthen Cognizant's business process-as-a-service (BPaaS) offering for Government and Public Health programme markets. TMG Health provides business process services to the Medicare and managed Medicaid markets in the US, supporting 32 insurance client plans and more than 4.3 million members. On deal closure, TMG Health's healthcare business and technology professionals will become Cognizant employees. TMG Health will continue to provide IT, business process and other services to HCSC's subsidiaries. The addition of TMG Health will also extend its digital solutions for healthcare providers. Cognizant has been on an acquisition spree having acquired 16 firms in six years and eight of these deals happened in 2014 and 2016.

## L&T Tech To Acquire Silicon Valley's Esencia For USD 27 million

L&T Technology Services Ltd, the technology services arm of engineering and construction company Larsen & Toubro Ltd (L&T), is to acquire Santa Clara, California based design services provider Esencia Technologies Inc for USD 27 million in an all-cash deal.



The acquisition, which also includes Esencia's Indian subsidiary Esencia Technologies India Pvt. Ltd, is expected to help L&T Technology deepen its offerings to global customers.

L&T Technology will acquire 100% stake, or 11.10 million shares of Esencia, from 18 shareholders. The top five shareholders own 89.18% in the company. The acquisition amount will be paid in three tranches, with USD 9 million as an upfront payment.

Esencia provides design services from specification to final product in digital signal processing for communications, video, security and networking. The company has a team of over 100 application-specific integrated circuit (ASIC) design and semiconductor experts based out of Silicon Valley.

## Tenon Group To Acquire UK Facility Management Firm Elite Cleaning

Facility management and security services provider Tenon Group has acquired UK-based Elite Cleaning and Environmental Services Ltd to broaden its client base in the UK.

The cash-and-stock deal was worth about USD 5.8 million. According to Tenon, the acquisition is likely to boost earnings and complement its portfolio.

This is a strategic move for the company to expand in the facility management domain in Europe and it also establishes Tenon as a credible player in the facility management in the market that is expected to benefit the clients on both domestic and international level.

Tenon has presence across six countries. In India, it has 71 branches that employ around 55,000 employees that service 1,800 companies..



## Dabur Expands Africa Bet With More Acquisitions

Consumer products maker Dabur India Ltd will acquire two South African companies for USD 3.8 million in cash to expand its presence



in Africa. Dabur will spend most of its cash to acquire D&A Cosmetics Proprietary Ltd and the remaining portion of cash to acquire Atlanta Body & Health Products Proprietary Ltd. Both are majority owned by AJ Bodenstein.

Acquisitions would be made through the step-down subsidiary Dabur South Africa (Pty) Ltd, D&A Cosmetics, was founded in 2000 and develops and sells personal care and hair care products to wholesale and retail customers in South Africa, Namibia, Swaziland, Botswana and Lesotho. Atlanta Body & Health Products, was founded in 1995 and sells and distributes brands for salons in South Africa.

## Mahindra Holidays hikes stake in Holiday Club Resorts



Mahindra Holidays & Resorts India Ltd (MHRIL) has acquired an additional 3.22 per cent stake in Finland-based Holiday Club Resorts Oy (HCR) for USD 2.3 million in cash. The Mahindra Group company, through its step down subsidiary Covington S.a.r.l, has increased stake in Holiday Club Resorts Oy, Finland by acquiring this additional 3.22 per cent stake in the share capital of HCR and consequently, its stake in HCR has gone up to 95.16 per cent,

## Happiest Minds acquires US-Based Digital Transformation Firm OSSCube

Intel Capital backed software services firm Happiest Minds Technologies Pvt. Ltd has acquired OSSCube, a US-based digital transformation firm, for an undisclosed amount. Houston, Texas-headquartered OSSCube was founded in 2008 by Indian entrepreneurs Lavanya Rastogi and Vineet Agarwal.



OSSCube provides consulting-led digital transformation and modernisation services in cloud, Big Data, e-commerce, enterprise mobility and open source. The firm has operations in North America, Europe and Asia. OSSCube's 240-member team will now be a part of Happiest Minds. With this acquisition, the employee strength of Happiest Minds has increased to 2,400 people servicing around 170 customers,

## Jubilant Life Sciences To Acquire US Radio Pharmacy Business



Jubilant Life Sciences Ltd is to purchase the radio pharmacy business of Florida-based Triad Isotopes Inc. to boost its nuclear medicine business. The acquisition is likely to provide Jubilant with direct access to hospital networks with ability to deliver 3 million patient doses annually through about 1,700 customers.

The acquisition is expected to help Jubilant forward-integrate in the radiopharmaceutical business, thereby helping serve healthcare providers and patients with radiopharmaceutical products. The Noida-headquartered company didn't disclose financial details of the deal.

Triad was founded in 2006 and recorded revenues of more than USD 225 million in 2016. It operates the second-largest radio pharmacy network in the US with more than 50 pharmacies, distributing nuclear medicine products to regional health systems, standalone imaging centres, cardiologists and hospitals.

## Thomas Cook Acquires Kuoni's Destination Management Business

Tour operator Thomas Cook (India) Ltd has announced that it has acquired Kuoni Group's destination management business to expand its global footprint. The acquisition of Kuoni's global network of destination management specialists was made through a wholly owned subsidiary of Thomas Cook India Group,



The Destination Management division consists of six business units, and is spread over 17 countries in Asia, Australia, the Middle East, Africa and the US. The financial details of the deal were not disclosed. The agreement will help Fairfax Holdings-controlled Thomas Cook increase its global presence through Kuoni's several brands, including Asian Trails, Desert Adventures Tourism, Gulf Dunes, Private Safaris, Allied TPro and Australian Tours Management.

Thomas Cook (India) had earlier bought Kuoni Group's travel and tour business in India and Hong Kong for close to USD 85 million. Thomas Cook's current footprint, excluding subsidiaries, spans 261 locations (including 21 airport counters) in 102 cities across India, Mauritius and Sri Lanka .

## NIIT Tech Unit Incessant Technologies To Buy 55% Stake In US-Based RuleTek

Incessant Technologies Pvt. Ltd, a subsidiary of software services provider NIIT Technologies Ltd, has agreed to acquire a 55% stake in US-based business process management firm RuleTek LLC for an undisclosed amount. The acquisition will help Hyderabad-based enterprise BPM services provider Incessant Technologies to expand its footprint in North America and strengthen its digital integration capabilities.



RuleTek, a BPM architecture services company was founded by enterprise system architects Korby Wright and Mark Covrig. The Idaho-based company has 65 employees and made revenue of close to USD 6.5 million in 2016-17. RuleTek has developed products for companies in the banking, financial services, healthcare and manufacturing sectors. This is NIIT Technologies' first acquisition in two years since it acquired a 51% stake in Incessant for roughly over USD 20 million in May 2015. The deal comes at a time when several Indian software services companies, including larger firms such as HCL Technologies and Wipro, have snapped up US information technology and business process management firms in the wake of the current US Administration's protectionist rhetoric and tightening of visa rules.

## Essel Group To Acquire Spanish Media Production Firm's Dubai Arm



Essel Group ME, part of media tycoon Subash Chandra-led Essel Group, has acquired Serena Middle East, the Dubai-based arm of Spanish media and production company Serena. The acquisition is part of the Essel Group's growth strategy to help it enter the region's fast-growing media and production industry and build a diversified portfolio across Europe, Middle East and Africa (EMEA).

Serena is a post-production studio in Spain and works with companies such as Proctor & Gamble, Nestle, Coca-Cola, Unilever, Vodafone and Etisalat. It was established in Spain in 2002 and Serena ME was started in Dubai in 2012. Serena is considered to be unique in the industry for advanced technology and deep understanding of the audio-visual business. The group is also actively seeking growth opportunities for its other businesses. The conglomerate operates in a broad spectrum of industries including media,

## T&A PARTICIPATED AT HORASIS INDIA MEETING 2017 INTERLAKEN



T&A Consulting participated as the Official SIX Swiss Exchange India Representatives at the Annual Horasis India Meeting, held this June in Interlaken, Switzerland. The Horasis India Meeting is an annual meeting of Indian business leaders and their global counterparts in Europe. The platform offers business and Government an opportunity to discuss a wide range of issues related to the Indian economy. The location of the meeting rotates annually, and has in the past been held in Munich (2009), Madrid (2010), Naples (2011), Antwerp (2012), Belfast (2013), Liverpool (2014), Interlaken (2015) and Cascais (2016). Next year, the meeting is scheduled to be in Malaga, Spain.

## T&A PARTICIPATED IN THE SELECT USA INVESTMENT SUMMIT 2017



As India Representative of South Carolina Department of Commerce, T&A Consulting participated in the 'Select USA Investment Summit 2017' held in June.

The Select USA Investment Summit is one of the highest-profile event dedicated to promoting foreign direct investment (FDI) in the United States. This signature event provides an unparalleled opportunity to bring together companies from all over the world, economic development organizations from every corner of the United States, and other parties working to facilitate business investment in the United States. During the summit, several B2B meetings were held with prospective Indian investors in lieu of their forging business interest and plans to expand in the US.

*Mr. Tarun Gupta, CEO T&A Consulting and Director-India office, State of South Carolina with Honorable Henry McMaster, Governor, State of South Carolina at Select USA Summit Washington representing South Carolina Department of Commerce*



**T&A Consulting** is a boutique advisory firm headquartered out of New Delhi (India). We identify outward investment opportunities from India with focus on certain key sectors and also provide consulting & operational support to overseas companies aiming to enter the Indian market

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