



Mergers and Acquisitions in the Indian Sub-Continent: 2010-2019

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Abstract:

With rising growth rates and per capita income levels on the Indian subcontinent, foreign direct investment in the region, especially through mergers and acquisitions, has increased over the past decade. Using transaction data regarding the industry affiliation of the target and acquiring firms, deal size, deal structure, and deal completion rates from a worldwide M&A database compiled by Thomson Reuters’ Financial Services, this article aims to provide contemporary and comparative information on merger and acquisition (M&A) activity in India, Pakistan, Bangladesh, and Sri Lanka over the last decade, 2010-2019. The largest numbers and values of mergers occurred in India. Surprisingly, Sri Lanka had the second largest number of M&A deals, followed by Pakistan and Bangladesh. Pakistan accounted for the second highest transaction value, followed by Bangladesh and Sri Lanka. The Sri Lankan M&A market had a high ratio (60 percent) of Sri Lankan firms acquiring other Sri Lankan firms, while in Bangladesh, non-Bangladeshi companies accounted for ninety-three percent of the value of all large M&A deals. Future trends, important caveats, policy issues, and implications for managers planning M&A deals in the region are presented.

Keywords: Pakistan, Mergers and Acquisitions, transaction data.

JEL Classification: G34.

Mergers and Acquisitions on the Indian Subcontinent: 2010-2019

Introduction

Past and present research studies show that the transaction value of mergers and acquisitions (M&A) has expanded in most developed countries. Currently, many companies pursue M&A strategies globally to grow their market share and expand their scope of operations (Gaughan, 2005; Ma et al., 2009). During the last two decades, some Southeast Asian countries have performed very well in the global economic integration process (Ma et al., 2009; Wright & Peng, 2005). In Southeast Asia, in recent years, a number of economies have continued to grow and become attractive targets for foreign direct investment (FDI). There was a significant growth of M&As in India, post 1990s, with a further substantial increase during the decade 2000-2009 (Pandya 2018). Similarly, Pakistan, Bangladesh and Sri Lanka have seen a rise in the number of M&A transactions during the same time period. India, Pakistan, and Sri Lanka have enacted competition laws (antitrust, anti-monopoly) and policies (for example, liberalization of trade policy, relaxed foreign investment regulations, easing of ownership requirements, economic deregulation, etc.) and significantly revamped their institutional framework. Moreover, as correctly stated, "the more effective the competition law and policy in an economy, the greater is the effect on local market competition" (Dutz & Khemani 2007).

In one of the few published studies on this topic, Tang and Metwalli (2013) noted that "both the number of deals and transaction values of M&A in India, Pakistan and Bangladesh have expanded significantly from 1990 to 2008." They projected that "in the future, M&A in the region will continue to expand." In the past, authors have created comprehensive reports on FDI in South Asia and have stated that "the year 2009 was an exceptional year because of the many M&A deals which were announced but not executed, and later on, cancelled, because of the global recession and economic crisis (Ahmed & Kanwal 2018). Moreover, M&A transactions have been found to generally be positively associated with the growth in the international equity market" (Joshi 2008).

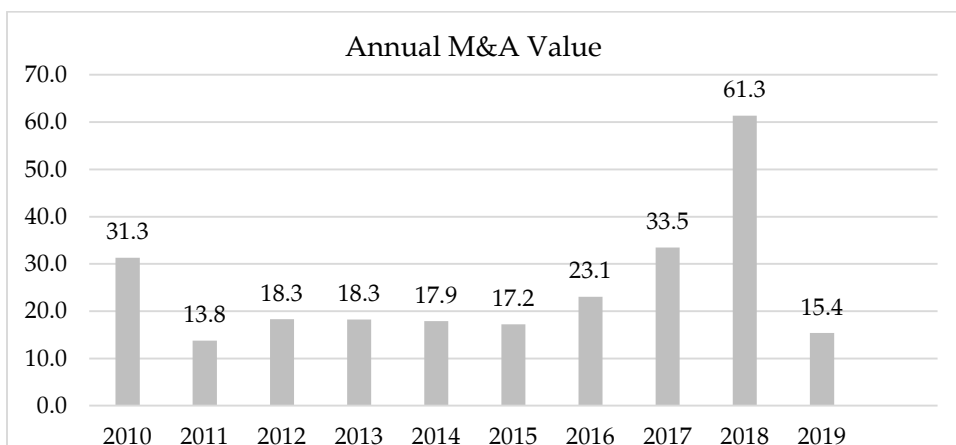
The purpose of this research is to update, expand, fill the gap and provide the most recent information on M&A activities and trends in India,

Pakistan, Bangladesh and Sri Lanka, the four main constituents of the Indian subcontinent. This research study utilizes the most up-to-date, comprehensive, and global source of information for mergers and acquisitions collected by Thomson Financial Services' Worldwide. The analysis covers all known transactions that are valued at greater than one million U.S. dollars each; were announced between January 1, 2010, and December 31, 2019; and involved either a target or an acquiring firm (or both) that originated from one of these four South Asian countries.

An Overview of M&A in the Four South-East Asian Countries:

Merger and acquisition (M&A) activity has expanded consistently in India, Pakistan, Bangladesh, and Sri Lanka over the last decade. Figure 1 shows all the announced M&A transactional values for the four countries from 2010 to 2019. In analyzing the data, we realized that a few of the M&A deals that were announced were not executed and were later cancelled. In 2010, Figure 1 shows that the M&A announced value in the four countries was approximately \$31.3 billion. The four countries then experienced a significant drop in the M&A transaction value to \$13.8 billion in 2011. Following that decline, the period from 2012 to 2016 witnessed the announced M&A deal value vary from a low of \$17.2 billion to a high of \$23.1 billion. More recently, the M&A transaction value in these four South Asian nations increased dramatically to \$33.5 billion in 2017 before reaching a high of \$61.3 billion in 2018. The 2017 increase was mainly due to India's new bankruptcy law, which relaxed the regulations in the foreign direct investment arena.

Figure 1: Announced M&A in India, Pakistan, Bangladesh and Sri Lanka, 2010-2019(US\$ billions)



However, by the end of the decade, i.e., in 2019, the M&A value in the Indian subcontinent fell unexpectedly and precipitously to \$15.4 billion, i.e., a decline of approximately 75%.

Table 1 presents the announced and realized M&A values in India, Pakistan, Bangladesh, and Sri Lanka from 2010-2019. It is interesting to note that more than 90 percent of the announced M&A deal values were effectively completed in 2010, 2011, 2017, and 2018 collectively. However, during the years 2012 to 2014, only 87 percent of the announced M&A values were implemented. Similarly, only approximately 75 percent of the M&A deal value was realized in 2015 and 2016. The year 2019 was an exception because 100 percent of the announced M&A value was implemented, although the total value of the transactions was comparatively very low, i.e., only \$15.4 billion. One wonders whether the Asian subcontinent has lost its attractiveness or appetite for these M&A deals!

It is clear from Table 1 that, on average, during the period 2010-2019, approximately 89 percent of the M&A deal value that was announced was realized in the four countries. This high percentage rate of completion permits us to use the announced M&A data for the research analysis moving forward. However, although we included the cancelled deals when we list the largest M&A activity by country, we did not count those deals that have been cancelled.

Table 1: Announced, cancelled, and realized M&A in India, Pakistan, Bangladesh and Sri Lanka, 2010-2019

Year	Announced M&A values in US\$ millions	Cancelled M&A values in US\$ millions	Realized M&A values in US\$ millions	Percentage of M&A Realized
2010	32,748	1,476	31,271	95%
2011	14,574	804	13,769	94%
2012	20,583	2,262	18,322	89%
2013	20,533	2,277	18,256	89%
2014	20,433	2,535	17,898	88%
2015	22,878	5,657	17,221	75%
2016	30,897	7,845	23,052	75%
2017	34,472	969	33,502	97%
2018	68,195	6,857	61,338	90%
2019	15,452	54	15,398	100%
2010-2019 total	280,764	30,737	250,027	89%

Source: Thomson Financial Service

M&A Transactions by the Nationality (Or Region) of the Target Firms

Table 2 outlines by the nationality (or region) of the target firms all the M&A transaction values and number of deals for the period from 2010 to 2019. During this period, India had 1,606 M&A deals, with a total transaction value of \$202.2 billion. During this decade, target firms from India accounted for 77.0 percent of the deals and 80.9 percent of the M&A transaction value. Conversely, M&A deals involving target firms from Pakistan accounted for merely 1.5 percent of the M&A transaction value and 2.1 percent of the number of deals. In comparison, Sri Lanka's share of target firms covers approximately 6.5 percent of the deals and only 0.6 percent of the M&A values. It is obvious that the M&A markets in Pakistan, Bangladesh, and Sri Lanka are not as large and active as those in India. It is interesting to note that the M&A value subtotal for target firms from the four South Asian countries amounted to \$209.8 billion (84 percent), while the subtotal for target firms from all other countries was \$40.2 billion (16 percent).

Table 2: M&A transaction value in India, Pakistan, Bangladesh and Sri Lanka by the nationality or region of the target firms, 2010-2019

Nationality (country)	Transaction value (US\$ million)	% of Total	No. of Deals	% of Total	Average value per deal (US\$ million)
India	202,197	80.9%	1,606	77.0%	125.9
Pakistan	3,838	1.5%	44	2.1%	87.2
Bangladesh	2,374	0.9%	18	0.9%	131.9
Sri Lanka	1,420	0.6%	136	6.5%	10.4
Subtotal for the four countries	209,830	83.9%	1,804	86.5%	116.3
Subtotal for target firms from other countries	40,197	16.1%	282	13.5%	142.5
Total	250,027	100.0%	2,086	100.0%	119.9

Source: Thomson Financial Service

The last column of Table 2 shows that M&A transactions in Bangladesh have the highest average value per deal (\$131.9 million), followed by India (\$125.9 million), Pakistan (\$87.2 million) and Sri Lanka (\$10.4 million). Since deals involving South Asian acquirers and target firms from all other countries numbered 282 deals and accounted for \$40.2 billion of the M&A transaction value shown in Table 2, the nationalities of these firms are summarized in Table 3. The table shows that companies from India, Pakistan, Sri Lanka, or Bangladesh acquired 82 United States

firms with a total transaction value of \$11.3 billion. During the same period, United Kingdom target firms were involved in 25 deals with an M&A value of approximately \$2.0 billion. Investors from India, Pakistan, Bangladesh, and Sri Lanka acquired target companies mainly from Singapore, Australia, Mozambique, and Nigeria.

Table 3: Nationalities of the target firms from other countries acquired by India, Pakistan, Bangladesh and Sri Lanka, 2010-2019

Nationality	No. of deals	Transaction value (US\$ million)
United States	82	11,346
Nigeria	1	10,700
Australia	10	3,380
Mozambique	2	2,525
United Kingdom	25	2,023
Singapore	15	994
Others	147	9,228
Total	282	40,197

Source: Thomson Financial Service

Home Countries of the Acquiring Firms

Table 4 presents a distribution of the M&A deals and their transaction values that were completed in India, Pakistan, Bangladesh, and Sri Lanka based on the nationality of the acquiring firms during the most recent completed decade, i.e., 2010-2019. It is clear that acquiring firms from the four South Asian countries accounted for 78.6 percent of the deals and 72.7 percent of the transaction value. Additionally, Indian acquiring companies accounted for the majority of the deals and a substantial proportion of the transaction value. Acquiring firms from all other countries accounted for 27.3 percent of the M&A transaction values and only 21.4 percent of the number of deals.

During the most recent decade, if we compare Table 2 to Table 4, we can conclude that more Indian, Pakistani, Bangladeshi, and Sri Lankan firms were involved in M&A activity as target firms (i.e., 1804 deals valued at approximately \$210 billion) rather than as acquiring firms (1640 deals valued at \$182 billion). For example, Indian firms were involved in 1,606 deals as target firms with a transaction value of \$202.2 billion, but only 1,487 deals as acquiring firms with a transaction value of \$179.1 billion.

Table 4: M&A transaction value in India, Pakistan, Bangladesh and Sri Lanka by the nationality or region of the acquiring firms, 2010-2019

Nationality	Transaction value (US\$ million)	% of Total	No. of Deals	% of Total	Average value per deal (US\$ million)
India	179,124	71.6%	1,487	71.3%	120.5
Pakistan	1,465	0.6%	25	1.2%	58.6
Bangladesh	177	0.1%	5	0.2%	35.5
Sri Lanka	979	0.4%	123	5.9%	8.0
Subtotal for the four countries	181,746	72.7%	1,640	78.6%	110.8
Subtotal for target firms from other countries	68,281	27.3%	446	21.4%	153.1
Total	250,027	100.0%	2,086	100.0%	119.9

Source: Thomson Financial Service

Acquisition Methods and the Largest M&A:

The M&A transactions by the acquisition method used in India, Pakistan, Bangladesh, and Sri Lanka from 2010 to 2019 are summarized in Table V. The acquisition of the majority interest of M&A transaction values accounted for 34 percent of the total deal value, with an average value per deal of \$96.0 million during that period. Mergers accounted for 31 percent of the M&A transaction value and 22 percent of the number of deals. The asset acquisition, acquisition of remaining interest, acquisition of certain assets and complete acquisition are the other methods used in the four countries.

Table 5: M&A transaction value by acquisition methods in India, Pakistan, Bangladesh and Sri Lanka, 2010-2019

Transaction type	Transaction value (US\$ million)	%	No. of deals	%	Average value per deal (US\$ million)
Acquisition of majority interest	84,685	33.9%	882	42.3%	96.0
Merger	78,431	31.4%	462	22.1%	169.8
Asset acquisition	74,665	29.9%	555	26.6%	134.5
Acquisition of remaining interest	10,362	4.1%	176	8.4%	58.9
Acquisition of certain assets	984	0.4%	8	0.4%	123.0
Acquisition	900	0.4%	3	0.1%	300.1
Total	250,027	100.0%	2,086	100.0%	119.9

Source: Thomson Financial Service

It is clear that the 100% acquisition method was the least popular one, involving only three deals during this decade, but it had the highest average value per deal, i.e., \$300.1 million.

Table 6 lists the twenty largest mergers and acquisitions in India during the 2010-2019 period. In May 2018, the largest deal (\$16.0 billion) was the announced purchase of the Flipkart group (an Indian e-commerce firm) by Walmart, Inc. (a United States retail corporation). The deal became effective on August 18, 2018. The Vodafone Group, PLC from India, made the second largest purchase of Idea Cellular Ltd. (an Indian mobile phone company) for \$11.6 billion. The purchase of Zain Africa BV (Mobile telecommunication in Nigeria) by Bharti Airtel Ltd. (an Indian Telecommunication service) was the third largest deal, with a transaction value of \$10.7 billion. The parties involved in the other seventeen largest M&A transactions are outlined in Table VI. The seventeen deals varied in value from approximately \$2.0 billion to \$6.8 billion. It is worth noting that fifteen of the acquirers and eighteen of the target companies involved in the twenty largest M&A transactions were from India. Three United States companies and one United Kingdom firm were involved in four of these 20 largest deals in India as acquirers.

The various M&A deals that were completed in India were of different types and involved several different motives. Companies mainly go for M&As to have synergistic gains through the combined firm. Thus, a single theory is not enough to explain the motives behind mergers, acquisitions or takeovers. (Leepsa and Mishra, 2016). Table 6 indicates that the primary motives behind the largest deals that were completed in India during 2010-2019 involved growth, synergy, access to capital and tangible assets, greater diversification, and horizontal and vertical integration, to name a few. Most of these motives for M&As serve as a means of reshaping competitive advantage within the firms' respective industries. Mergers and acquisitions are being increasingly used in India to improve the competitiveness of companies through increased market share, for gaining entry into new markets and geographical locations, for capitalizing on economies of scale, and for broadening their portfolios to reduce their business risk (Nirmala & Aruna, 2013). The analysis of deals completed in India suggests that differential efficiency theory, synergy gain theory, pure diversification theory, and strategic realignment theory best explain the different motives for Indian M&A deals.

Table 6: 20 largest M&A in India, 2010-2019

Rank	Date announced	Date Effective	Target and nationality	Acquirer and nationality	Amount (US\$ million)
1	May 9, 2018	August 18, 2018	Flipkart Group (India)	Walmart Inc (United States)	16,000
2	March 20, 2017	August 31, 2018	Idea Cellular Ltd-Mobile Bus (India)	Vodafone Grp PLC-Vodafone Asts (India)	11,627
3	February 14, 2010	June 8, 2010	Zain Africa BV (Nigeria)	Bharti Airtel Ltd (India)	10,700
4	February 12, 2018	December 16, 2019	Essar Steel India Ltd (India)	Undisclosed JV (India)	6,829
5	July 19, 2017	January 31, 2018	Hindustan Petro Corp Ltd (India)	Oil & Natural Gas Corp Ltd (India)	5,784
6	March 7, 2018	May 18, 2018	Bhushan Steel Ltd (India)	Bamnipal Steel Ltd (India)	5,216
7	February 25, 2012	August 17, 2013	Sterlite Industries(India)Ltd (India)	Sesa Goa Ltd (India)	3,911
8	May 21, 2010	September 8, 2010	Piramal Healthcare Ltd- (India)	Abbott Labs (United States)	3,713
9	April 30, 2013	July 4, 2013	Hindustan Unilever Ltd (India)	Unilever PLC (United Kingdom)	3,573
10	April 7, 2014	March 24, 2015	Ranbaxy Laboratories Ltd (India)	Sun Pharm Inds Ltd (India)	3,226
11	January 7, 2019	October 17, 2019	Gruh Finance Ltd (India)	Bandhan Bank Ltd (India)	3,165
12	October 10, 2017	August 29, 2018	Reliance Infrastructure Ltd-Mu (India)	Adani Transmission Ltd (India)	2,932
13	September 28, 2018	January 21, 2019	IDBI Bank Ltd (India)	Life Insurance Corp of India (India)	2,804

Rank	Date announced	Date Effective	Target and nationality	Acquirer and nationality	Amount (US\$ million)
14	June 25, 2013	January 8, 2014	Videocon Mozambique Rovuma 1 (Mozambique)	Undisclosed SPV (India)	2,475
15	February 28, 2016	June 29, 2017	Jaiprakash Assoc Ltd-Cement	UltraTech Cement Ltd (India)	2,410
16	November 20, 2014	April 1, 2015	ING Vysya Bank Ltd (India)	Kotak Mahindra Bank Ltd (India)	2,401
17	September 11, 2017	July 4, 2019	Bharat Financial Inclusion Ltd (India)	IndusInd Bank Ltd (India)	2,394
18	June 14, 2015	April 11, 2017	Cairn India Ltd (India)	Vedanta Ltd (India)	2,156
19	December 11, 2018	March 28, 2019	Rec Ltd (India)	Power Finance Corp Ltd (India)	2,101
20	October 21, 2015	April 21, 2016	Viom Networks Ltd (India)	American Tower Corp (United States)	1,954

Source: Thomson Financial Service

The information provided in Tables 7, 8, and 9 summarizes the ten largest M&A deals completed in Pakistan, Bangladesh, and Sri Lanka, respectively. The largest deal for Pakistan was the purchase of BP PLC-Oil & Gas Assets (a Pakistani Oil & Gas Company) for \$749 million by United Energy Group Ltd., a firm from Hong Kong. The \$448 million acquisition of Engro Food Ltd. (a Pakistani firm) by Friesland Campina Investments from the Netherlands was the second largest transaction. In sum, companies from the United Kingdom, Netherlands, Hong Kong, and Pakistan were involved as acquirers in the largest ten M&A deals in Pakistan.

Our analysis shows that the M&A markets in Pakistan, Bangladesh, and Sri Lanka are relatively smaller and not as active as those in India. This difference is to be expected given the relative differences in the size of the economies, corporate sectors, volume of external trade, extent of globalization, and structural nature of these four countries. Pakistan ranked 3rd on both the M&A transaction value per deal (\$87.2 million) and the number of M&A deals (44). Pakistan is one of those developing

economies in which law and order and security issues are creating difficulties for encouraging foreign direct investment. “Economic conditions are not ideal due to which many firms are doing mergers and acquisitions to improve their financial performance” (Abdullah, Shah, & Khan, 2012). The empirical results support the presence of empire building motives that may lead managers to become involved in underperforming M&As in Pakistan. Specifically, we explore these motives from the perspective of synergy theory, agency theory, and behavioral finance. The empirical results for agency theory show the presence of empire building motives that lead to the underperformance of firms in the postmerger acquisition period. (Khan, et al., 2017).

Table 7: 10 largest M&A in Pakistan, 2010-2019

Rank	Date announced	Date Effective	Target and nationality	Acquirer and nationality	Amount (US\$ million)
1	December 14, 2010	September 16, 2011	BP PLC-Oil & Gas Assets (Pakistan)	United Energy Group Ltd (Hong Kong)	749
2	July 3, 2016	December 20, 2016	Engro Foods Ltd (Pakistan)	FrieslandCampina Investments (Netherlands)	448
3	November 28, 2012	April 2, 2013	Unilever Pakistan Ltd (Pakistan)	Unilever Overseas Holding Ltd (United Kingdom)	330
4	May 23, 2017	May 23, 2017	Pakistan TeleCommun- (Pakistan)	Pakistan Mobile Communications (Pakistan)	295
5	June 30, 2016	November 7, 2016	United Refrigeration Inds Ltd (Pakistan)	Ar Dutch BV (Netherlands)	243
6	December 29, 2010	January 27, 2011	United Bank Ltd (Pakistan)	Bestway(Holdings)Ltd (United Kingdom)	229
7	May 7, 2014	July 24, 2014	Pakistan Cement Company Ltd (Pakistan)	Bestway Cement Ltd (Pakistan)	218
8	February 28, 2018	June 28, 2018	Omv Pakistan Expl Gmbh (Pakistan)	Dragon Prime Hong Kong Ltd (Hong Kong)	192
9	December 7, 2016	July 7, 2017	NIB Bank Ltd (Pakistan)	MCB Bank Ltd (Pakistan)	158
10	June 9, 2012	December 28, 2012	ICI Pakistan Ltd (Pakistan)	Viz Lucky Holdings Ltd (Pakistan)	153

Source: Thomson Financial Service

Table 8 indicates that seven of the top 10 M&A acquirers in Bangladesh were foreign companies. The largest transaction worth \$1.5 billion was the acquisition of the United Dhaka Tobacco Co. Ltd., by Japan Tobacco Inc. The acquisition of Warid Telecom by Bharti Airtel Ltd., from India for \$300 million, was the second largest deal. The other acquirers' nationalities among the top ten M&A transactions included Vietnam, South Korea, the Netherlands, and Sri Lanka.

During the period 2010-2019, Bangladesh completed only 18 M&A deals compared with 1,606 deals in India and 136 deals in Sri Lanka. Bangladesh does not have a specific or a single piece of legislation dealing solely with mergers and acquisitions. Instead, there are various statutes and bylaws in Bangladesh that govern mergers and acquisitions. Interestingly, Bangladesh had the highest value per deal (\$131.9 million), followed by India (\$131.9), Pakistan (\$87.2 million) and Sri Lanka (\$10.4 million). Bangladesh's M&A motives focused on value creation through synergy to increase revenue, reduce costs, and enhance firm diversification. These motives set the directions for the firm to focus on synergy gain theory and the pure diversification theory of M&As.

Table 8: 10 largest M&A in Bangladesh, 2010-2019

Rank	Date announced	Date Effective	Target and nationality	Acquirer and nationality	Amount (US\$ million)
1	August 6, 2018	November 29, 2018	United Dhaka Tobacco Co Ltd (Bangladesh)	Japan Tobacco Inc (Japan)	1,480
2	January 12, 2010	January 31, 2010	Warid Telecom Bangladesh (Bangladesh)	Bharti Airtel Ltd (India)	300
3	April 27, 2010	April 27, 2010	Teletalk Bangladesh Ltd (Bangladesh)	Viettel Corp (Vietnam)	300
4	March 13, 2017	July 9, 2018	Robin Resources (Malaysia) (Malaysia)	Akij Jute Mills Ltd (Bangladesh)	77
5	December 15, 2016	January 9, 2018	Holcim Cement (Bangladesh) Ltd (Bangladesh)	Lafarge Surma Cement Ltd (Bangladesh)	63
6	March 3, 2016	March 3, 2016	Youngone High-Tech Sportswear (Bangladesh)	Youngone Corp (South Korea)	61
7	April 9, 2013	December 17, 2013	Tullow Bangladesh Ltd (Bangladesh)	KrisEnergy Asia Holdings BV (Netherlands)	42

Rank	Date announced	Date Effective	Target and nationality	Acquirer and nationality	Amount (US\$ million)
8	October 6, 2017	January 19, 2018	Nuvista Pharma Ltd (Bangladesh)	Beximco Pharmaceuticals Ltd (Bangladesh)	25
9	January 4, 2019	July 22, 2019	JMI Syringes & Med Devices (Bangladesh)	Nipro Corp (Bangladesh)	22
10	October 12, 2015	October 12, 2015	Petredec Elpiji Ltd (Bangladesh)	Laugfs Gas Plc (Sri Lanka)	19

Source: Thomson Financial Service

The ten largest M&A deals completed in Sri Lanka are shown in Table 9. The largest deal (\$163 million) was the announced purchase of Numeric Lanka Technologies PVT, Ltd. (a Sri Lankan technology firm) by Indo Asia Electric PVT, Ltd., (an Indian electric company) in February 2012; the deal became effective in May 2012. The second largest deal was the \$109 million purchase of AVIVA NDB Insurance PLC (a Sri Lankan firm) by an investor group from Hong Kong. Table 9 also identifies the parties involved in the other eight largest M&A transactions. The values of these eight M&A transactions varied from \$35 million to \$106 million. Other acquirers of the largest ten M&A transactions completed in Sri Lanka included companies from Germany, Singapore, and the British Virgin Islands.

Sri Lanka accounted for the second largest number of deals (136) after India (1606) during the 2010-2019 decade. Sri Lanka's M&A motives focused on gaining competitive advantage against competing firms by utilizing horizontal integration strategies to increase market share, vertical integration to build capacity and sharing technology in the process of achieving internationalization of business operations. Strategic realignment theory and market power theory of M&As support the motives that drive acquirers to pursue mergers and acquisitions in Sri Lanka.

Table 9: 10 largest M&A in Sri Lanka, 2010-2019

Rank	Date announced	Date Effective	Target and nationality	Acquirer and nationality	Amount (US\$ million)
1	February 10, 2012	May 31, 2012	Numeric Lanka Technologies Pvt (Sri Lanka)	Indo Asian Electric Pvt Ltd (India)	163
2	September 27, 2012	December 5, 2012	AVIVA NDB Insurance Plc (Sri Lanka)	AIA Group Ltd (Hong Kong)	109
3	February 1, 2018	February 26, 2018	Janashakthi Gen Ins Ltd (Sri Lanka)	Allianz SE (Germany)	106
4	March 28, 2018	March 28, 2018	Lanka Orix Leasing Co PLC (Sri Lanka)	Lolc Holdings Pvt Ltd (Sri Lanka)	82
5	December 22, 2017	February 1, 2018	LOLC Micro Credit Ltd (Sri Lanka)	LOLC Finance PLC (Sri Lanka)	77
6	September 13, 2017	September 15, 2017	Singer (Sri Lanka) PLC (Sri Lanka)	Hayleys PLC (Sri Lanka)	71
7	February 16, 2017	April 3, 2017	Causeway Paint Lanka (Pvt) Ltd (Sri Lanka)	Berger International Pvt Ltd (Singapore)	60
8	June 20, 2014	October 30, 2014	Millers Brewery Ltd (Sri Lanka)	Investor Group (Sri Lanka)	40
9	December 4, 2017	August 1, 2018	Trischel Fabric Pvt Ltd (Sri Lanka)	Best Pac Intl Sri Lanka (British Virgin)	36
10	December 15, 2011	March 22, 2012	Suntel Ltd (Sri Lanka)	Dialog Broadband Networks (Sri Lanka)	35

Economic Profiles of India, Pakistan, Bangladesh, and Sri Lanka

Understanding the economies of the four South Asian countries allows us to better compare and contrast the characteristics of the various M&A transactions completed in these countries. The economic profiles of India, Pakistan, Bangladesh, and Sri Lanka are summarized in Table 10. It is very clear that the four countries are very different in terms of their land areas, population sizes and per capita income. In comparison, India's land area (2.97 million square kilometers) is approximately 23 times the size of Bangladesh and approximately 46 times the size of Sri Lanka. India's

population is over 3.1 times larger than the total population of Pakistan, Bangladesh, and Sri Lanka combined. In 2017, the gross domestic product (at purchasing power parity) ranged from a high of \$9.47 trillion for India to \$1.06 trillion for Pakistan, \$690.3 billion for Bangladesh and \$275.8 billion for Sri Lanka. However, in 2017, Sri Lanka had the highest per capita income (\$12,900), followed by India (\$7,200), Pakistan (\$5,400), and Bangladesh (\$4,200). Interestingly, in 2017, Bangladesh had the highest GDP growth rate (7.40 percent), followed by India (6.70 percent), Pakistan (5.40 percent) and Sri Lanka (3.30 percent).

Table 10: Country Profiles

	India	Pakistan	Bangladesh	Sri Lanka
Land Area (sq km)	2,973,193	770,875	130,170	64,630
Population (thousands) (July 2020 est.)	1,326,093	233,501	162,650,853	22,889
Main religion	Hindu (79.80%)	Muslim (96.40%)	Muslim (89.1%)	Buddhist (70.2%)
GDP at purchasing power parity in (2017) (US\$ in billions)	9,474	1,061	690.3	275.8
GDP at official exchange rate in (2017) (US\$ in billions)	2,602	305	261.5	87.35
GDP per capita in (2017) (US\$)	7,200	5,400	4,200	12,900
Growth rate of GDP (2017)	6.70%	5.40%	7.40%	3.30%
Exports in (2017) (US\$ in billions)	304.1	32.88	35.3	11.36
Imports in (2017 est.) (US\$ in billions)	452.2	53.11	47.56	20.98
Key trading partners	China, USA, UAE, Saudi Arabia, Switzerland	USA, UK, China, Germany, Afghanistan, UAE, Spain	Germany, USA, UK, Spain, France, Italy	USA, UK, India, Singapore, Germany, Italy

	India	Pakistan	Bangladesh	Sri Lanka
Principal Exports	Petroleum products, precious stones, vehicles, machinery, iron and steel, chemicals, pharmaceutical products, cereals, apparel	Textiles, rice, leather goods, sporting goods, chemicals, manufactures, surgical instruments, carpets and rugs	Garments, knitwear, agricultural products, frozen fish and seafood, jute and jute goods, leather	Textiles and apparel, tea and spices, rubber manufactures, precious stones, coconut products, fish
Labor force (millions) (2017 estimate)	521.9	63.89	66.64	8.937
Unemployment rate (2017 estimate)	8.50%	6%	4.40%	4.40%
Inflation rate (2017)	3.60%	4.10%	5.60%	6.50%
Exchange rate (2017) (1 US\$ = national currency)	65.17	105.1	80.69	154.1

Source: CIA World Factbook

In 2017, the major trading partners with all four countries were the United States, China, the United Kingdom, Germany, Italy, and the United Arab Emirates.

Table 11: Country Profiles

	India	Pakistan	Bangladesh	Sri Lanka
Land Area (sq km)	2,973,193	770,875	130,170	64,630
Population (thousands) (July 2020 est.)	1,326,093	233,501	162,650,853	22,889
Main religion	Hindu (79.80%)	Muslim (96.40%)	Muslim (89.1%)	Buddhist (70.2%)
GDP at purchasing power parity in (2017) (US\$ in billions)	9,474	1,061	690.3	275.8
GDP at official exchange rate in (2017) (US\$ in billions)	2,602	305	261.5	87.35
GDP per capita in (2017) (US\$)	7,200	5,400	4,200	12,900
Growth rate of GDP (2017)	6.70%	5.40%	7.40%	3.30%
Exports in (2017) (US\$ in billions)	304.1	32.88	35.3	11.36

	India	Pakistan	Bangladesh	Sri Lanka
Imports in (2017 est.) (US\$ in billions)	452.2	53.11	47.56	20.98
Key trading partners	China, USA, UAE, Saudi Arabia, Switzerland	USA, UK, China, Germany, Afghanistan, UAE, Spain	Germany, USA, UK, Spain, France, Italy	USA, UK, India, Singapore, Germany, Italy
Principal Exports	Petroleum products, precious stones, vehicles, machinery, iron and steel, chemicals, pharmaceutical products, cereals, apparel	Textiles, rice, leather goods, sporting goods, chemicals, manufactures, surgical instruments, carpets and rugs	Garments, knitwear, agricultural products, frozen fish and seafood, jute and jute goods, leather	Textiles and apparel, tea and spices, rubber manufactures , precious stones, coconut products, fish
Labor force (millions) (2017 estimate)	521.9	63.89	66.64	8.937
Unemployment rate (2017 estimate)	8.50%	6%	4.40%	4.40%
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Exchange rate (2017) (1 US\$ = national currency)	65.17	105.1	80.69	154.1

Source: CIA World Factbook

Table 10 also shows that India had a trade deficit of \$148.10 billion, while the trade deficits of Pakistan (\$20.23 billion), Bangladesh (\$12.26 billion), and Sri Lanka (\$9.62 billion) were much smaller in 2017. Of the four countries, India had the highest unemployment rate (8.50 percent) and the lowest inflation rate (3.60 percent) in 2017. Pakistan had the second highest unemployment rate (6.0 percent) and the second lowest inflation rate (4.1 percent).

A Comparison of M&A Activities in India, Pakistan, Bangladesh, and Sri Lanka

As a result of the differences in the economies of the four countries, their M&A activities vary quite a bit. Table 11 presents data that allow comparing the four countries' M&As by the industry of the target firms and provides information for target firms from other countries. The services industry accounted for 33 percent of the M&A transaction value in India, compared to 27 percent in Bangladesh and just over 16 percent in both Pakistan and Sri Lanka. Over 68 percent of the target firms from

Bangladesh were in manufacturing, while 43 percent of the target firms in Sri Lanka operated in the financial industry, such as banking and insurance. Natural resources accounted for 25 percent of the M&A deal value in Pakistan, compared to 7 percent in India and 5 percent in Bangladesh. The target firms responsible for M&A activity in the other countries were involved in a variety of industries, including services (48 percent), manufacturing (30 percent), and natural resources (17 percent).

Table 12: Mergers and acquisitions by the industry of the target firm, 2010-2019 (values in millions of US\$)

Country	Services (%)	Manufacturing (%)	Financial (%)	Natural Resources (%)	Wholesale trade and retail (%)	Other (%)	Total (%)
India	66,608 32.9%	65,638 32.5%	36,402 18.0%	14,040 6.9%	19,466 9.6%	42 0.0%	202,197 100.0%
Pakistan	633 16.5%	1,625 42.3%	623 16.2%	954 24.9%	3 0.1%	0 0.0%	3,838 100.0%
Bangladesh	629 26.5%	1,629 68.6%	0 0.0%	117 4.9%	0 0.0%	0 0.0%	2,374 100.0%
Sri Lanka	235 16.5%	435 30.6%	612 43.1%	11 0.8%	128 9.0%	0 0.0%	1,420 100.0%
Other countries	19,280 48.0%	11,997 29.8%	1,940 4.8%	6,782 16.9%	190 0.5%	9 0.0%	40,197 100.0%
Total	87,384 34.9%	81,324 32.5%	39,576 15.8%	21,904 8.8%	19,787 7.9%	52 0.0%	250,027 100.0%

Source: Thomson Financial Service

Table 12 compares the mergers and acquisitions (M&A) completed in India, Pakistan, Bangladesh, and Sri Lanka by the nationalities of the acquirers. We can observe some similarities and differences among the M&A deals completed in these four countries. For example, Sri Lanka had the highest percentage (60 percent) of domestic mergers (i.e., Sri Lanka firms acquiring other Sri Lankan firms) followed by India (57 percent). Comparatively, in Pakistan and Bangladesh, local firms buying other local firms accounted for 35 percent and 4 percent, respectively, of all the M&A deal values completed during the 2010-2019 time frame.

Table 13: Mergers and acquisitions completed in India, Pakistan, Bangladesh and Sri Lanka (M&A value in millions of US\$)

India	M&A Value	%	Pakistan	M&A Value	%	Bangladesh	M&A Value	%	Sri Lanka	M&A Value	%
Indian firms acquiring other Indian firms	138,648	57%	Pakistan firms acquiring other Pakistan firms	1,388	35%	Bangladesh firms acquiring other Bangladesh firms	100	4%	Sri Lanka firms acquiring other Sri Lanka firms	898	60%
Indian firms acquiring non-Indian firms	40,476	17%	Pakistan firms acquiring non-Pakistan firms	77	2%	Bangladesh firms acquiring non-Bangladesh firms	78	3%	Sri Lanka firms acquiring non-Sri Lanka firms	82	5%
Non-Indian firms acquiring Indian firms	63,549	26%	Non-Pakistan firms acquiring Pakistan firms	2,450	63%	Non-Bangladesh firms acquiring Bangladesh firms	2,274	93%	Non-Sri Lanka firms acquiring Sri Lanka firms	523	35%
Total	242,674	100%		3,915	100%		2,452	100%		1,502	100%

Source: Thomson Financial Service

In Bangladesh, non-Bangladeshi firms acquiring Bangladeshi companies accounted for 93 percent of the total M&A transaction value, while in Pakistan, non-Pakistani firms acquiring Pakistani companies accounted for only 63 percent of the M&A value. In India, non-Indian firms acquiring Indian companies accounted for only 26 percent of all M&A activity, which was worth \$63.5 billion during the 2010 to 2019 time period. It is interesting to note that the M&A market value in India is over 30 times larger than the total of Pakistan, Bangladesh, and Sri Lanka combined.

Finally, Table 13 presents a breakdown of the M&A deals that were completed in the four countries of the Indian subcontinent relative to the economic size (GDP) and level of foreign direct investment (FDI) of each nation. As expected, India, with its relatively larger economic size (81.09% of total GDP) and greater proportion of FDI (89.01%), accounted for the highest percentage of M&A deals, both in terms of the number of deals (89.02%) and their total transaction value (96.87%). Pakistan, which ranked second in terms of GDP (9.03%) and third in terms of FDI inflows (4.30%), accounted for the second highest proportion of M&A deal value (1.57%) and third highest proportion of the number of deals (2.44%). Bangladesh, which ranks third in terms of GDP (7.07%) and second in terms of FDI inflows (4.41%), accounted for the second lowest proportion of deal value (0.98%)

and the lowest proportion of the number of deals (1%), while Sri Lanka, despite being the smallest of the four economies (2.82% of total GDP) and accounting for the lowest proportion of FDI inflows (2.28%), accounted for the second highest proportion of the number of M&A deals (7.54%), although the total deal value was lowest in percentage terms (0.59%).

Table 14: Mergers & Acquisitions completed in Indian Sub-Continent relative to FDI and Size of Economy

Nationality (country)	Transaction value	% of Total Deal Value	No. of Deals	% of total # of deals	FDI Inflows \$	% of FDI - Inflows	GDP \$	% of GDP
(US\$ million)								
India	242,192.13	96.87%	1,878	89.02%	371,742.49	89.01%	22,090,597,920,394	81.09%
Pakistan	3,915.23	1.57%	47	2.44%	17,963.00	4.30%	2,458,470,162,921	9.03%
Bangladesh	2,451.52	0.98%	20	1.00%	18,422.42	4.41%	1,924,573,921,945	7.07%
Sri Lanka	1,467.12	0.59%	141	7.54%	9,522.47	2.28%	766,995,112,927	2.82%
Subtotal for the four countries	250,026.00	100.00%	1,804	100.00%	417,650.38	100.00%	27,240,637,118,187	100.00%

Source: Thomson Financial Services; UNCTAD STAT

Summary and Conclusions

This article has provided an update and overview of M&A activity in India, Pakistan, Bangladesh, and Sri Lanka for the most recent completed decade, i.e., 2010 to 2019. Earlier, we noted that M&A activities in the four countries expanded in 2010 but decreased significantly in 2011, and the slowdown continued until 2016. Many research studies suggest that the period following the global financial crisis of 2008 witnessed a significantly slower economic growth rate, especially in India, Pakistan, Bangladesh, and Sri Lanka. According to Arvind Subramanian (2019), “since the Global Financial Crisis, India’s long-term growth has slowed as the two engines propelling rapid growth, i.e., investment and exports, sputtered. Today, the other engine, i.e., consumption... has also stabilized. As a result, growth has plummeted precipitously over the past few quarters”. We noted that both the number of deals and transaction values of M&As in the four countries expanded significantly in 2017 and 2018. It is clear that during 2019, the Asian subcontinent witnessed a dramatic drop in M&A activity both in terms of the volume and number of deals. In the future, the expansion of M&A activity in the region is most likely going to continue but at a slower rate for the following reasons: (1) Frictions in China–US trade will likely create a restrained approach concerning the M&A activities and expansion of trade around the globe; (2) The

continuation of consolidation of companies in manufacturing and telecommunication industries within the region will prompt corporate restructuring efforts; (3) Deregulation, increased privatization, and adoption of effective pro-competitive policies will continue to motivate the inflow of foreign direct investment to the Indian subcontinent; and (4) The size of the domestic market and the availability of skilled labor at a lower cost will continue to motivate foreign firms to invest in the region.

However, we recommend that future investors in the region carefully examine the following issues before investing or expanding their M&A activity in the four countries:

1. Before making a decision to acquire a firm in any of the four countries, investors must evaluate the degree of attractiveness in the political, economic, social and legal systems of India, Pakistan, Bangladesh, and Sri Lanka.
2. Investors should acquire as much factual fluency about the cultural components and priorities and its impact on adding the cost of doing business in these countries.
3. It is critical for the acquiring firm to determine the real dollar valuation of the target firm in any of the four countries. It is recommended that one should utilize the assistance of a local investment banker and/or certified public accounting firm, in addition to a legal firm. In India, Pakistan, Bangladesh, and Sri Lanka, the verification, accuracy and reliability of the assets, liabilities and earnings of the target firm's data must be audited and certified by a trusted public accounting firm doing business in the country.
4. After the decision is made to acquire the firm in the region, the acquiring firm should establish a strategic plan to integrate the resources and manage its capabilities to create a synergy needed to compete successfully within the local economy.
5. Plan on a delay in closure of the M&A agreement because of the longer regulatory approval process (Ayilavarapu & Chandrashekhar 2019).
6. Anticipate a larger and more difficult cultural integration because of the well-established values and norms between both entities.

In conclusion, a gradual increasing trend in M&A activities in India, Pakistan, Bangladesh, and Sri Lanka is providing opportunities and challenges to other global firms and potential investors from Europe, North America, China, Asia, and the Middle East. As George Bernard Shaw is reputed to have said, "we are wise not by recollection of our past,

but by the responsibility for our future,” and the future of the Indian subcontinent is bright indeed!

Declarations

a. Funding:

No outside funding was received for this study.

b. Conflict of Interest:

On behalf of all authors, the corresponding author states that there is no conflict of interest.

c. Ethical approval

Not applicable

d. Informed consent

Not applicable

Data Availability:

Our manuscript contains data that will be made available upon reasonable request.

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