"Size is incidental and not necessarily the driver"

ANIL RAI GUPTA, JMD, HAVELLS INDIA, ON WHAT IT TAKES TO CREATE A WIN-WIN THROUGH MERGERS AND ACQUISITIONS

1 **IT'S NOT ABOUT THE SIZE BUT THE STRATEGIC FIT:** Buyers tend to seek large, undervalued businesses, but size is no guarantee for success given the global failure rate of M&As is 70-90%. Havells was scouting for branded and distribution oriented global electrical firms. Sylvania, a brand with a 100-year-old legacy, was a unique opportunity.

2 **NEVER OVERPAY:** Valuation is tough yet rewarding in a buyout. When a deal is hot, it's essential to brainstorm on the right price; paying is not the end game, running the business is. Leave enough reserves to manage the new firm and generate value for investors.

3 **LEVERAGE CAN BE TRICKY:** Debt is a double-edged sword and a conservative investor should not depend only upon financial engineering to drive value. The focus should be on operational improvement and less about leverage.

4 **PROMOTE CULTURAL INTEGRATION:** Disparities in organisational culture can impede amalgamation. The focus should be on ensuring successful team integration. A value-driven management will ensure that 'takeover' anxiety doesn't turn into paranoia.

5 **IT'S ALL ABOUT RETURN:** M&As that fail to deliver value can affect investor confidence and take the acquiring firm's credibility down. Post Sylvania, Havells' consolidated return ratios fell to 14% in FY10 as the business faced challenges, but in three years it is back to 48%. Profitability cannot be sacrificed in the pursuit of growth.