University of Oxford

Department of International Development

SLPTMD Working Paper Series

No. 004

THE INTERNATIONALIZATION OF FIRMS FROM INDIA: INVESTMENT, MERGERS AND ACQUISITIONS

Deepak Nayyar

THE INTERNATIONALIZATION OF FIRMS FROM INDIA: INVESTMENT, MERGERS AND ACQUISITIONS

Deepak Nayyar

Jawaharlal Nehru University
New Delhi

Abstract

The object of this paper is to analyze the rapid expansion in outflows of foreign direct investment from India and the spurt in foreign acquisitions by Indian firms, during the past decade, situated in the wider context of international investment from developing countries. It finds that the sectoral-composition and geographical distribution of outward foreign direct investment from India provides two sharp contrasts with that from developing countries: much of it was in manufacturing activities and most of it was in industrialized countries. These characteristics were mirrored in the pattern of foreign acquisitions by Indian firms. The economic stimulus and the strategic motive for the internationalization of firms from India was provided by a range of underlying factors driving the process: market access for exports, horizontal or vertical integration, delivery of services, capturing international brand names, access to technology, sourcing raw materials and global leadership aspirations. The significance of these factors differs across sectors, even firms. It is clear, however, that the rapid growth in foreign direct investment outflows from India that began *circa* 2000 and the spurt in foreign acquisitions by Indian firms that began *circa* 2005 were both, in part, attributable to the conjunctural factors implicit in the liberalization of the policy regime and the greater access to financial markets. But it must be recognized that Indian firms could not have become international without the capacity and the ability to compete in the world market. The attributes of Indian firms, which created such capacities and abilities, are embedded in the past and have emerged over a much longer period of time. This internationalization of firms from India has economic implications, both positive and negative, at a micro-level for firms and at a macro-level for the economy.

The early 2000s have witnessed a significant change in the pattern and nature of international investment in world economy, associated with the emergence of new international firms from the developing world. This phenomenon is not new. It was an important theme in Sanjaya Lall's work more than two decades ago.[1] But recent years have witnessed a transformation that simply could not have been imagined, let alone anticipated, at the time. The object of this paper is to analyse the rapid expansion in outflows of foreign direct investment from India and the spurt in foreign acquisitions by Indian firms, during the past decade, situated in the wider context of international investment from developing countries.

The structure of the paper is as follows. Section I sketches a profile of outward foreign direct investment from developing countries and India, in the global context, to set the stage. Section II outlines the sectoral composition and geographical distribution of foreign direct investment outflows from India, to highlight similarities and differences with such international investment from developing countries. Section III assembles and examines available evidence on international investment by Indian firms through mergers and acquisitions, which is altogether new. Section IV analyses the underlying factors driving the process, drawing in part on evidence at the level of firms. Section V discusses the enabling factors that have made such cross-border activities possible for Indian firms, making a distinction between conjunctural factors and longer-term factors. Section VI considers, briefly, the economic implications of international investment and acquisitions by firms from India, for the firms and for the economy. Section VII draws together some conclusions.

I.THE GLOBAL CONTEXT

Foreign direct investment from developing countries is not new. It began life, albeit on a modest note, in the 1970s. It reached significant levels during the 1980s. The period since 1990, however, has witnessed a rapid expansion in the magnitudes and a qualitative transformation in the patterns of international investment by firms from the developing

[1] See Lall (1982) and Lall (1983). See also Lecraw (1977) and Wells (1983).

world.[2] In more recent years, firms from India have become an integral part of this process. The following discussion situates these trends in the wider global context. First, it examines the emerging significance of developing country firms in outward foreign direct investment in the world economy. Second, it considers the relative importance of India in such outward foreign direct investment from developing countries. Third, it compares the discernible trends in outward foreign direct investment from developing countries as a group with that from India.

The stock of outward foreign direct investment from developing countries increased rapidly from US$149 billion in 1990 to US$871 billion in 2000 and US$1274 billion in 2005.[3] The share of developing countries in the total stock of foreign direct investment in the world economy rose from 8.3 per cent in 1990 to 13.5 per cent in 2000 and fell to 11.9 per cent in 2005.[4] The significance of this stock of outward foreign direct investment from developing countries emerges with clarity in a macroeconomic perspective. It was the equivalent of 4.3 per cent of the GDP of developing countries in 1990. This proportion more than trebled to 13.4 per cent in 2000 and remained in that range at 12.8 per cent in 2005.[5]

The changes in stocks at the end of a period are, of course, an outcome of flows during the period. The average outflows of foreign direct investment from developing countries, during the period 2001-2005, were US$74 billion per annum. These constituted 10.7 per cent of total outflows of foreign direct investment in the world in the same period. The magnitudes were not insignificant for developing countries. Such outflows were the

---

[2] This expansion and transformation has received some attention in the literature on the subject. See, for example, United Nations (1993), Kumar (1995), Dunning et al (1998) and Hoesel (1998). The UNCTAD *World Investment Report 2006* also provides a detailed analysis.

[3] UNCTAD (2006), p.303.

[4] These percentages have been calculated as a proportion of the total outward stock in the world economy reported in UNCTAD(2006), p.303.

[5] UNCTAD(2006), p.308.

equivalent of 3.6 per cent of gross fixed capital formation in developing countries during 2001-2005.[6]

The expansion of foreign direct investment from developing countries has also been associated with mergers and acquisitions abroad. During the period 2001-2005, the average level of purchases by firms from developing countries, reported as mergers and acquisitions, was US$46 billion per annum. The share of developing countries as purchasers in total mergers and acquisitions for the world economy was 9.8 per cent.[7]

The emergence of international firms from developing countries is also reflected in the growing number of parent companies in the developing world.[8] The evidence available is not complete. But it shows that the number of parent companies from five selected developing countries – Brazil, China, Hong Kong, India and Korea – increased from 2681 in the early 1990s to 14762 in the early 2000s, by as much as 451 per cent. A comparison with international firms from the industrialized world is instructive. The number of parent companies in developed countries increased from 34280 in the early 1990s to 50520 in the early 2000s, by a far more modest 47 per cent. The comparison may not be entirely appropriate because starting from a small base, proportionate increases appear larger. Even so, it is revealing.

The stock of outward foreign direct investment from India increased rapidly from $124 million in 1990 to US$1859 million in 2000 and US$9569 million in 2005.[9] The share of India in the total stock of outward foreign direct investment from developing countries rose from 0.08 per cent in 1990 to 0.21 per cent in 2000 and 0.75 per cent in 2005.[10] It

---

[6] The figures and percentages in this paragraph have been calculated from UNCTAD statistics: for 2001-2002, UNCTAD(2004), p.372 and p.388; for 2003-2005, UNCTAD(2006), p.299 and p.308.

[7] This percentage, as also the average annual purchases, have been calculated from UNCTAD statistics: for 2001-2002, UNCTAD(2004), pp.416-417; for 2003-2005, UNCTAD(2006), p.318.

[8] See UNCTAD(2006), Table III.13, p.122.

[9] UNCTAD(2006), p.305.

[10]These percentages have been calculated as a proportion of the total outward stock for developing countries reported in UNCTAD(2006), p.303.

was a negligible proportion of India's GDP in 1990. But this proportion rose from 0.4 per cent in 2000 to 1.2 per cent in 2005.[11]

The stock of outward foreign direct investment from India multiplied by more than five in a short span of five years. This was the outcome of a rapid expansion of outflows. The average outflows of foreign direct investment from India, during the period 2001-2005, were US$1443 million per annum. These constituted 2 per cent of outflows of foreign direct investment from developing countries in the same period. The magnitudes were very small in the international context but were not insignificant for India. Such outflows were the equivalent of 1 per cent of gross fixed capital formation in India during 2001-2005.[12]

The expansion of foreign direct investment from India has, in a sense, been led by mergers and acquisitions abroad. During the period 2001-2005, the average level of purchases by firms from India, reported as mergers and acquisitions, was US$1469 million per annum. The share of India in total purchases by developing countries, reported as cross-border mergers and acquisitions, was 3.2 per cent.[13]

The internationalization of firms from India is also reflected in the growing number with foreign affiliates. The number of parent companies from India increased from 187 in the early 1990s to 1700 in the early 2000s, by a phenomenal 809 per cent.[14] This massive proportionate increase is attributable, in significant part, to the small base, but it is suggestive.

---

[11] UNCTAD(2006), p.315.

[12] The figures and percentages in this paragraph have been calculated from UNCTAD statistics: for 2001-2002, UNCTAD(2004), p.374 and p.395; for 2003-2005, UNCTAD(2006), p.301 and p.315.

[13] This percentage, as also the average annual purchases, have been calculated from UNCTAD statistics: for 2001-2002, UNCTAD(2004), p.417 and 419; for 2003-2005, UNCTAD(2006), p.318 and p.320.
[14] See UNCTAD(2006), Table III.13, p.122.

Some trends are discernible from the evidence presented above. There was a phenomenal expansion in the outward foreign direct investment from developing countries during the 1990s, in both absolute and relative terms. In absolute terms, the expansion continued in the early 2000s. However, the pace of expansion slowed down, so that the significance of developing countries in outward foreign direct investment in the world economy diminished a little. The story for India turns out to be somewhat different. There was a rapid expansion of outward foreign direct investment from India during the 1990s in absolute terms. But the magnitudes were negligible in a global context and very small even in comparison with developing countries. The early 2000s provide a sharp contrast, as outward foreign direct investment from India registered a phenomenal increase. This is discernible in the trends set out above not only in absolute terms but also in relative terms.

Even so, it is important to recognize that India's share in outward foreign direct investment from developing countries is at best modest, whether we consider the stock, the flows or the mergers and acquisitions. The number of parent companies is the only indicator that suggests more than a modest significance for India. In this context, it is worth pointing out that India does not feature in the top 15 developing countries and transition economies in terms of the stock of outward foreign direct investment. This should come as no surprise in 1980, 1990 or 2000. But India was not in the top 15 even in 2005.[15]

II. FOREIGN DIRECT INVESTMENT FROM INDIA

---

[15] Cf. UNCTAD(2006), Table III.4, p.113. It is worth noting that, in 2004, there was no Indian firm among the world's top 100 non-financial TNCs, ranked by foreign assets, although there were 3 from developing countries: one from Hong Kong (Hutchison Whampoa ranked 13), one from Singapore (Singtel ranked 73) and one from China (CITIC Group ranked 94). In the top 100 non-financial TNCs from developing countries, ranked by foreign assets, in 2004, there was only one Indian firm, ONGC, ranked 26: See UNCTAD(2006), pp.280-284. In the top 20 TNCs for the world ranked by revenue in different sectors, for 2005, however, there was one Indian firm each in petroleum refining (Indian Oil ranked 18), Steel (Steel Authority of India ranked 18) and telecommunications (Tata Teleservices ranked 18) but there was no Indian firm among the top 20 in mining, automotive, chemicals, electronics, banking, construction and shipping: See UNCTAD (2006), p.123.

It is necessary to sketch a profile of foreign direct investment from India because there is little systematic, let alone complete, information on the subject. The following discussion considers the available evidence on outflows of foreign direct investment from India to outline the contours of its sectoral composition and geographical distribution. It also presents some data on the outstanding stock of foreign direct investment from India. The evidence presented relates to the period 2000-01 to 2005-06. This is both adequate and appropriate as foreign direct investment from India is a recent phenomenon.

Table 1 outlines the trend in foreign direct investment inflows to, and outflows from India. It shows that, during the period 2000-01 to 2005-06, total inflows were US$13.7 billion and total outflows were US$9.3 billion, while the average inflows were US$2.3 billion per annum and average outflows were US$1.6 billion per annum. It is worth noting that in two of the six years, outflows were larger than inflows.

Table 2 presents available evidence on the sectoral composition of foreign direct investment outflows from India. The disaggregation is not enough and the classification is perhaps not altogether appropriate. But it does show that, during the period 2000-01 to 2005-06, except for the first year, the manufacturing sector accounted for more than half the outflows. Over this period, on an average, the share of manufacturing was 59 per cent while that of non-financial services was 27 per cent and that of trading was 8 per cent.

The evidence available on the geographical distribution of foreign direct investment outflows from India is incomplete because it covers only selected countries and is inappropriate because it relates to approvals rather than actual outflows. What is more, there is no time series. The available data are aggregates for the period 1995 to 2005. Over this decade, there were three principal destinations for foreign direct investment from India: the United States (24 per cent), Russia (20 per cent), and the United Kingdom (9 per cent). Sudan (11 per cent) and Hong Kong (6 per cent) came next. Tax havens, or offshore financial centres, accounted for the remaining 30 per cent: Mauritius (12 per cent), Virgin Islands (10 per cent) and Bermuda (8 per cent).[16]

Table 3 sets out data on the stock of outstanding foreign direct investment from India during the period 2000-01 to 2005-06. It shows that this outstanding stock rose from US$2.6 billion in end-March 2001 to US$12.1 billion in end-March 2006, an increase of about US$10 billion in a short span of five years.

It is necessary to recognize the limitations of the evidence presented above. The data on outflows do not include investment financed by borrowing in international financial markets. The data on sectoral composition are not disaggregated enough for analytical purposes. The data on geographical distribution are certainly incomplete and possibly unreliable, particularly because the figures relate to approved investment rather than actual outflows. The data on outstanding stock almost certainly do not include borrowing by firms in international markets to finance their investment abroad. In spite of the limitations, however, this evidence is valuable in so far as it makes it possible to construct a profile of foreign direct investment from India.

During the early 2000s, the picture of outward foreign direct investment from India provides two sharp contrasts with that of foreign direct investment from developing countries. For one, the sectoral composition is different. In 2005, manufacturing accounted for almost 60 per cent of the cumulative stock of outward foreign direct investment from India. In comparison, in 2004, the share of manufacturing in the stock of outward foreign direct investment from developing countries was just 13.5 per cent.[17] In fact, the share of manufacturing in the stock of outward foreign direct investment for the industrialized countries was also significantly lower at about 28 per cent. For another, the geographical destination is different. The evidence available for India, which has significant limitations, suggests that, excluding offshore financial centres,

[16] See Reserve Bank of India, *Annual Report*, 2004-2005. The percentages have been calculated.

[17] For evidence on the geographical distribution of the stock of outward foreign direct investment from developing countries, as also from industrialized countries, see UNCTAD(2006), p.116.

during the early 2000s, nearly 75 per cent of outward foreign direct investment was in industrialized countries. In comparison, during the period 2001-2004, excluding offshore financial sectors, more than 80 per cent of outward foreign direct investment from developing countries was in developing countries and transition economies whereas less than 20 per cent was in the industrialized countries.[18] It is also worth noting that an overwhelming proportion of outward foreign direct investment from developing countries was intra-regional while rather a small proportion was inter-regional. By contrast, much of India's outward foreign direct investment was inter-regional.[19]

III. FOREIGN ACQUISITIONS BY INDIAN FIRMS

There is a boom in acquisitions abroad by Indian firms. Indeed, this has been the focus of attention particularly in the media. The following discussion endeavours to assemble the evidence available on international investment by Indian firms through mergers and acquisitions.

Table 4 presents evidence on sales and purchases by Indian firms in the form of cross-border mergers and acquisitions. It shows that, during the period 2000-2005, total sales were US$10.9 billion and total purchases were US$8.2 billion. In two of the six years, purchases were larger than sales. And it is almost certain that in 2006, for which these UNCTAD data are not yet available, purchases exceeded sales by a large margin. This is confirmed by some of the evidence presented below.

It is difficult to find complete, let alone systematic, information on cross-border mergers and acquisitions. The problem is far more acute in India in part because it is such a recent phenomenon. The sources of data are disparate. The information is incomplete. The Reserve Bank of India, which is the primary source of data on foreign direct

[18] Cf. UNCTAD(2006), p.118. In fact, in 2004, more than 98 per cent of foreign direct investment from developing countries, excluding offshore financial centres, was in developing countries and transition economies.

[19] It is worth noting that, during the period 2002-2004, on average, only 6 per cent of foreign direct investment outflows from developing countries to other developing countries were inter-regional flows, whereas an overwhelming proportion, 94 per cent, were intra-regional flows. See UNCTAD(2006), p.119.

investment, does not compile information on cross-border mergers and acquisitions as these transactions are not reported to the Reserve Bank of India. There are reports in the press and stories on the Internet which are sporadic and unreliable. There are, however, two sources of information on foreign acquisitions by Indian firms. First, there is a study by the Federation of Indian Chambers of Commerce and Industry (FICCI) on acquisitions abroad by Indian firms.[20] Second, there is a listing by the Centre for Monitoring the Indian Economy (CMIE) of foreign acquisitions by Indian companies.[21] The discussion that follows draws primarily upon these two sources, although some information is incorporated from elsewhere.

The FICCI study relates to the period from January 2000 to June 2006. It provides information about 306 foreign acquisitions by Indian firms, although the cost of acquisition is reported for only 193 of these acquisitions. Table 5 presents information on the sectoral composition and the geographical distribution of the 306 acquisitions during the period of the study.

The sectoral composition emerges with clarity. More than 40 per cent of the acquisitions – pharmaceuticals, automotive, consumer goods, chemicals, fertilizers and metals – were in the manufacturing sector, while information technology, software, and business process outsourcing accounted for almost 30 per cent. The geographical distribution emerges with greater clarity. Almost 80 per cent of these acquisitions were in the industrialized countries. One-third of the total acquisitions were in the United States, while two-fifths of the total acquisitions were in Europe of which the United Kingdom accounted for about one-third.

There is some information on the sector-destination mix which is worth analyzing.[22] The largest number of acquisitions, a sum total of 90, was in the information technology, software, business process outsourcing sector. Of these, as many as 51 were in the

[20] FICCI(2006).

[21]CMIE(2007).

[22] Cf FICCI(2006), p.21.

United States while there were 15 in continental Europe and 10 in the United Kingdom, so that these three destinations together accounted for almost 85 per cent of the total number of acquisitions in this sector. The second largest number of acquisitions, a sum total of 62, was in the pharmaceuticals sector. Of these, as many as 30 were in continental Europe, 6 in the United Kingdom and 17 in the United States, so that these three destinations together, once again, accounted for 85 per cent of the total number of acquisitions in this sector. The third largest number of acquisitions, a sum total of 27, was in the automotive sector: of these, 13 were in continental Europe, 5 in the United Kingdom and 4 in the United States, so that these three destinations together, yet again, accounted for more than 80 per cent of the total acquisitions in this sector. The fourth largest number of acquisitions, a sum total of 17, was in the consumer goods sector: of these, 5 were in the United Kingdom, 3 in continental Europe and 4 in the United States, so that these three destinations together accounted for more than 70 per cent of the total number of acquisitions in this sector. It would seem that the only significant exception to this rule was the oil and gas sector in which 8 of the 14 acquisitions were in Africa and Russia. And it is not surprising that an overwhelming proportion of the acquisitions in mining, 8 out of 10, were in Australia. It is only in chemicals and fertilizers sector that the acquisitions, a sum total of 19, were distributed evenly across different parts of the world.

It is worth noting that the concentration in acquisitions was not limited to countries-of-destination. There was a similar, though not as high, concentration among Indian firms that made these acquisitions abroad. In the information technology, software, business process outsourcing sector, four firms made 29 of the 90 acquisitions. In the pharmaceuticals sector, five firms made 29 out of the 62 acquisitions. In the automotive sector, five firms made 19 out of the 27 acquisitions. In the chemicals and fertilizers sector, two firms made 12 of the 19 acquisitions.[23] In the aggregate, during the period 2000-2006, just 15 firms from India were responsible for 98 out of 306 acquisitions.

[23] See FICCI(2006), pp.17-18. The 4 firms in the information technology, computer software, business process outsourcing sector were 3i Infotech, Subex Systems, Teledata Informatics and WIPRO. The 5 firms in the pharmaceuticals sector were Ranbaxy, Dr. Reddy's Laboratories, Nicolas Piramal, SunPharma and Glenmark Pharma. The 5 firms in the automotive sector were Bharat Forge, Amtek, Mahindra &

The CMIE information relates to the period from January 2001 to December 2006. It lists information about 371 acquisitions, although the cost of acquisition is reported for only 228 of these acquisitions. Table 6 presents information on the sectoral composition of foreign acquisitions by Indian firms during the period 2001-2006. In doing so, it makes a distinction, sector-wise, between the acquisitions for which the cost is not reported and the acquisitions for which the cost is reported. It needs to be said that the CMIE data are not comparable with the FICCI data. The object, then, is not so much to compare sources for corroboration. The idea is to obtain some more information on different aspects of the same story.

The evidence on the sectoral composition of foreign acquisitions by Indian firms is worth highlighting. In terms of the number of acquisitions, information technology and telecommunications accounted for nearly 48 per cent of the total while manufacturing (pharmaceuticals, automotive, steel, chemicals and consumer goods) accounted for about 38 per cent of the total. But petroleum accounted for only 2.6 per cent of the total number of acquisitions. In terms of the value of acquisitions, information technology and telecommunications accounted for 31 per cent of the total, while manufacturing (pharmaceuticals, automotive, steel, chemicals and consumer goods) accounted for 48 per cent of the total. But petroleum accounted for 15 per cent of the total value of acquisitions.

The asymmetries in the shares of different sectors in the number and the value of acquisitions, which emerges clearly from the evidence in Table 6, is worth noting. In the information technology sector, the automotive sector and the chemicals sector, the share in the number of acquisitions was significantly greater than the share in the value of acquisitions. However, for the petroleum sector, the pharmaceuticals sector, the steel sector and the consumer goods sector, the share in the number of acquisitions was significantly less than the share in the value of acquisitions. It should come as no

Mahindra, Sundaram Fasteners and Tata Motors. The 2 firms in the chemicals and fertilizers sector were United Phosphorus and Asian Paints.

surprise that this disproportionality was the largest in steel and petroleum which, taken together, accounted for only 6 per cent of the number of acquisitions but as much as 26 per cent of the value of acquisitions. These asymmetries are attributable to the average value of acquisitions in each of the sectors. The mean value of acquisitions, set out in the last column of Table 6, ranged from US$240 million in the petroleum sector to US$22 million in the information technology sector.

The CMIE evidence on the geographical distribution of acquisitions sketches a picture that is identical to that of FICCI in the aggregate. Almost 80 per cent of these acquisitions were in the industrialized countries. The distribution across the industrialized world in the CMIE data, however, was not quite the same: United States (41 per cent), continental Europe (17 per cent), United Kingdom (12 per cent) and other industrialized countries (8 per cent).[24] The story on the sector-destination mix, which emerges from CMIE data is similar to that which emerges from FICCI data. Taken together, the United States, continental Europe and the United Kingdom accounted for 86 per cent of the total number of acquisitions in the information technology sector, while this proportion was 72 per cent in the pharmaceuticals sector, 77 per cent in the automotive sector, and 70 per cent in the consumer goods sector.[25] The exception, once again, was the petroleum sector where 71 per cent of the total number of acquisitions was in developing countries and transition economies.

Table 7 presents information, compiled from different sources, on the top 25 foreign acquisitions by Indian firms during the period from January 2000 to March 2007. The acquisitions are ranked in descending order of value stating the year the acquisition was made. In addition, the table also provides information on the name of Indian firm, the target firm, the industry and the country of location. The total value of these 25 acquisitions was US$27.6 billion. Of these, only 7 were during the period 2000-2004, 6

[24] These percentages have been calculated from the complete list of foreign acquisitions by Indian companies. See CMIE(2007), pp.103-115.

[25]The percentages on the geographical concentration of acquisitions for each of these sectors, cited in the paragraph, are calculated from the complete list of foreign acquisitions reported by CMIE (2007) for the period 2001-2006.

in 2005, 10 in 2006, and 2 in 2007. In terms of geographical spread, 16 of the 25 acquisitions were in industrialized countries, while there were 6 in developing countries and 3 in transition economies. In terms of sectoral distribution, the maximum number was in consumer goods (5), followed by steel (4), petroleum (4), pharmaceuticals (3), information technology (3) and telecom (2). The remaining 4 acquisitions were in aluminum, medical equipment, energy and paper.

IV. UNDERLYING FACTORS DRIVING THE PROCESS

It is obviously necessary to consider the underlying factors and, if possible, assess their relative importance. The internationalization of firms, everywhere, is driven by a wide range of factors such as market access for exports, horizontal or vertical integration, delivery of services, capturing international brand names, access to technology, sourcing raw materials and global leadership aspirations.[26] India is no different. These underlying factors are more clearly discernible in the spurt of acquisitions abroad by Indian firms.[27]

Market access for exports was particularly important in the pharmaceuticals sector and the automotive sector. It is possible to cite examples: Dr. Reddy's Laboratories acquired Betapharm in Germany and Bharat Forge acquired Federal Forge in the United States.

Horizontal, in part vertical, integration was particularly important in the steel sector as also in the chemicals sector. The striking examples are Tata Steel's acquisitions of Corus Steel in the United Kingdom, NatSteel in Singapore and Millenium Steel in Thailand In addition, the acquisition of Berger International in Singapore by Asian Paints and Dunlop Tyres in South Africa by Apollo Tyres are also examples of horizontal expansion across borders.

[26] See, for example, Caves(1982), Dunning(1993) and UNCTAD(1998).

[27] The discussion that follows draws upon information and evidence at the firm-level reported in FICCI(2006). For a discussion on the factors underlying the recent boom in Indian investments abroad, see also Nagaraj(2006).

The delivery of services was particularly important in information technology, computer software and business process outsourcing. The large number of foreign acquisitions by Indian firms in this domain was clearly motivated by the object of delivering services and securing markets. It is characteristic of the market expansion path for firms in the information technology sector.

The capture of international brand names was particularly important in the consumer goods sector and the pharmaceuticals sector. The acquisition of the Tetley Group in the United Kingdom by Tata Tea, the acquisition of Daewoo (commercial vehicles division) in Korea by Tata Motors, and the acquisition of Thomson SA in Europe by Videocon constitute examples in the consumer goods sector. The acquisition of RPG Aventis in France by Ranbaxy, a market leader in generic drugs, constitutes a lead example in the pharmaceuticals sector.

Access to technology was particularly important in energy and telecommunications but it was also significant in semi-conductors and seed-technologies. The acquisition of Hansen Transmissions in Belgium by Suzlon Energy, the acquisition of Flag Telecom in the United States by Reliance Infocomm, the acquisition of New Logic in Austria by WIPRO and the acquisition of Adventa in the Netherlands by United Phosphorus constitute examples. Of course, access to technology was probably an important underlying factor even in the steel, pharmaceuticals and chemicals sectors.

The sourcing of raw materials, which has always driven international investment, was present as an underlying factor in acquisitions abroad by Indian firms. There were a large number of small acquisitions in copper, coal, coke and iron ore, mostly in Australia, which constitute examples. The acquisition of shares in Petrobras in Brazil and the Greater Nile Oil Project in Sudan by ONGC, as also the acquisition of Sakhalin oilfields in Russia, constitute examples of this process as ONGC attempts a diversification of sources in its search for petroleum and natural gas.

Global leadership aspirations of Indian firms are also a factor underlying some of the acquisitions abroad. These are firm-specific rather than sector-specific. It is also possible that large diversified firms seek to capture global leadership in product categories or in niche areas. It is difficult to think of definitive examples, but Suzlon Energy, Tata Tea, United Phosphorus, Bharat Forge, Asian Paints and most recently Tata Steel are plausible examples.

It might seem that the above discussion is firm-specific in so far as it attempts to examine the underlying factors from evidence on acquisitions abroad at a micro level. In fact, it is not, because it is possible to generalize from such evidence. What is more, at the macro level, the evidence on the sectoral distribution and the geographical destination of outward foreign direct investment from India is not disaggregated enough for meaningful analysis. Even so, it is clear that about 60 per cent of such foreign direct investment outflows are in the manufacturing sector. And it is plausible to suggest that at least another 15 per cent are in information technology, computer software and business process outsourcing that are probably the largest component of non-financial services which constitute 27 per cent of outflows. Much like acquisitions abroad, foreign direct investment outflows from India are also destined mostly for the industrialized countries. Under these circumstances, it is plausible to argue though impossible to prove that the underlying factors are similar, if not the same, at a macro level. Market access for exports, horizontal or vertical integration, capture of brand names, and access to technology are the obvious drivers of outward foreign direct investment from India which is concentrated in the manufacturing sector and in the industrialized countries. The relative importance of these underlying factors is bound to differ across sectors or firms. And, on the basis of available evidence, it is not possible to provide an assessment of their relative importance.

The story that emerges from this experience of the internationalization of firms from India is consistent with hypothesis about strategic motives underlying the internationalization of firms from the developing world. A recent survey of the literature on the subject suggests that transnational corporations from developing countries are motivated by market-seeking, efficiency-seeking, resource-seeking, or created-asset-seeking behaviour.[28] Market-seeking is simply an attempt to obtain market access for exports. Efficiency-seeking could refer to a search for either low-cost inputs, particularly labour, or synergies to be gained through integration into international production or value chains. Resource-seeking obviously refers to investment in a quest to secure supplies of raw materials or access to natural resources. Created-asset-seeking refers to the acquisition of already created assets through international investment. A global survey on transnational corporations from developing countries carried out by UNCTAD revealed that market access was the most significant motive for 51 per cent of the respondents, efficiency-seeking was the most significant motive for 22 per cent of the respondents, resource-seeking was the most significant motive for 13 per cent of the respondents, and created-asset-seeking was the most significant motive for 14 per cent of the respondents.[29] Such quantitative assessments about the relative importance of underlying factors are suggestive but cannot be conclusive. Indeed, the relative importance of such underlying factors might change over time and differ across countries, sectors or industries.

V. THE ENABLING FACTORS

The underlying factors driving the process are necessary but cannot be sufficient. Hence, it is also essential to consider the enabling factors that have made such cross-border activities possible for Indian firms. In doing so, it is worth making a distinction between the conjunctural factors and the longer term factors.

The significance of the conjuncture matters. It probably explains the changed trend in outward foreign direct investment from India and the turning point in acquisitions abroad by firms from India. There are two dimensions of the conjuncture that have exercised an

[28] For a detailed discussion on drivers and determinants of, as also motivations and strategies underlying, the internationalization of firms from developing countries, see UNCTAD(2006), Chapter IV.

[29] Cf. UNCTAD(2006), pp.158-162.

influence and made an impact: changes in the policy regime and greater access to financial markets.

In retrospect, there are three discernible phases of the policy regime for outward foreign direct investment from India.[30] The first phase from 1978 to 1992, can be described as restrictive. It began life in 1978. Overseas investments by Indian firms were possible only in the form of minority-owned joint ventures. As a rule, no cash remittances were allowed for this purpose. The only option was to capitalize exports for equity. However, the provision of capital goods, technology or know-how was also a means of financing equity. It was stipulated that 50 per cent of declared dividends shall be repatriated to India. Every proposal had to be placed before an inter-ministerial committee on joint ventures for approval. The second phase, from 1992 to 2003, can be described as permissive. It witnessed a slow but steady relaxation. The first step was taken in 1992 by introducing an automatic route for overseas investments up to US$ 2 million. Cash remittances were allowed. The minority-ownership restriction was removed. In 1995, the upper limit for automatic approval was raised to US$4 million. At the same time, the authority for approval of proposals up to US$15 million was vested with the Reserve Bank of India, but overseas investment of more than US$15 million still had to be considered and approved by the Ministry of Finance. In 2000, the upper limit for automatic approval was raised to US$50 million per annum, without any profitability condition. In 2002, the upper limit for automatic approval was raised to US$100 million per annum, of which 50 per cent could be obtained from any authorized dealer in foreign exchange. The third phase, from 2004 onwards, can be described as liberal. In 2004, firms were allowed to invest up to 100 per cent of their net worth under the automatic route. In 2005, firms were allowed to invest up to 200 per cent of their net worth under the automatic route. Prior approval from the Reserve Bank of India was dispensed with. And firms could obtain the entire remittance through any authorized dealer in foreign exchange.

[30] For a description of changes in the policy regime, see FICCI(2006) and Gopinath(2007).

This liberalization of the policy regime was juxtaposed with much greater access to financial markets for Indian firms. Financial deregulation in the domestic capital market which began in the early 1990s, gathered momentum and, by the early 2000s, provided Indian firms with significantly enlarged access to domestic capital markets. Their access to international financial markets was also progressively liberalized in the early 2000s. In April 2003, banks in India were permitted to provide credit to majority-owned affiliates or wholly-owned subsidiaries of Indian firms abroad up to 10 per cent of their unimpaired capital funds. In November 2006, this potential limit was raised to 20 per cent of their unimpaired capital funds. In addition, starting in June 2005, banks in India were allowed to extend credit to Indian firms for investment in existing or new joint ventures and in wholly-owned subsidiaries. But that is not all. Indian firms were also allowed the use of special purpose vehicles in international capital markets to finance acquisitions abroad. For this reason, perhaps, unlike most international mergers and acquisitions that are characterized by equity swaps, Indian firms have acquired foreign firms mostly for cash. This has been supported, in part, by a combination of internal resources and domestic borrowings. For larger acquisitions, however, Indian firms have used the leveraged buy-out route with the help of special purpose vehicles in international financial markets. Such acquisitions, supported by borrowing abroad, are not reflected in the statistics on outward foreign direct investment by India.

It would seem that the rapid growth in foreign direct investment outflows from India that began *circa* 2000, and the boom in foreign acquisitions by Indian firms that began *circa* 2005, were both made possible by significant changes in the policy regime and much greater access to financial markets, which coincided with these turning points. However, it needs to be stressed that the significance of the conjuncture was permissive rather than causal. It enabled Indian firms to move across borders. But it did not drive Indian firms to move across borders.

The conjuncture is an important part of the explanation. But it would be a mistake to think of it as a complete explanation. The internationalization of firms from India must be situated in a longer term perspective. It is clear that the combination of factors underlying the process, considered earlier, provided the economic stimulus or the strategic motive for Indian firms to become international. It is also clear that the turning point in foreign direct investment outflows from India and the spurt in foreign acquisitions by Indian firms were both, in part, attributable to the conjunctural factors implicit in the liberalization of the policy regime and the access to financial markets. The underlying factors and the conjunctural factors were obviously necessary. But it must be recognized that these could not have been sufficient. The reason is simple. Indian firms could not have become international without the capacity and the ability to compete in the world market. The attributes and characteristics of Indian firms, which created such capacities and abilities, are embedded in the past and have emerged over time.[31] In analyzing of such capabilities of Indian firms, it is useful to make a distinction between the medium term and the long term.

In a medium-term perspective, it is important to focus on the period since economic liberalization in the early 1990s. Industrial deregulation, trade liberalization, public sector reform, financial deregulation and liberalization, more openness to foreign investment and foreign technology, taken together, subjected Indian industry to a major restructuring during the 1990s.[32] There were lay-offs, retrenchments and closures. There were hostile takeovers and voluntary mergers. There were also investments in manufacturing capacities and distribution networks. The acquisition of foreign technologies was followed by efforts to absorb such technologies with R&D capabilities. In other words, liberalization, which increased both competition and risk, was followed by difficult times. But it was also a period of learning. The firms that emerged from this process were leaner and meaner. The emerging competitiveness of Indian firms in world markets can be traced back, in significant part, to this process. The capacity to compete with foreign firms in the domestic market transformed into a confidence to compete with foreign firms in the world market. The competitiveness combined with confidence

[31] Cf. Lall(1982).

[32]For an analysis of lessons from the experience of economic reforms in India, as also its implications for the industrial sector, see Nayyar(1994). In this context, it has been suggested by Nagaraj(2006) that the process of restructuring in the industrial sector, which followed economic liberalization, also induced Indian firms to seek markets and opportunities abroad.

possibly motivated the strategic behaviour of Indian firms that sought to become international with an eye to the future.

In a long-term perspective, it is important to focus on industrialization in India during the period from the late 1950s to the late 1980s as the economy learned to industrialize. A system of higher education was developed. Entrepreneurial abilities were created. The social institutions and the legal frameworks necessary for a market economy were put in place. A physical infrastructure was created. And a capital goods sector was established. This did, over time, lead to the development of managerial and technological capabilities in firms. It is clear that these foundations were laid long before the era of economic liberalization.[33] The discernible international competitiveness of firms in the pharmaceuticals sector is attributable, at least in part, to the Patents Act of 1970 that did not allow products patents but allowed only process patents which, in turn, supported the possibilities of reverse engineering.[34] In the engineering goods sector, import substituting industrialization that encouraged local technology and skill development also created capacities and abilities in firms which enabled them to cope with restructuring and become competitive. In steel, the much maligned public sector now provides a large proportion of the managerial talents that run Mittal Steel worldwide. Similarly, the foundations for the information technology sector were laid in the early 1980s, so that domestic firms in this sector were already established when economic liberalization began a decade later. The changed milieu nurtured and fostered their capacity and ability to compete in the world market.

VI. THE ECONOMIC IMPLICATIONS

A systematic analysis of the economic implications of the expansion in foreign direct investment outflows from India and the spurt in foreign acquisitions by Indian firms would mean too much of a digression and is beyond the scope of this paper. Even so, it

[33] This argument is developed, at some length, elsewhere by the author. See Nayyar(2004) and Nayyar(2006).

[34] This proposition is now widely accepted. For a detailed analysis, see Chaudhuri(2005).

would be appropriate to highlight some important implications. In doing so, it is worth making a distinction between implications at a micro level for firms, at a meso level for sectors and at a macro level for economies.

For firms, at a micro level, there are both positive and negative implications. The positives are enlarged market access for exports, possibilities of realizing scale economies through horizontal or vertical integration, upgrading, assimilating and developing technology, enhancing capacity to deliver services or acquiring international brand names. There are also negatives such as increased costs, lower profits, higher debt and overstretched finances. Investments or acquisitions in industrialized countries may raise unit costs, hence lower profit, on account of the much higher wages and the much larger overheads. And if acquisitions abroad in the form of leveraged buy-outs are financed mostly by borrowing from international financial markets, the firm carries the burden of servicing a large debt, which could turn into a problem in the event of an economic downturn. In this context, it is important to note the experience of industrialized countries which suggests that a significant proportion of mergers and acquisitions do not benefit either the firms or the shareholders.[35]

For industries or sectors, at a meso level, there are potential benefits as also possible costs. There could be benefits if international investments or acquisitions enhance industrial competitiveness through upgrading the process, upgrading the product, moving up the value chain or moving on to a new value chain.[36] Such benefits could, in principle, extend to other firms in the industry but this would depend upon linkages with, and spillovers on to, local firms. And, if the benefits spread through linkages and interconnections, this could enhance competitiveness of the sector as a whole. On the other hand, if such benefits do not materialize, there could be costs. In the absence of linkages with, or spillovers to, other firms in the industry, benefits may remain confined to the firm investing abroad. And the competitive edge of this firm might lead to the

[35] See, for example, Singh(1971).

[36] For an analysis of such upgrading to enhance competitiveness, see Kaplinsky and Morris(2001).

closure or exit of rival firms in the sector. The outcome may be concentration rather than competition.

For home countries, at a macro level, there are benefits and costs. Some of the benefits that accrue to firms, such as market access for exports, scale economies in production, technology acquisition and upgradation, sourcing inputs or raw materials, could add up as benefits to the economy. Indeed, the whole may be greater than the sum total of the parts if there are linkages and externalities that are captured in the process. Some of the costs that are incurred by firms, where scarce investible resources have alternative uses at home, or where borrowing abroad to finance such investments or acquisitions creates an exposure to the uncertainty and the volatility of international financial markets, could add up to costs for the economy. And, once again, the whole may be greater than the sum total of the parts.

An analysis of economic implications at the macro level should also consider the impact of investments and acquisitions abroad on the balance of payments, on trade flows, on domestic investment and on employment.[37] In respect of the balance of payments, investments and acquisitions abroad mean capital outflows in the first instance and dividends, royalties or fees in subsequent years. In the event that such investments and acquisitions are financed by borrowing abroad, there would also be investment income outflows in the form of interest payments in subsequent years. In the net, such balance of payments effects are bound to be negative in the short run but should be positive in the medium term or long term. The impact on trade flows would depend on the underlying purpose or the strategic objective. Market-seeking investment would promote exports. Resource-seeking investment would promote imports. The impact of efficiency-seeking investment or asset-seeking investment on trade flows is difficult to predict *a priori*. The impact of investments and acquisitions abroad on domestic investment at home could be positive if it crowds-in domestic investment and negative if it crowds-out domestic investment. The impact of outward foreign direct investment on employment could be both positive and negative. Efficiency-seeking investment that wishes to use low cost

[37] For a more detailed discussion, see UNCTAD(2006), pp.178-182.

labour abroad would dampen employment at home. Strategic asset-seeking investment could promote employment at home if it increases the demand for the firm's output more than it increases labour productivity in the firm. Of course, it needs to be recognized that the outcome in terms of employment would also depend upon linkages with, and spillovers to, other firms both inside and outside the industry.

VII. CONCLUSIONS

There was a rapid expansion of outward direct foreign investment from India during the early 2000s, but India's share in such investment from developing countries remains modest in terms of both stock and flows. The boom in acquisitions abroad by Indian firms is perhaps the more significant development, in which 2005 was probably a turning point. The sectoral-composition and geographical distribution of outward foreign direct investment from India provides two sharp contrasts with that from developing countries. For one, three-fifth of international investment from India was in manufacturing activities, while this proportion was about one-eighth for developing countries. For another, almost three-fourth of international investment from India was in the industrialized countries, while this proportion was less than one-fifth for developing countries. These characteristics were mirrored in the pattern of foreign acquisitions by Indian firms. During the period 2000-2006, more than 40 per cent of the acquisitions were in manufacturing sectors, while another 30 per cent were in the information technology sector. And almost 80 per cent of the acquisitions were in the industrialized countries. In most sectors, firms in the United States, continental Europe and the United Kingdom, taken together, accounted for more than 80 per cent of these acquisitions. There was a similar concentration among firms in India on an acquisition spree, as just 15 firms were responsible for nearly one-third the total acquisitions abroad.

The economic stimulus and the strategic motive for the internationalization of firms from India was provided by a range of underlying factors driving the process: market access for exports, horizontal or vertical integration, delivery of services, capturing international brand names, access to technology, sourcing raw materials and global leadership aspirations. The significance of these factors differs across sectors, even firms, so that it is not possible to provide an overall assessment of their relative importance. It is clear that the rapid growth in foreign direct investment outflows from India that began *circa* 2000 and the spurt in foreign acquisitions by Indian firms that began *circa* 2005 were both, in part, attributable to the conjunctural factors implicit in the liberalization of the policy regime and the greater access to financial markets. But it must be recognized that Indian firms could not have become international without the capacity and the ability to compete in the world market. The attributes of Indian firms, which created such capacities and abilities, are embedded in the past and have emerged over time. In the medium-term, the increased competitiveness, that followed economic liberalization and industrial restructuring during the 1990s, motivated the strategic behaviour of Indian firms which sought to become international with an eye to the future. In a longer-term perspective, the development of managerial and technological capabilities in firms began life long before the era of economic liberalization, during the period from the late 1950s to the late 1980s as the economy learned to industrialize. This internationalization of firms from India has economic implications, both positive and negative, at a micro-level for firms and at a macro-level for the economy, which need further research.

References

Caves, R.E. (1982) *Multinational Enterprise and Economic Analysis*, Cambridge: Cambridge University Press.

Chaudhuri, S. (2005) *The WTO and India's Pharmaceuticals Industry*, Delhi: Oxford University Press.

CMIE (2007) *Mergers and Acquisitions*, January, Mumbai: Centre for Monitoring the Indian Economy.

Dunning, J.H. (1993) *Multinational Enterprises and the Global Economy*, Wokingham: Addison-Wesley.

Dunning, J.H. et al (1998) 'Third World Multinationals Revisited: New Developments and Theoretical Implications', in J.H. Dunning ed. *Globalization, Trade and Foreign Direct Investment*, Oxford and New York: Pergamon.

FICCI (2006) *India Inc's Acquisitions Abroad*, New Delhi: Federation of Indian Chambers of Commerce and Industry.

Gopinath, S. (2007) 'Overseas Investment by Indian Companies: Evolution of Policy and Trends', *mimeo*, Mumbai: Reserve Bank of India.

Kaplinsky, R. and Morris, M. (2001) *A Handbook for Value Chain Research*, Brighton: Institute for Development Studies.

Kumar, N. (1995) 'Changing Character of Foreign Direct Investment from Developing Countries: Case Studies from Asia', *Discussion Paper Series*, No. 9516, Maastricht: UNU-INTEC.

Lall, S. (1982) *Developing Countries as Exporters of Technology*, London: Macmillan

Lall, S. (1983) *The New Multinationals: The Spread of Third World Enterprises*, New York: John Wiley

Lecraw, D.T. (1977) 'Direct Investment by Firms from Less Developed Countries', *Oxford Economic Papers*, Vol. 29, No. 3, pp. 442-457.

Nagaraj, R. (2006) 'Indian Investments Abroad: What Explains the Boom?, *Economic and Political Weekly*, Vol. XLI, No. 46, pp.4716-4718.

Nayyar, D. (2004) 'Economic Reforms in India: Understanding the Process and Learning from Experience', *International Journal of Development Issues*, Vol. 3, No. 2, pp.31-55.

Nayyar,D. (2006) 'India's Unfinished Journey: Transforming Growth into Development', *Modern Asian Studies*, Vol. 40, No. 3, pp.797-832.

Singh, A. (1971) *Take-Overs: The Relevance to the Stock Market and the Theory of the Firm*, Cambridge: Cambridge University Press.

United Nations (1993) *Transnational Corporations from Developing Countries: Impact on their Home Economies,* New York: United Nations.

UNCTAD (1998) *World Investment Report 1998: Trends and Determinants*, New York and Geneva: United Nations.

UNCTAD (2004) *World Investment Report 2004: The Shift Towards Services*, New York and Geneva: United Nations.

UNCTAD (2006) *World Investment Report 2006: FDI from Developing and Transition Economies: Implications for Development*, New York and Geneva: United Nations.

Wells, L.T. (1983) *Third World Multinationals: The Rise of Foreign Investment from Developing Countries*, Cambridge: MIT Press.

Table 1

Foreign Direct Investment to and from India

(US $ million)

Year	Inward	Outward
2000 – 01	1910	709
2001 – 02	2988	981
2002 – 03	1658	1798
2003 – 04	1462	1494
2004 – 05	2320	1647
2005 – 06	3358	2679
TOTAL	13696	9308

Source: Reserve Bank of India, *Annual Reports*, various issues.

Table 2

Foreign Direct Investment from India: Sectoral Distribution

(US $ million)

SECTOR	2000 - 01	2001 - 02	2002 – 03	2003 – 04	2004 - 05	2005 – 06
Manufacturing	169	528	1271	893	1068	1538
Financial Services	6	4	3	1	7	156
Non-Financial Services	470	350	404	456	283	531
Trading	52	79	82	113	181	215
Others	12	20	38	31	108	239
TOTAL	709	981	1798	1494	1647	2679

Source: Reserve Bank of India, *Annual Reports*, 2004–05 and 2005–06.

Table 3

Stock of Outstanding Foreign Direct Investment from India

End of Financial Year	US $ billion
2000 – 01	2.6
2001 – 0 2	4.0
2002 – 03	5.8
2003 – 04	7.8
2004 – 05	10.1
2005 – 06	12.1

Source: Reserve Bank of India.

Note: The financial years are from 1 April to 31 March. The figures are for the outstanding stock as at end-March.

Table 4

Cross-Border Mergers and Acquisitions: India

(US $ million)

Year	Sales	Purchases
2000	1219	910
2001	1037	2195
2002	1698	270
2003	949	1362
2004	1760	863
2005	4210	2649
TOTAL	10873	8249

Source: UNCTAD (2006)

Table 5

Foreign Acquisitions by Indian Firms: 2000 – 2006

A. SECTORAL COMPOSITION

Sector	Number	Percentage
IT/Software/BPO	90	29.4
Pharmaceuticals & healthcare	62	20.3
Automotive	27	8.8
Chemicals & fertilizers	19	6.2
Consumer goods	17	5.5
Metals & mining	15	4.9
Oil & gas	14	4.6
Others	62	20.3
TOTAL	306	100.0

B. GEOGRAPHICAL DISTRIBUTION

Country/Region	Number	Percentage
United States	100	32.7
Europe (excluding UK)	82	26.8
United Kingdom	40	13.1
Southeast Asia	20	6.5
Australia	14	4.6
Africa	13	4.2
Latin America	11	3.6
China	8	2.6
Others		
Industrialized countries	7	2.3
Developing countries	11	3.6
TOTAL	306	100.0

Source: FICCI (2006)

<u>Table 6</u>

<u>Sectoral Composition of Foreign Acquisitions by Indian Firms : 2001 - 2006</u>

Sectors	Number of Acquisitions for which Values are Not Available	Acquisitions for which Values are Available		Reported Values for Cost of Acquisitions		Average Value of Acquisitions in Sector (US $ million)
		Number	Percentage	Value (US $ million)	Percentage	
Information Technology	55	105	46.1	2351	24.4	22
Pharmaceuticals & Healthcare	28	23	10.1	1571	16.3	68
Automotive	13	13	5.7	358	3.7	27
Steel	1	8	3.5	1079	11.2	134
Metals & Minerals	2	5	2.2	129	1.3	25
Petroleum & Natural Gas	7	6	2.6	1445	14.9	240
Chemicals	7	17	7.5	316	3.3	18
Telecom		5	2.2	638	6.6	127
Consumer Goods	16	25	10.9	1297	13.4	51
Others	14	21	9.2	472	4.9	22
All Sectors	143	228	100.0	9656	100.0	42

Source: CMIE (2007)

Notes :

- CMIE (2007) reports data on acquisitions from January, 2001 to December, 2006.
- "Information Technology" includes computer software and hardware, IT enabled services and business process outsourcing.
- "Automotive" includes automobiles and auto ancillaries.
- "Metals and Minerals' includes all metals other than Steel.
- "Chemicals" include paints and varnishes and other chemicals.
- "Consumer Goods" includes textiles, electronic goods, cosmetics & toiletries, food & beverages etc.
- "Others" includes financial services (e.g., banking) and non-financial services (e.g., hotels), industrial machinery, media, publishing, shipping, etc.
- Wherever the Value of Acquisitions was reported in a currency other than the US dollar, the figures were converted into US dollar (million) values, using end-of-the-year exchange rates of the currency for the US dollar.

Table 7

Top 25 Foreign Acquisitions by Indian Firms : 2000-2007

Rank	Value (US $ million)	Year	Indian Firm	Target Firm	Country	Industry	Ownership (percent)
1	12100.0	2007	Tata Steel	Corus Steel	U.K.	Steel	100
2	6000.0	2007	Hindalco	Novelis	U.S.A.	Aluminium	100
3	1400.0	2006	O.N.G.C. Videsh	Petrobras	Brazil	Petroleum	
4	766.1	2002	O.N.G.C. Videsh	Greater Nile Oil Project	Sudan	Petroleum	25
5	677.0	2006	Tata Tea and Tata Sons	Glaceau	U.S.A.	Health Drinks	30
6	600.0	2004	O.N.G.C. Videsh	Greater Plutonio Project	Angola	Petroleum	50
7	600.0	2005	Opto Circuits India Ltd.	Eurocor GmbH	Germany	Medical Equipments	
8	570.3	2006	Dr.Reddy's	Betapharm Arzneimittel GmbH	Germany	Pharmaceuticals and Healthcare	100
9	565.0	2006	Suzlon Energy	Hansen Transmissions	Belgium	Energy	100
10	522.0	2006	Kraft Foods Ltd.	United Biscuits	U.K.	Food & Beverages	
11	431.2	2000	Tata Tea	Tetley Group	U.K.	Food & Beverages	100
12	324.0	2006	Ranbaxy Laboratories Ltd.	Terapia SA	Romania	Pharmaceuticals and Healthcare	97
13	323.0	2000	O.N.G.C. Videsh	Sakhalin-I PSA Project	Russia	Petroleum	100
14	300.0	2005	Ispat Industries Ltd.	Finmetal Holdings	Bulgaria	Steel	
15	289.2	2005	Videocon International	Thomson SA (CRT business)	Europe, China	Consumer Goods	100
16	283.7	2004	Tata Steel	NatSteel Asia Pte.	Singapore	Steel	100
17	254.3	2005	V.S.N.L. Ltd.	Teleglobe International Holdings Ltd.	U.S.A.	Telecom	100
18	234.7	2005	Matrix Laboratories	Docpharma NV	Belgium	Pharmaceuticals and Healthcare	95.5
19	220.0	2006	Tata Coffee	Eight o' Clock Coffee Co.	U.S.A.	Food & Beverages	100
20	210.0	2006	Sasken Communication Tech Ltd.	Bornia Hightec	Finland	Information Technology	
21	209.0	2006	Ballarpur Industries Ltd.	Sabah Forest Industries	Malyasia	Pulp and Paper	77.8
22	191.2	2003	Reliance Infocomm	Flag Telecom	U.S.A.	Telecom	100
23	185.0	2006	Seagate Tech Ltd.	Evault Inc.	U.S.A.	Information Technology	
24	184.6	2001	Citrix Software India Pvt. Ltd.	Sequoia Software	U.S.A.	Information Technology	
25	175.0	2005	Tata Steel Ltd.	Millenium Steel Plc.	Thailand	Steel	100

Source: CMIE (2007), FICCI (2006) and newspaper reports.

Notes:

- CMIE (2007) provides data on acquisitions from January 2001 to December 2006;
- FICCI (2006) provides data on acquisitions from January 2000 to July 2006.