

Business Line, Delhi

Friday 11th April 2014, Page: 1

Width: 21.00 cms, Height: 11.13 cms, a4r, Ref: pmin.2014-04-11.16.11

Small advisories are flavour of big M&A deals

Bring more creativity, synergies than investment bankers

AMRITA NAIR-GHASSWALLA

Mumbai, April 10

Corporates are increasingly seeking the advice of niche advisory boutiques for mergers and acquisitions. The Lafarge-Holcim merger, set to create a company with a market value of around \$50 billion, has turned the spotlight on boutique advisory firm Zaoui & Company, which incidentally helped Lakshmi Mittal in his takeover battle with Arcelor in 2006.

Sun Pharma had deliberated the Ranbaxy buy with smaller, specialised agencies for some time, though Citigroup and Evercore Partners

ultimately advised the drug major on its \$4-billion buy.

Turning to small agencies is not a new phenomenon. In 2008, when Ranbaxy wanted to cash out with a \$4.6-billion transaction with Japan's third largest drug-maker, Daiichi Sankyo, a relatively unknown boutique firm, MP Advisors, helped sew up the deal.

In 1997, MP Advisors was also instrumental in advising Sun Pharma's Dilip Shangvi on the firm's first acquisition in the US, Detroit-based Caraco Pharmaceutical, for \$7.5 million. The deal was valued at 9.3 times the sales, Tarun Shah, founder of the advisory, told *Business Line*. Subsequently, the agency put through several smaller buys.

Shah, who is close to Shangvi, said that the Ran-



baxy buy was "very much on the agenda at Sun Pharma. Dilipbhai had discussed the Ranbaxy buy way back in 2012. He was aware that Daiichi Sankyo would need to get out of the sticky situation."

Creative thinking

"There are a lot of synergies that specialty firms bring to the table that bigger invest-

ment bankers do not. Bigger firms tend to get bogged down with regulatory filings and bureaucracy. I am not saying they are not intelligent, but there is no creative thinking involved," Shah added.

With smaller agencies, "intellectually, it becomes a complete discussion", he added.

In the Lafarge-Holcim merger, boutique firm Zaoui & Co teamed up with investment banker Rothschild to advise Lafarge, while Goldman Sachs advised Holcim.

At the time of the Arcelor deal, brothers Michael and Yoel Zaoui of Zaoui & Co were on opposite sides of the table. Officials said that by bringing the brothers to negotiate the Lafarge-Holcim deal, the trend to seek advice from niche agencies

has been highlighted once again.

The Mittal victory had an unusual feature.

BlackBerry play

The deal brought the BlackBerry into play. Mittal's battle reflected a significant cultural shift, and signalled "the BlackBerry's coming of age as a key communications tool. While Mittal's team knew what was going on all the time, Arcelor officials were deliberating with one another via the fixed phone (land line)," an official in the know of things said.

Though the Lafarge-Holcim merger promises a new mix in the cement industry, more sell-outs as envisaged by Lafarge CEO Bruno Lafont, could well set the stage for boutique advisory firms to show their mettle again.

M&A