

Watch Out:

India:

Oct. 03	Indian Trade Balance
Oct. 12	Sept IIP data (YoY)
Oct. 14	Sept inflation data (YoY)
Oct. 25	RBI Policy Review
Oct. 31	Indian CPI-IW (YoY)

US:

Oct. 04	Fed Chairman Bernanke Testifies
Oct. 06	Treasury Secretary Geithner Speaks
Oct. 11	FOMC Meeting Minutes
Oct. 11	Federal Budget Balance
Oct. 13	Trade Balance
Oct. 13	Natural Gas Storage
Oct. 13	Crude Oil Inventories
Oct. 14	Core Retail Sales (MoM)
Oct. 14	Import Price Index (MoM)
Oct. 14	Retail Sales (MoM)
Oct. 14	Business Inventories (MoM)
Oct. 17	US September IIP
Oct. 27	US GDP (QoQ)

Europe:

Oct. 04	ECB President Trichet Speaks
Oct. 05	GDP numbers (QoQ)
Oct. 06	ECB Press Conference
Oct. 12	Industrial Production (MoM)
Oct. 13	ECB Monthly Report
Oct. 14	CPI (YoY)
Oct. 14	Core CPI (YoY)

China:

Oct. 10	Chinese CPI (YoY)
Oct. 10	Chinese Fixed Asset Investment (YoY)
Oct. 10	Chinese Industrial Production (YoY)
Oct. 10	Chinese M2 Money Stock (YoY)
Oct. 10	Chinese PPI (YoY)
Oct. 10	Chinese Retail Sales (YoY)
Oct. 10	Chinese Trade Balance

Japan:

Oct. 07	BoJ Press Conference
Oct. 10	Economy Watchers Current Index
Oct. 10	Machine Tool Orders (YoY)
Oct. 10	CGPI (YoY)
Oct. 10	M2 Money Stock (YoY)
Oct. 10	Bank Lending (YoY)
Oct. 12	Monetary Policy Meeting Minutes
Oct. 14	BoJ Monthly Report

Structure Your Deal

A structured deal is that magic solution which does both – gets the company a great valuation *and* protects the investor from extreme losses by assuring a minimum return.

So how does the structured deal really work? How can it be used to attract investors without compromising on the valuation?

A structured deal is based on the performance of the company. As the conversion into equity is optional, the downside for an investor is limited when the company does not deliver. The investor will simply receive a fixed return (interest/ preference dividend) depending on the structure he has used to invest.

Furthermore, investors can be attracted by offering built-in clauses which ensure that the investor's stake goes up if the company does not perform as promised, thus the 'quantum' of return for the investor remains relatively stable. Other added features like the anti-dilution clause, put options, assured returns etc. can also go a long way in raising finances if the promoter is confident of his business.

These days, convertibles are increasingly becoming the preferred investment instrument for private equity (PE) firms. Almost two out of three deals in the PE space are done through compulsory convertible preference shares. Convertible instruments help bridge the 'mismatch in valuation expectations' between investors and promoters.

Even in PIPE transactions, convertible structures can be used as they enable investors to acquire more than 25% stake in listed entities without triggering an open offer.

– Yen Team

Refresher Class

Impact of cash & cash equivalents on the P/E Ratio

P/E ratio is the most widely used relative valuation multiple. It is interesting to understand the consequences of having large cash balances for this multiple.

If a firm has operating assets and as well as large cash balances, the different rate of return & level of risk on these two investments will make the P/E ratio a function of size of the cash balances.

In mature sectors where growth is low or moderate, firms with large cash balance will trade at higher P/E ratio, this is not because they are overvalued, but because cash commands a higher P/E multiple than the operating assets.

Similarly in high growth sectors, firms with high cash balance will often trade at low P/Es as they are penalized for not deploying the excess cash in the high-returns generating business.

– Yen Team

Just Like That!!



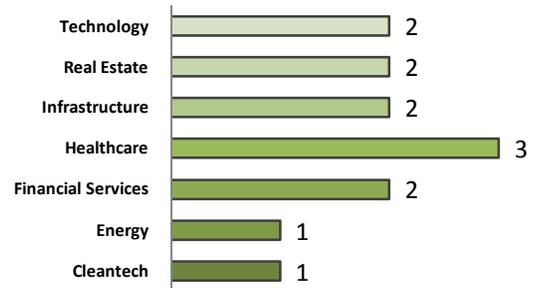
There must be some mistake - where it says reason for loan, you have 'gasoline and coffee'

Source: www.elisteincartoons.com

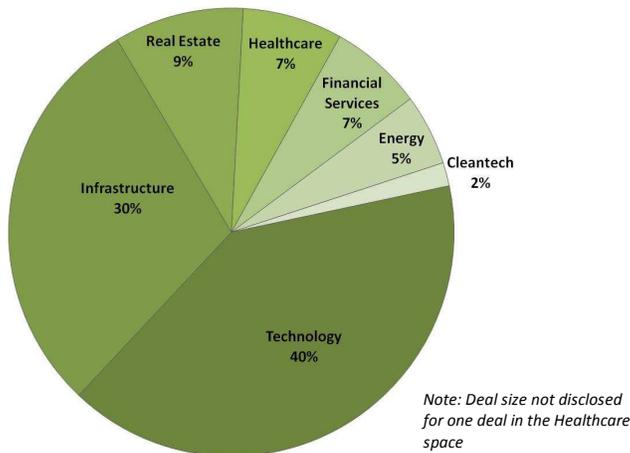
Private Equity

- Overall, in the month of September, there have been 13 PE deals totaling to an investment of around 2400 crores.
- The Technology and Infrastructure sectors have received the most funding in September, while the Healthcare and Financial Services continue to garner investor interest.
- Key Deals**
 - The largest PE investment in September was made in Inmobi, a Global Mobile Ad Network, by Japan's Softbank. Softbank is investing two tranches of USD 100 million each- a total of USD 200 million (close to Rs 900 crore) in the company.
 - Soma Group, one of the fastest growing infrastructure developers in India, has received PE funding of close to 500 crore from JP Morgan Asset Management. The investment will happen in two tranches.

Number of Deals in September, 2011



Sector Wise Investment (Value)



Outlook

- India has attracted close to 250 PE deals with a total investment of more than US\$ 8.2 billion up to September 2011. As the entrepreneurial activity continues to remain strong, India has a large appetite and potential for PE funding.
- 2011 is likely to see a large number of exits in the Indian PE industry as the typical cycle of investment-exit gets completed for a large number of PE investors. With the freeing up of funds and profit realization, PE funds will actively look to deploy capital in new sunrise industries. Thus we expect a large amount of PE investments in India, especially in high growth sectors like education, financial services, energy and telecom sectors.

Source: Press releases, Yen analysis

Mergers & Acquisitions

During the month of September, Technology and Healthcare were the busiest sectors as far as M&As are concerned. About 5 deals each were successfully completed in both the sectors during the month.

- Key Deals:**
 - Vivimed acquired Spain based - Uquifa SA for \$55Mn. Uquifa sells to more than 70 countries worldwide and has more than 150 active DMF's filed and 20 COS approved.
 - Tata Metaliks is selling 300,000 tonnes pig iron making facility at Redi to Goa based Fomento Resources for Rs180Cr. The unit is being sold due to the perceived threat of closure of iron ore mines in Karnataka due to government action on illegal mining which will hit availability of raw material for Redi unit.
 - Subex is selling of its Activation Business to US based Netcracker Technology - subsidiary of NEC Corporation. The sale is a part of the company's strategic decision to exit non core businesses.

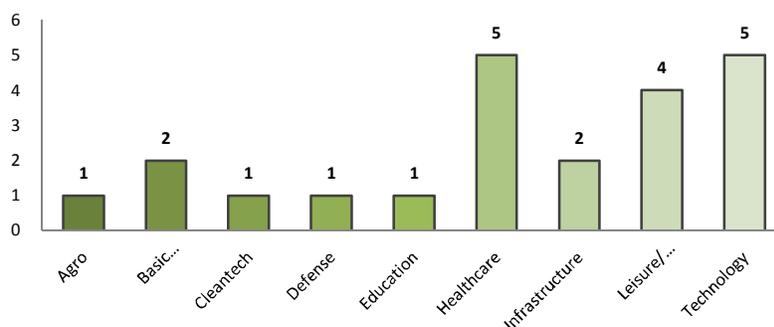
Factors driving M&A growth in India:

- International valuations remain depressed
- Access to financing
- Availability of assets that synergize with Indian Business
- Indian corporates' desire to grow across other emerging markets
- Desire to secure natural resources

Outlook for the coming months:

- While inflation continues to be a concern, relatively healthier macroeconomic indicators in India are expected to create greater inbound M&A opportunities.
- Expected consolidation in certain sectors such as telecom sector, will enhance domestic M&A.

Number of Deals in September, 2011



Source: Press releases, Yen analysis

DISCLAIMER

This Document has been prepared by Yen Capital Advisors Pvt Ltd (YCA). The information herein has been obtained from reliable sources. This document is meant for the use of the intended recipient only. This document, at best, represents latest news and is meant for general information only. YCA, its directors, officers or employees shall not in any way be responsible for the contents stated herein. YCA expressly disclaims any and all liabilities that may arise from information, errors or omissions in this connection.