

## Case Study

# NHK Spring

Service(s) Offered: **Transaction Advisory (M&A), Anti-Trust Fillings, Post Acquisition Integration**

Sector/Industry: **Manufacturing (Auto Components)**



## Acquisition of a major business unit of a listed Indian company by way of a Slump Sale



We realize that India is an important market for us and have strengthened our focus here by this acquisition. The role SKP has played is multi-faceted from structuring, advisory, tax and transaction management. Adopting a proactive approach, the team assisted in several phases prior to the acquisition-planning strategy and procedures to create additional value, way beyond our expectations. They also helped us with the post transaction integration. In providing us with such a complete solution, SKP made our entry into India very smooth. ”

**Hitoshi Hashimoto**

Managing Director

NHK Auto Components (I) Pvt. Ltd.

### Context

**Japan's leading Spring Manufacturer makes its foray into India through the M&A route**

In 2011 NHK Springs ('NHK') firmed up its India-entry strategy and started discussions with a listed Indian company (part of one of India's oldest business conglomerate) to acquire its spring manufacturing unit located in Aurangabad (Maharashtra). The parties agreed to proceed with a Slump Sale of the manufacturing unit as the preferred mode to complete the acquisition.

NHK's experienced global M&A team approached the transaction with a typical Japanese penchant for paying minute attention to details and information. They signed up SKP along with a leading law firm to act as its advisors for the transaction, with an initial mandate to conduct an onsite financial and tax due diligence and, in the process, assist the legal firm and NHK corporate teams with pertinent facts for their respective legal, commercial and operational due diligences.

Early onsite feedback indicated the existence of numerous details and workstreams that would need to be continuously tracked and managed to ensure efficient transaction closure and post-transaction integration. To provide this level of support, the local advisors would need to rapidly scale-up from a simple execution of a pre-defined engagement (due diligence) to becoming a full-scale implementation partner that would combine professional advisory and solutions with a project management approach.

## Our Solution

### Customized technical deliveries combined with extensive local project management support

A right mix of experienced professionals with multivariate skills enabled us to quickly adapt to the developments and provide deliveries across all workstreams, including in situations that extended well beyond the traditional mandate in a typical M&A support assignment.

The client developed immense confidence in our project management ability and our solution-oriented approach, and hence, we were retained as the preferred advisory and implementation partner for almost every routine and non-routine aspect of the project, including:

- Enterprise/Asset Valuations, including developing a business case for structuring the transaction as a Slump Sale v/s Greenfield Set-up
- Negotiations with Sellers and Term Sheet Finalization, including measures to ensure that the value base of various assets to be transferred on the cut-off date is not eroded. Anticipated and built in various other matters into the Term Sheet to avoid last minute re-negotiations, and thereby achieved a smooth transition to the Business Purchase Agreement.
- Onsite Financial and Tax Due Diligence, and thereafter ascertained fulfilment of various Conditions Precedent stated in the Business Purchase Agreement. These exercises greatly helped NHK to validate the enterprise value and financial performance of the unit, and to identify matters that called for valuation adjustments and/or indemnities from the Seller.
- Legal Support - Supported in various FEMA/FDI compliances and in devising a mechanism for efficient allotment of shares. SKP also extended support in managing transfer of operational contracts and OEM vendor contracts.
- Competition Law and Anti-Trust filings - Liaised with various NHK and Seller teams, legal advisors economist and with Competition Commission of India (CCI) authorities to gather relevant information for the filings. Adopted a unique methodology for discovery of the relevant market size, an input that greatly enabled unconditional clearance of the transaction by the CCI
- Tax Advisory, including approach for purchase price allocation amongst the acquired tangible and intangible assets based on judicial precedents.
- Support and Liaison for various Local Registrations –All documentation was put in place before the transaction closing date. Further, in-principal approvals were also obtained from various regulatory authorities to enable them to issue new registrations in the name of NHK on the transaction closing day itself.
- IT integration – After identifying the need for a new ERP license, SKP team also helped in finalizing the job order, MIS specifications and in selection of the IT consultant and ERP Vendor. Onsite SKP team enabled smooth transition of data on the closing date with a fully functional customized ERP.
- Accounting and Treasury support- SKP offsite teams managed accounting and treasury function of newly formed NHK entity until the transaction closing date, including efficient short-term investment of surplus funds and acting as authorized signatory for banking transactions.
- HR Support, Administration and Corporate Communications - SKP onsite team stepped in with their knowledge of the local culture, language and logistics to help with various day-to-day requirements during the project on a need basis. This ranged from support for smooth onboarding of employees, corporate communications to factory workers and vendors to travel and stay logistics for expatriate staff etc.

## Impact

- Team SKP enabled smooth interactions and exchange of information between various parties for the project that lasted well over 12 months. SKP became the single point of contact on behalf of NHK to take care all the issues holistically and without any duplication of efforts.
- Transition of control to NHK was ensured without any disruption in the manufacturing or back-office operations. NHK could conduct Business As Usual in their name on next business day after the transaction closing date, a critical achievement to maintain its status in the market.

**For more information on this case study, please contact:**

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