



CORPORATE COMMUNIQUÉ

E-Newsletter of the Committee for Member in Industry
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

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Message



Chairman, CMII

Dear Members,

Greetings from Committee for Members in Industry!

It is my great privilege to present the fourth issue of our E-Newsletter. Corporate Communiqué is a newsletter of Committee for Members in Industry of ICAI. The focus of the newsletter is to publish and share knowledge that is contemporary and useful to the members in Industry. It also acts as informational tool to share recent developments with regards to initiatives that are taken by the Committee.

Committee for Members in Industry has been taking various initiatives in the interest of the members in service to encourage and enhance close links between the Institute and the Chartered Accountants working in Industries. It gives me immense pleasure to share with you the insight on the tremendous response received this year from the Campus Placement Programme held during February-March, 2010 at sixteen locations. CMII had organized its regular campus interview, where 1428 students out of 2931 got placed in renowned organizations. This campus has marked a very special milestone for the Chartered Accountants.

A record salary of close to Rs. 70 lacs has been offered to 11 candidates for International posting. This is the highest ever salary offered to fresh CAs in comparison to a record salary of Rs 38.25 lakh which was offered in the year 2007.

Immediately after the Campus Placement Programme, CMII had also organized a Special Campus Placement Programme for the candidates who have undergone Three Months Residential Programme on Professional Skills Development. It is heartening to share that more than 116% offers were made to the candidates during this programme. After the impact of global recession on Indian Economy, Chartered Accountants have proved their mettle in all the segments of Industry and have also gained a global acceptance across world.

The CMII will be organizing a Special Placement Programme during 22nd -26th June, 2010. For the first time CMII has taken an initiative to organize a separate Special Placement Programme for experienced Chartered Accountants in the mid of year. CMII is also organizing programme on IFRS in Bangalore, Kolkata and Gangtok, details of which are given in this newsletter.

The committee is scheduling a series of programmes for knowledge enhancement of the members of ICAI in Industry. Different announcements are included in this issue.

This issue of newsletter also carries a useful article on Mergers and Acquisitions which is a major part of corporate finance. The author has broadly defined the various aspects of having successful Mergers and Acquisitions.

I request the members to contribute valuable articles and send their opinions and suggestions for the improvement of the newsletter.

CA. Subodh Kumar Agrawal
Chairman, CMII

Mergers and Acquisitions – exciting but not always a bed of roses!

By CA. Chandrashekar Kupperi

Mergers and Acquisitions (M&A) are a big part of the corporate finance world. They typically involve acquiring turnaround candidates, build a bigger business and help improve bottom-line over a period of time by reaping synergy benefits across the core functions of sales, distribution, marketing and supply chain. M&A, which is a corporate strategic measure, is carried out with the dominant motive of seeking improved financial performance by enabling speed to market, speed to positioning and speed to becoming an invaluable company with an expanded user base.

In recessionary times, Global M&A may appear to have slowed down. However this is only a temporary phenomenon as the decline is more attributable to the lack of finance coupled with risk-averse outlook of the potential buyers. Interestingly, in the fourth quarter of 2009, acquisitions admirably rebounded. At a high level one can put a good spin on the facts. Public companies snapped up more than 80 venture-backed companies for a total of \$7.3 billion and three IPOs raised a \$220 million. The size definitely appears small, yet is an indication of revival given that for the first time since 2000, the median amount paid for a company in the fourth quarter was more than \$100 million!

This resurgence of M&A goes to prove that it continues to remain a popular corporate strategy, and the trend will only accelerate with improvement in global financial situation. The popularity is also driven by the fact that M&A have been a key factor for companies in building up the market capitalization of the enlarged organization.

Though exciting, successfully completing a large scale M&A transaction is a complex process. Historical trends show that roughly two-thirds of big mergers fail, i.e. lose value on the stock market. Strangely, assets that go up the elevator in the morning may go down at night, and when this happens, such M&A's draw intense attention! The infamous include Daimler & Chrysler (1998), Mattel & The Learning Company (1999), Hewlett Packard & Compaq (2001), AOL & Time Warner (2001), Sears and Kmart (2005), Sprint & Nextel (2005) – all large scale M&A, but abysmal results. On the India side, some examples include:

- Shaw Wallace and Dunlop (1987) by Manu Chhabria (of the famous Dubai based Jumbo Group) – both went into massive financial problems soon after acquisition
- Best & Crompton in 1980s by Vijay Mallaya (Chairman of the United Breweries Group and the Kingfisher Airlines) - forced to divest it with surmounting losses soon after he took over.
- Jet and Sahara fallout (2006) - though finally they merged, this is a typical case of over-valuation.

M&A and likely issues:

Risk with revenue enhancement

Most M&A conceptualize with the idea of creating bigger revenues and hoping that the user base will expand. Increase in revenue or market share by absorbing a major competitor, demand side efficiencies as well as geographical diversification become lucrative motives for the M&A. However, market conditions being dynamic, and competition looming around, the clear issue with M&A is the risk around revenue enhancement.

Overestimation of Synergy

One plus one makes three: this equation is the special alchemy of a merger or an acquisition and is termed “Synergy”. Examples include managerial economies such as the increased opportunity of managerial specialization, purchasing economies due to increased order size and associated bulk-buying discounts. M&As revolve around valuations and synergy benefit is one of the driving forces for valuation. One key reason for failure in realizing synergies is that most calculations of synergy value occur under horrific conditions: time pressure is immense. Therefore, intense effort and caution needs to be taken in estimating the synergies as well as the time frame by which they can be achieved.

Difficulties around integration

The teams involved in merging companies focus so much on integration and cost-cutting that they neglect day-to-day business, thereby prompting nervous customers to flee. This loss of revenue momentum is one reason why mergers fail to create value for shareholders. When a company is acquired, the decision is typically based on product or market synergies, but cultural differences are often ignored leading to cultural shocks, fear around leadership and management styles. Fear lurks around as to who stays and who goes.

Lack of effective due diligence

In today's M&A market, with more money chasing fewer deals, due diligence cannot just stop at the financial side. The menu should encompass legal, commercial, HR, pensions, tax, environmental, information technology, intellectual property, antitrust and insurance aspects of the transaction. The assessment of internal business controls and procedures is a fundamental guide in the search of holes, weaknesses and potential fraud.

Paying too much

It is most often seen that buyers routinely get caught up in the excitement of the race and neglect the organizational discipline needed to ensure that analytical rigor triumphs over emotion and ego. Unfortunately, sometimes it is seen that manager's pride leads to the claim that there were compelling strategic reasons for doing the deal anyway! Therefore, it is important to include members in the team with strong skeptics and persuasive voices, who review with extraordinary rigor, poke holes in the arguments for the deal and see if they still hold up.

Fear to walk away from the deal

Empire-building motive i.e. a larger company to manage and hence more power can deter to walk away from the deal when the moment arises. It is important to be prepared to walk-away at any point if that's what makes business sense. Even better is to decide a price, beyond which the acquiring company will walk away.

Pressures on Working Capital

A sudden fall in demand for a product or service, loss of a major customer, pressure on margins can put tremendous strain on the working capital needs of the business. This is true for any ongoing business, but more important to plan to meet unprecedented needs upon completion of M&A transaction.

Potential unanticipated liabilities

Historical financial statements do not always reveal potential unanticipated liabilities. Therefore, attention needs to be drawn to “off-balance sheet items”.

In summary, an M&A opportunity to be successful should start with a well-articulated investment thesis with a clear understanding on why the business is or is not attractive. Also, rather than relying on the forecast provided, the buyer should have own independent view on the financial projections. Again it is pivotal to chart a course to unlock quickly the integration value i.e. synergies. But, most importantly, mechanisms should be in place to ensure that the tough questions get asked and that judgments are made in an unsentimental manner to achieve indomitable success on an M&A opportunity.

Forthcoming Programmes:

S. No.	Programmes	Hosted by	Date	Venue	CPE Hours
1	Two Days Programme for Members in Industry Theme: IFRS – Unveiling the New Era of Accounting	Eastern India Regional Council of ICAI	7th and 8 th May 2010	Hotel Oberoi Grand, Kolkata	12
For Registration & further details, please contact		EIRC of ICAI, ICAI Bhawan, 7, Anandilal Poddar Sarani (Russell Street), Kolkata – 700 071. 033- 30211132/ 33/04, eircevents@icai.in			
2	Five Days' Residential Study Tour on IFRSs	Eastern India Regional Council of ICAI	Starting on 7th June 2010 evening 5 days and 4 nights (8th June to 12th June) Return to Kolkata on 13th June 2010	Gangtok	21
For Registration & further details, please contact		Mr. Anindita Kundu, EIRC of ICAI, ICAI Bhawan, 7, Anandilal Poddar Sarani (Russell Street), Kolkata – 700 071. Ph. 30211132/ 33/04, Mail: eircevents@icai.in.			
3	Two Days National Conference for Members in Industry on International Financial Reporting Standards (IFRSs)	Bangalore Branch of SIRC of ICAI	18th and 19 th June 2010	Gangtok	21
For Registration & further details, please contact		Shri Jagdish Kumar N S, Assistant Secretary, Bangalore Branch of SIRC of ICAI. 16/0, Millers Tank Bed Area, Bangalore-560 052. Ph. 09342732548, mail: dcobangalore@icai.org			

Please visit : <http://www.cmii.icai.org> for complete announcements and details.

Special Placement Programme – June, 2010

for experienced and fresh Chartered Accountants

The Committee for Members in Industry of the Institute is organizing Special Placement Programme for **Chartered Accountants** at various centres all over India. The scheme has been evolved to provide an opportunity both to employing organisations as well as the dynamic professional aspirants to meet and explore the possibility of taking up positions in Industry.

Invitation to Chartered Accountants

It has been decided to organise Special Placement Programme at 8 centres, viz., Bangalore, Chennai, Hyderabad, Jaipur, Kolkata, Mumbai, New Delhi and Pune in June, 2010. A large number of leading organisations are expected to participate.

The schedule of the Special Placement Programme is as below:

Centre	Dates
Mumbai and New Delhi,	25th -26th June, 2010
Bangalore, Chennai, Kolkata and Hyderabad	23rd -24th June, 2010
Jaipur and Pune	22nd June, 2010

Eligibility for appearing in Special Placement Programme

Chartered Accountants fulfilling the following conditions/criterias are eligible to take part in Special Placements.

- Having the membership of Institute as on 10th May, 2010
- Who have more than one year of experience may participate as experienced chartered accountants.
- The chartered accountants who have less than one year or no experience may participate as fresh Chartered Accountant
- Passed C.A. final examination on or before January, 2010
- The members who have got placements through the placement programme organized by the Institute between 01.06.2009 to 1.06.2010 are not eligible to apply.

Invitation to Employers

The Committee for Members in Industry of the Institute provides opportunity to the employers to interact with Chartered Accountants and makes all arrangements at its centres, thereby providing a cost effective mode of recruiting Chartered Accountants.

Organisations intending to recruit experienced and newly qualified Chartered Accountants through the above said scheme of Special Placement Programme are requested to get in touch with Shri Shaleen Suneja, Secretary, Committee for Members in Industry, Indraprastha Marg, New Delhi - 110002, Tel. No. (011) 30110450/491 E-mail: placements@icai.org, ssuneja@icai.org ; Fax- +91(11) 30110583 (or) Mr. Ajeet Nath Tiwari, Placement Coordinator, at Tel +91(11) 30110450.

An organisation can participate in one or more centres, as per its requirements. Firms of Chartered Accountants are also welcome to join. For further details please log on to www.cmii.icai.org .

Chairman
Committee for Members in Industry

Report on Campus Placement Programme –February-March, 2010

In its endeavor to provide quality Accounting, Finance, Tax, Audit and Management Consultancy personnel to recruiting entities, the Committee for Members in Industry (CMII) of the Institute has successfully organized one more round of Campus Placement Programme for newly qualified Chartered Accountants at sixteen centres viz. Ahmedabad, Bangalore, Chandigarh, Chennai, Coimbatore, Ernakulam, Hyderabad, Indore, Jaipur, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Pune, and Surat in Feb-March 2010.

Brief summary of the placement programme of both the phases is as follows:

Number of Candidates Registered	2931
Number of Interview Teams	199
Number of Organisations	94
Number of Jobs Offered	1428
Percentage of jobs offered vis a vis registered candidates	48.72%

Executive Summary

1. Highest salary offered for International posting in the Campus Placement Programme is \$1.5 Lacs per annum (approx. INR 70.0 Lacs per annum).
2. Highest salary offered for Domestic posting in the Campus Placement Programme is Rs. 10.82 Lacs per annum.
3. The Minimum Salary paid is Rs 3.24 Lacs per annum.
4. The average salary offered was Rs. 6.60 Lacs per annum.
5. In all 2931 candidates registered for availing the services of Campus Placement Programme .
6. Around 1428¹ jobs were offered to the candidates who participated in Campus Placement Programme.
7. In all more than 48% of registered candidates were offered jobs.
8. 1201 candidates accepted the job offers.
9. 94 entities including the corporate organizations and the Chartered Accountancy Firms have participated during the Campus Placement Programme.
10. Around 200 Interview Panels have participated during this Campus Placement Programme.

Salient features

1. Candidates have been given two choices to meet the recruiting organisations. First at bigger cities and second (if the candidates has not been selected at bigger cities) at smaller cities.

¹ *Comments/suggestions for improvement in placement programme ,particularly to improve the penetration are welcome at placements@icai.org. This write up reflects the status as on 27/04/2010 05:30 PM. Results are awaited from some of the companies. For further details kindly visit <http://www.cmii.icai.org>

