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(Japanese Companies Get) Lessons in Indian M&A

ByEric Pfanner

A woman walks past the logo of Tata DoCoMo, the JV between NTT Docomo and Tata Teleservices, in Mumbai, India.

Dhiraj Singh/Bloomberg

As a number of Japanese companies, from NTT Docomo Inc. to Daiichi Sankyo Co. have found out recently, M&A in India can be a tricky proposition.

To begin with, the very word M&A, in India, can stand not only for "mergers & acquisitions" but also "mergers and amalgamations," according to a report on Indian M&A by Nishith Desai, a law firm that has offices in India, Silicon Valley and other locations.

Docomo is the latest Japanese firm to admit an M&A attempt in India has gone sour: On Friday, the Japanese mobile operator will say it's selling its 26% stake in Tata Teleservices Ltd. of India, after years of hoping the investment will make money, according to people familiar with the matter. Earlier this month Daiichi Sankyo, a Japanese drugmaker, announced plans to sell its controlling stake in Ranbaxy Laboratories Ltd. of India after repeatedly failing to get quality at the unit under control.

Japanese companies are not the only foreign investors that have had a hard time in India. But some Japanese experts on M&A told the WSJ that Japanese companies face a particularly wide cultural gap. Both countries love regulations, but those in India can be especially complex and legalistic – even when it comes to mergers, acquisitions or, indeed, amalgamations.

The Nishith Desai paper describes the differences between mergers, acquisitions and amalgamations and provides a long menu of possible corporate fusions: “vertical mergers,” “horizontal mergers,” “congeneric mergers,” “conglomerate mergers,” “cash mergers” and “triangular mergers.” And then there are the various kinds of acquisitions, buyouts, “bailout takeovers,” “demergers” and joint ventures, not forgetting the peculiarly Indian “slump sale.”

Due diligence requires reading all the way through the 81 pages.