

M&A Lab

March 15, 2011

HERO TO RIDE WITHOUT ITS 'PILLION RIDER'

Putting a 'brake' to one of the most successful and celebrated joint ventures in the automobile industry across the world, Hero Group of India and Honda Motor Company Limited of Japan ("Honda") have decided to part ways from their long old joint venture in India, run in the name of – Hero Honda Motors Limited ("Company").

Amongst several commercial and other reasons, it seems, the key ones including - reluctance to share key technology, brand confusion and quest for expansion beyond Indian soil, has forced the parties to draw the 'dividing line' to their relationship which commenced in 1984 with the incorporation of the Company.

Honda's exit from the Company, though structured by way of a simple stake sale of its entire holding of 26% in the Company, to Hero Investments Private Limited ("HIPL"), a promoter group entity of the Company, has raised eyebrows as the announced deal price of INR 739.97 per share is approximately at a 51% discount to the closing price of INR 1,529.90 on the Bombay Stock Exchange (on March 7, 2011). The acquisition by HIPL is being financed by way of a short term debt, which then will be repaid out of the monies proposed to be infused by foreign private equity investors in HIPL.

A smooth ride over the years has now taken a sharp 'U' turn and it will be interesting to see the moves of the Company going forward and the tie-ups it undertakes, in India and offshore, to continue being the world's largest two-wheeler company in terms of sales volumes. Considering the immense importance of technology being shared by Honda and the proposed 'kick-start' of Bharat Stage IV norms by 2015, it will be fascinating to watch how the Company steers its way ahead without the 'pillion rider' and instead take HM Japan as a competitor in its own backyard.

We, at Nishith Desai Associates, in step with our tradition of being a research-oriented law firm, have in this M&A Lab, attempted to analyze this exit by Honda from the Company. In order to make sense of the chaos, we have attempted to breakdown the deal into bite-size pieces on the basis of the publicly available information, and analyze its commercial, legal, regulatory and tax implications.

For a detailed analysis of the commercial, legal and regulatory considerations and to access the M&A Lab, please [click here](#).

Nishith Desai Associates is pleased to present a detailed analysis of the latest legal developments and trends. The 'M&A Lab' is our initiative to provide you an in-depth, incisive and a detailed research based analysis of the latest and complex M&A deals with a view to sharing and inviting views and counter-views. We will be happy to have your views / comments on our initiative. Please read the disclaimer carefully.

– Deepak Jodhani, Sambhav Ranka, [Nishchal Joshipura](#) & Siddharth Shah
You can direct your queries or comments to Team M&A

DISCLAIMER

The contents of this hotline should not be construed as legal opinion. View detailed disclaimer.

This Hotline provides general information existing at the time of preparation. The Hotline is intended as a news update and Nishith Desai Associates neither assumes nor accepts any responsibility for any loss arising to any person acting or refraining from acting as a result of any material contained in this Hotline. It is recommended that professional advice be taken based on the specific facts and circumstances. This Hotline does not substitute the need to refer to the original pronouncements.

This is not a Spam mail. You have received this mail because you have either requested for it or someone must have suggested your name. Since India has no anti-spamming law, we refer to the US directive, which states that a mail cannot be considered Spam if it contains the sender's contact information, which this mail does. In case this mail doesn't concern you, please unsubscribe from mailing list.

Research Papers

Handbook on New Labour Codes

April 29, 2024

Compendium of Research Papers

April 11, 2024

Third-Party Funding for Dispute Resolution in India

April 02, 2024

Research Articles

Private Client Insights - Sustainable Success: How Family Constitutions can Shape Corporate Governance, Business Succession and Familial Legacy

January 25, 2024

Private Equity and M&A in India: What to Expect in 2024?

January 23, 2024

Emerging Legal Issues with use of Generative AI

October 27, 2023

Audio

Third-Party Funding: India & the World

April 27, 2024

IBC allows automatic release of ED attachments: Bombay HC reaffirms

April 15, 2024

The Midnight Clause

February 29, 2024

NDA Connect

Connect with us at events, conferences and seminars.

NDA Hotline

[Click here to view Hotline archives.](#)

Video

Q&A 2024 Protocol to the Mauritius India Tax Treaty

April 22, 2024

Boost to India's Space Potential: India Liberalizes Foreign Direct

