

## 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](#)

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