



UK COMPANIES INCREASINGLY ATTRACT HUNGRY INDIAN INVESTORS

UK companies are attracting Indian investors with a growing appetite for British assets. Moore Kingston Smith's inbound enquiries from Indian investors are up 25% year-on-year since 2018.

The current economic backdrop is likely to catalyse an increase in UK firms looking for external funding to facilitate expansion. UK companies are eager to leverage the size and nature of the resources available in the world's fifth-largest economy by nominal GDP or the third-largest by purchasing power parity.

For Indian corporates, the ease of doing business in the UK regarding language, legal framework and scope for fast growth makes the UK a natural destination. The UK was named the top country for doing business by Forbes in 2019.¹ According to the UK's Department for International Trade, in 2019/2020, India is the second largest FDI investor in the UK, the largest investor being the US.²

Three reasons for UK-India collaboration



Indian corporates are preparing for a significant increase in investment in UK companies. There is also a large and growing number of family offices and angels in India who might look to fund such activity.

As the UK and India create a free-trade agreement and the value of such cross-border deals and expansion becomes more widely understood, a greater volume of deals in the longer term is expected, which offers UK businesses a huge opportunity.

Synergy is the common denominator

Ian Matthews, India Group Partner at Moore Kingston Smith in the UK, points out that much of India's interest in the UK is driven by the potential for synergy. According to Matthews, "Indian buyers are seeking out niche capabilities as prime targets to complement their own businesses, enabling them to grow their firms more rapidly. Meanwhile, UK businesses want access to capital and the ample highly skilled workforce in India but not only that – they want an investor who understands their business."

Access to the UK's world-class R&D is also a major lure for Indian corporates. The creative talent pool in the UK is also attractive to Indian investors seeking expertise and experience in local regulations and norms.

Eyes and ears on the ground in Delhi

Moore Kingston Smith's UK team is supported by the firm's on-the-ground presence in Delhi. Bharat Rampal, VP of Business Development, says: "The UK is an excellent position for a base, given its location between the US and Europe. It makes it a strong geography for accessing Western markets. Once a firm sets up in the UK to better serve existing clients, they often start to build their client base there as well."

"Indian investors know what they are looking for and have very high standards."

Kishore Achary, Assistant VP Business Development

UK companies looking to enjoy the rich fruits of Indian investment need to do their preparation work thoroughly. Assistant VP of Business Development Kishore Achary says: "Indian investors know what they are looking for and have very high standards. It is vital that UK companies first fully consider what it is they can offer prospective Indian investors."

UK COMPANIES INCREASINGLY ATTRACT HUNGRY INDIAN INVESTORS

UK businesses shape up to underpin expansion

While the data in this report shows the sectors that appeal to Indian investors, what is less straightforward is the path to partnership. Matthews says: "Ensuring the UK business's core offering is fit for purpose for prospective Indian investors is the essential first step. Next, they need to understand what working successfully with Indian investors looks like."

Whether UK firms are looking to accommodate founders stepping back, divesting non-core assets, raising working capital to clear debts or refocusing the business, major restructuring work is often essential. Certain areas of the newly merged business may become non-core.

"Ensuring the UK business's core offering is fit for purpose for prospective Indian investors is the essential first step."

Ian Matthews, India Group Partner

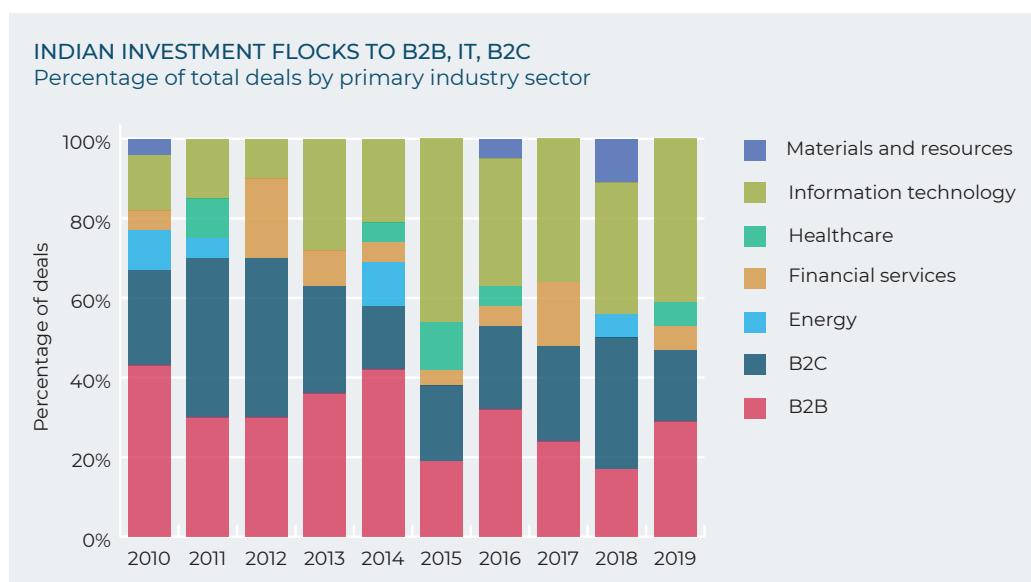
Getting the details right

UK businesses need to ensure their core service proposition is in its best shape for Indian corporates to see them as a viable choice for investment or purchase. Regardless of the sector, there are specific business housekeeping aspects to address as a minimum.

Increasingly, international businesses expect their workforce to move seamlessly from one country to another. Moore Kingston Smith's Director of Global Mobility Steve Asher says: "Whether companies are seconding someone abroad or sponsoring an international employee in the UK, it is crucial to know how each assignment fits into the wider tax and legal landscape."

Another area to look at is IP. For an Indian buyer, a UK business's IP is the main attraction, especially in the technology and service sectors. Protecting this and maximising the very generous R&D incentives the UK offers is fundamental.

Additionally, UK companies will also be looking at making their cyber security as robust as possible. Indian firms levelling up their own tech for international data transfer will want to know their UK counterpart's data is secure.



The popularity of IT as a sector is likely driven by Indian investors' desire to acquire additional capabilities, and niche technologies are being sought out.

Most popular sectors – B2B, IT, B2C, infrastructure and logistics

Over the last ten years, Indian investments in the B2B and IT sectors have accounted for the largest proportion of Indian inward investment, comprising 30% and 29% respectively of all transactions since 2010. B2C is hot on the heels of the most popular sectors, accounting for 25% of the number of investments over the last ten years.

Indeed, recent Moore Kingston Smith dialogue with Indian corporates has revealed that they want to invest in new technology that is available in the UK market. The popularity of IT as a sector is likely driven by Indian investors' desire to acquire additional capabilities, and niche technologies are being sought out. "Judging by our recent conversations both in the UK and India, we are expecting to add infrastructure and logistics to the mix," says Matthews.

UK COMPANIES INCREASINGLY ATTRACT HUNGRY INDIAN INVESTORS

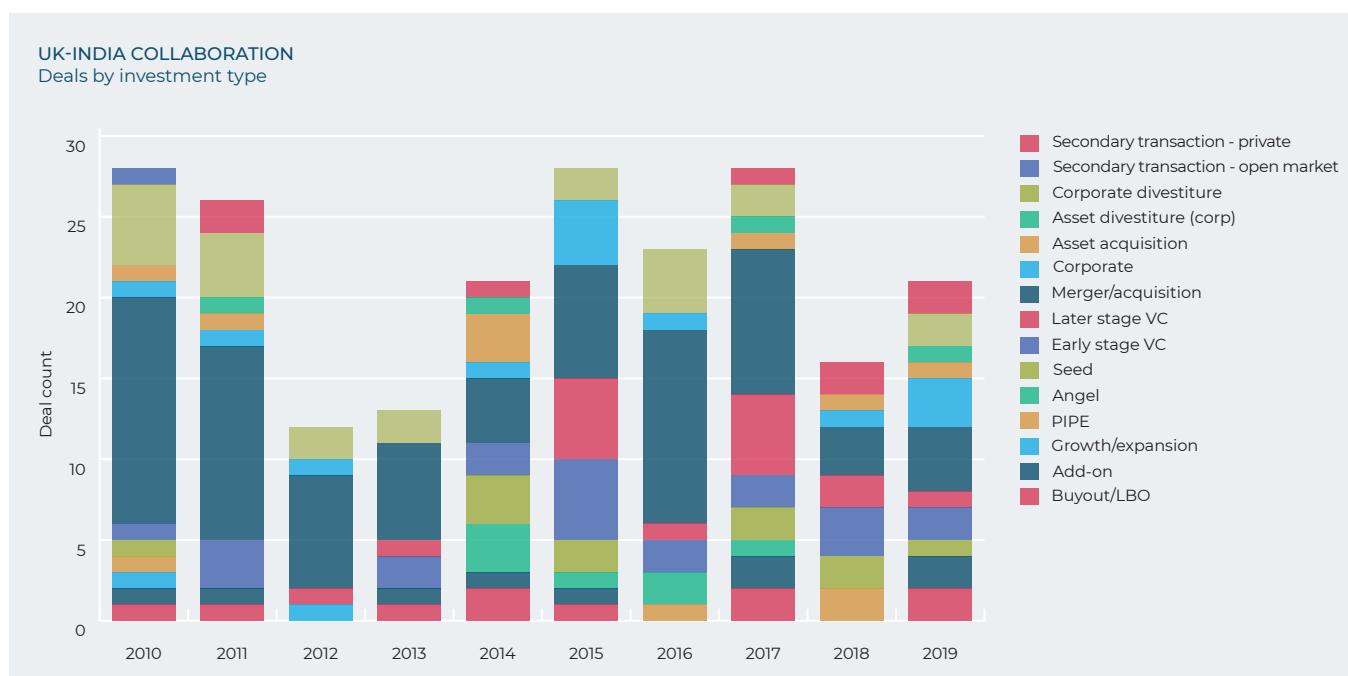
All investment routes open for UK-India collaboration

UK businesses of varying sizes and stages of development have received Indian investment over the years, necessitating differing types of investment. M&A has accounted for 37% of activity since 2010. This is often because the desire by many, mostly larger, Indian firms to acquire a new client base or expand into a new vertical makes acquisition appealing enough to make the underlying financials less important.

Venture deals have comprised 17% of the total, though this is divided between UK businesses at an early stage of development and those which are more established: early-stage has been slightly more prevalent, capturing 10% of the deals over the last decade, against 7% for later-stage opportunities. The data suggests it is about the opportunity rather than the deal type.

"Large Indian corporates want to make investments or acquire companies in the growth stage and are particularly seeking out assets in the UK."

Ian Matthews, India Group Partner



Hamleys acquired by Reliance for £68 million

In 2019, Moore Kingston Smith's client, Indian conglomerate Reliance Industries, purchased Hamleys, the iconic British toy store founded in 1760. Reliance already operated a franchise of Hamleys India outlets. With 88 franchises in the country at the time of the deal, Hamleys' largest international presence was firmly in India, having set up in Mumbai in 2010.

The latest deal signals Reliance's ambition to expand its shops more online in an effort to take on Amazon and Walmart, established online retail giants in India. Reliance already operates over 660 stores across 29 cities in India.

UK COMPANIES INCREASINGLY ATTRACT HUNGRY INDIAN INVESTORS

Efficiency and speed vital for closing India-UK deals

Moore Kingston Smith has been connecting UK companies and Indian investors for 30 years. Indian investors look for UK companies that have already got themselves investment-ready. They have fine-tuned their strategy, created a mobile workforce, secured their IP, explored R&D credits and installed top-of-the-range cyber security.

"Our multidisciplinary teams across the globe mean we provide a cost-effective and nimble service for firms, helping to make post-deal integration seamless for both UK and Indian counterparts," says Matthews.

Whatever the aim of the UK company, understanding the nature of working with Indian businesses is crucial. A long-standing client of Moore Kinston Smith says: "The responsiveness and availability of Ian and the rest of the Moore Kingston Smith team along with their readiness to physically meet means they can act quickly. This is absolutely key for my business."

Moore Kingston Smith's India Group provides support for:

- UK companies strategically preparing for Indian investment.
- Indian corporates identifying the best investment route into the UK.
- All post-investment restructuring.



"Moore Kingston Smith can act quickly, which is absolutely key for my business."

Moore Kingston Smith client

CONTACT US

If you would like more information, please contact one of our India Group:

Parveen Chadda

Partner

pchadda@mks.co.uk

Vijay Tanna

Partner

vtanna@mks.co.uk

Ian Matthews

Partner

imatthews@mks.co.uk

Tim Stovold

Partner

tstovold@mks.co.uk

Bharat Rampal

VP Business Development

brampal@mks.co.uk

Kishore Achary

Assistant VP Business Development

kachary@mks.co.uk

METHODOLOGY

The data is from analysis conducted by Moore Kingston Smith on data extracted from Pitchbook.

REFERENCES

¹ The Best Countries For Business 2019: U.K. On Top, U.S. Down, pub. 19 December 2018 <https://www.forbes.com/sites/kurtbadenhausen/2018/12/19/the-best-countries-for-business-2019-u-s-down-u-k-on-top/#6c7f5e8a52d5>

² Official Statistics – Department for International Trade inward investment results 2019 to 2020, pub. 10 July 2020 <https://www.gov.uk/government/publications/department-for-international-trade-inward-investment-results-2019-to-2020/department-for-international-trade-inward-investment-results-2019-to-2020>