A COMPARATIVE ANALYSIS OF INDO-THAILAND TRADE, INVESTMENTS AND CORPORATE ACQUISITIONS

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Overview of the Paper

To understand the flow of investment capital between Thailand and India and analyze the trend of trade and foreign direct investment flows

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Brief History

- India initiated "Look East Policy" with ASEAN with Thailand as a member country
- India Thailand Free Trade Agreements (FTA) since 2000
- Early Harvest Scheme (EHS) in September 2004
- 28 rounds of India-Thailand Trade Negotiations Committee (ITTNC) meetings
- The Services and Investment chapters of the India-ASEAN FTA were concluded in December 2012 and signed in September 2014

ASEAN: Association of Southeast Asian Nations

Objectives of the Paper

Research Questions

What are the recent trends and observations on the capital movements between Thailand and India?

Are there any complementarities between the businesses of Thailand and Indian Corporates?

What is the economic impact of such emerging cross-border acquisitions economies such as India and Thailand Also, what policy implications arise from that phenomenon?

Research Objectives

To review and make a comparative analysis of trade, investments and cross-border acquisitions by the two countries and describe recent trends.

To understand the cross-border investment through acquisitions by Indian and Thai corporates. To provide an empirical assessment of the role played thus far by cross-border M&A in the restructuring of corporate sector in Thailand & India.

To investigate the determinants of cross-border acquisitions of acquiring companies in both the countries in general and Indian acquisitions in Thailand and Thai acquisitions in India.

To investigate the firm specific determinants and macro- economic determinants for both economies and conduct comparative analysis.

To develop theoretical framework to contribute to understanding of strategies of emerging markets firms with in the context of cross-border acquisitions.

Data and Research Methods

The investigation begins by observing the correlations between the capital movements between Thailand and India through acquisitions

A comprehensive comparative analysis has been conducted at various levels with respect to mode of cross-border investments. Secondary data has been used in this paper

The various sources for the secondary data used in this study are SDC Thompson database, World Investment Report (2018) available from The United Nations Conference on Trade and Development (UNCTAD), UN COMTRADE database of United Nations International Trade Statistics Database. The annual reports of the companies of both countries involved in acquisitions have been used to understand the motives and synergies behind the transactions.

As per SDC Thomson Reuter database, during the period 2000-2018, India announced 3191 cross-border acquisitions. Out of these, only 37 are in Thailand. Among 37 announced acquisitions, only 22 are completed. Also, Thai Corporates have acquired 810 target companies across globe during January 2000 to August 2018. Out of these, only 20 acquisitions have been completed in India.

India’s Bilateral Trade with Thailand

- India’s bilateral trade with Thailand has multiplied more than twelve times since 1988 to reach US$ 10.05 billion in 2017.
- During 2017, bilateral trade is US$ 10.05 billion comprising US$ 3.59 billion export to Thailand and US$ 6.46 billion Import from Thailand.
- It is evident that India’s total trade with Thailand has grown substantially during last decade.
- Compounded growth rate over (CAGR) 30 years, 25 years, 20 years, 15 years, 10 years and 5 years have been 12.3 %, 15.4 %, 15.8%, 10.02% and 2.33%, respectively.
- The CAGR is above 10 per cent for last two decades.
- The CAGR has decreased during last five years. Also, this progress has been subject to large variations on a year-on-year (YoY)

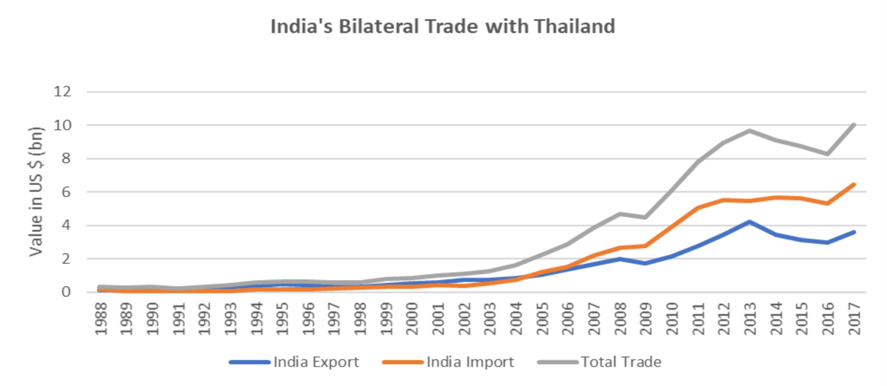
Year	Export ($US bn)	Import ($US bn)	Total Trade ($US bn)	YoY Growth rate (%)		
				Export	Import	Trade
1988	0.131418	0.17899	0.310408			
1989	0.195174	0.061787	0.256962	48.5	-65.5	-17.2
1990	0.244276	0.063758	0.308034	25.2	3.2	19.9
1991	0.198987	0.048738	0.247725	-18.5	-23.6	-19.6
1992	0.283375	0.065151	0.348526	42.4	33.7	40.7
1993	0.357225	0.057191	0.414416	26.1	-12.2	18.9
1994	0.406576	0.171606	0.578181	13.8	200.1	39.5
1995	0.471473	0.169299	0.640773	16.0	-1.3	10.8
1996	0.447047	0.19708	0.644128	-5.2	16.4	0.5
1997	0.342969	0.226244	0.569213	-23.3	14.8	-11.6
1998	0.32087	0.273338	0.594207	-6.4	20.8	4.4
1999	0.45208	0.329547	0.781627	40.9	20.6	31.5
2000	0.525237	0.339212	0.86445	16.2	2.9	10.6
2001	0.598291	0.424586	1.022877	13.9	25.2	18.3
2002	0.741183	0.365087	1.10627	23.9	-14.0	8.2
2003	0.731772	0.539244	1.271017	-1.3	47.7	14.9
2004	0.856828	0.750164	1.606992	17.1	39.1	26.4
2005	1.059267	1.196597	2.255864	23.6	59.5	40.4
2006	1.350985	1.550809	2.901794	27.5	29.6	28.6
2007	1.673337	2.192368	3.865705	23.9	41.4	33.2
2008	2.00528	2.664791	4.670072	19.8	21.5	20.8
2009	1.710808	2.775885	4.486693	-14.7	4.2	-3.9
2010	2.139581	3.940819	6.0804	25.1	42.0	35.5
2011	2.76792	5.055564	7.823485	29.4	28.3	28.7
2012	3.454127	5.499272	8.953399	24.8	8.8	14.4
2013	4.203813	5.475443	9.679257	21.7	-0.4	8.1
2014	3.438522	5.680938	9.11946	-18.2	3.8	-5.8
2015	3.113562	5.650145	8.763707	-9.5	-0.5	-3.9
2016	2.962384	5.316378	8.278762	-4.9	-5.9	-5.5
2017	3.588644	6.456382	10.04503	21.1	21.4	21.3

	Export	Import	Trade
30 Year	11.654%	12.695%	12.288%
20 year	12.456%	18.242%	15.434%
15 year	11.088%	21.108%	15.844%
10 year	7.928%	11.406%	10.020%
5 year	0.767%	3.261%	2.328%

India's Bilateral Trade with Thailand

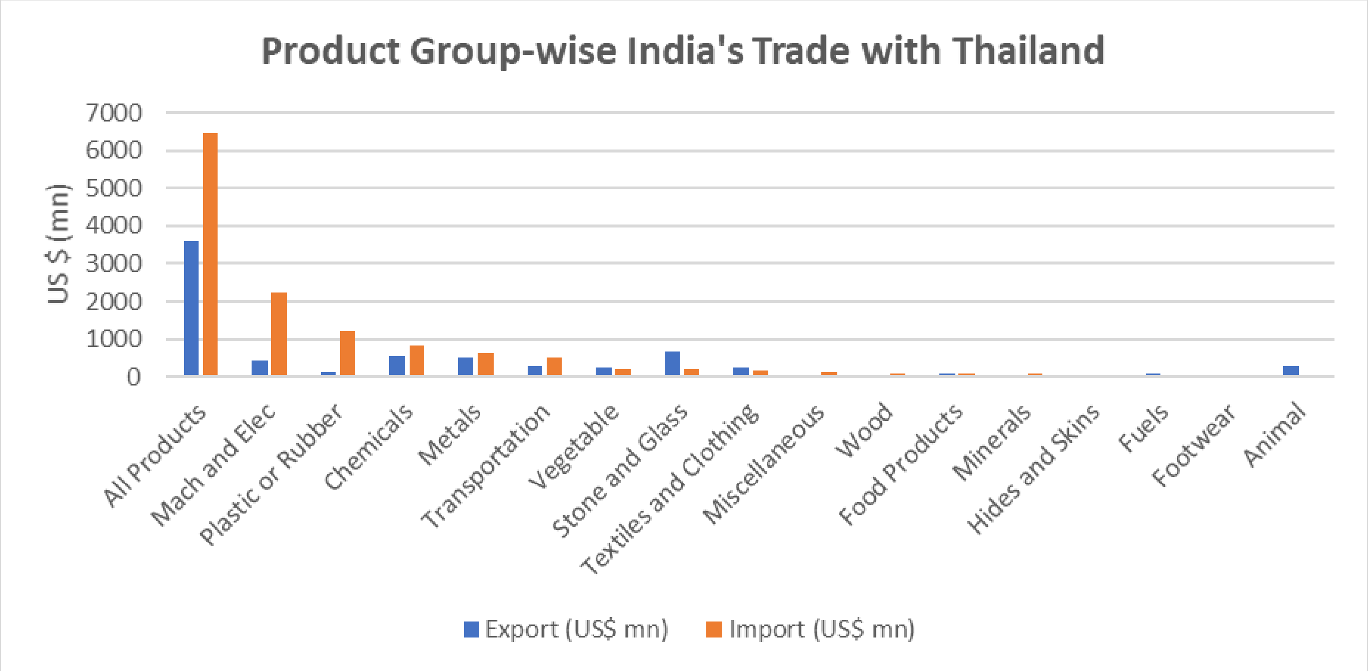
Import from Thailand has grown at a higher rate than the growth in export to Thailand

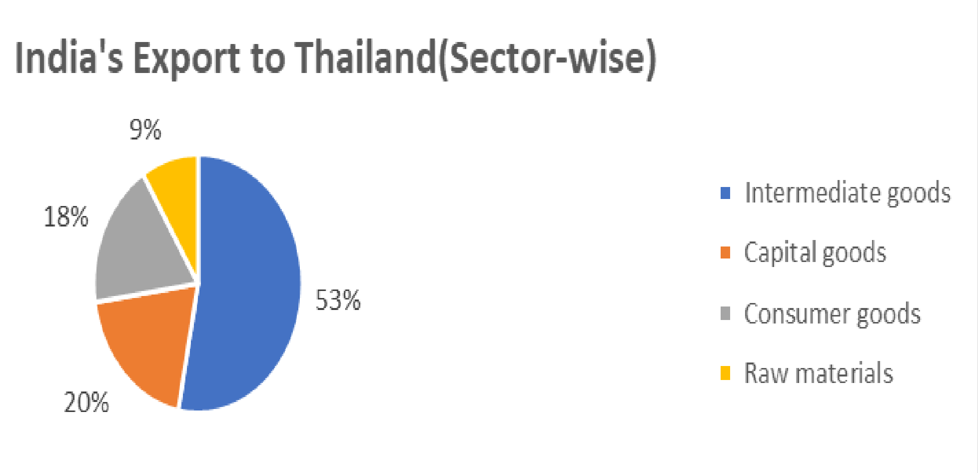
- India's export are the highest for stone and glass, chemicals and metals.
- The Import from Thailand are highest in Machinery and electrics, plastic and rubber and chemicals.
- Intermediate goods constitute the highest Import and well as Export to Thailand. Capital goods are the second highest sector for Import as well as Export.
- India's export to and import from the Thailand in the same sector has the implications for integration of gross value chain between two countries.

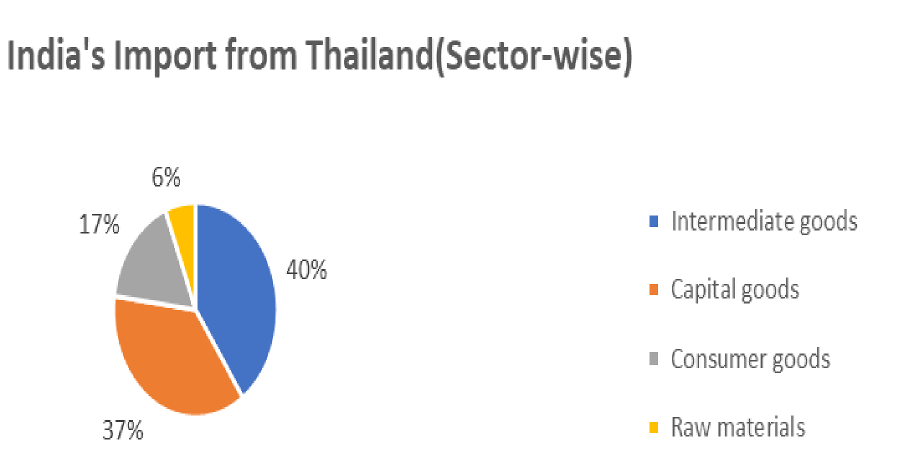


Product Group	Export (US$ mn)	Import (US$ mn)
All Products	3588.644	6456.382
Mach and Elec	442.8197	2230.637
Plastic or Rubber	126.6395	1228.849
Chemicals	550.8625	830.2856
Metals	510.8852	643.2254
Transportation	273.4686	500.5039
Vegetable	238.9417	193.9927
Stone and Glass	650.2063	190.8311
Textiles and Clothing	217.9376	150.3201
Miscellaneous	57.22899	134.8769
Wood	25.67457	98.78067
Food Products	85.71226	82.21899
Minerals	21.43957	72.70175
Hides and Skins	14.78395	46.97204
Fuels	88.88797	37.81485
Footwear	6.14993	12.48736
Animal	277.0055	1.88458

India's Bilateral Trade with Thailand







Flow of Foreign Direct Investment

The growth in FDI inflows to Thailand has come down from $ 15 billion in 2013 to $ 7 billion in 2017. FDI outflows from Thailand expanded by 55 per cent to $19 billion. FDI to Thailand rose by 3.7 times on the back of an increase in investment from the European Union and strong inflows from Japan and ASEAN World Investment Report (2018).

Year	FDI Inflows	FDI outflows
2012	9 135	10 497
2013	15 493	11 679
2014	4 809	5 575
2015	5 624	1 687
2016	2 068	12 414
2017	7 635	19 283

- **According to the United Nations Conference on Trade and Development, Thai outward foreign direct investment stock grew from $6.7 billion in 2006 to $85.6 billion in 2016, a thirteen-fold increase in just a decade.**
- **FDI outflows from Thailand, now ASEAN's second largest investing country, expanded by 55 per cent to $19 billion, driven by intraregional investments by Thai MNEs.**

FDI outflows from Thailand to India began in 2010

Region / economy		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
South-East Asia		54	39	15	64	166	582	2 827	3 360	2 218	1 585	3 340	1 879
	Indonesia	-	-	-	-	-	-	-	-	-	1	1	4
	Malaysia	-	-	-	-	-	-	-	-	-	40	18	238
	Philippines	-	-	-	-	-	-	-	-	-	1	2	27
	Singapore	54	39	15	64	166	582	2 827	3 360	2 218	1 540	3 306	1 605
	Thailand	-	-	-	-	-	-	-	-	-	3	13	5

Flow of Foreign Direct Investment

Outflows from India, the main source of FDI in South Asia, more than doubled to $11 billion. India's State-owned oil and gas company ONGC has been actively investing in foreign assets

Region / economy		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
South-East Asia											12 522	12 895	18 514
	Indonesia										29	35	17
	Malaysia										197	215	267
	Philippines										978	341	338
	Singapore										11 247	12 229	17 654
	Thailand										71	74	237

India has also increased it FDI flow to South-East Asia since 2010

Region / economy		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
South-East Asia		..	..	..	..	..	..	..	..	..	20 851	21 127	22 265
	Indonesia	..	..	..	..	..	..	..	..	..	319	317	250
	Lao People's Dem. Rep.	..	..	..	..	..	..	..	..	..	12	12	12
	Malaysia	..	..	..	..	..	..	..	..	..	69	98	155
	Myanmar	..	..	..	..	..	..	..	..	..	36	9	4
	Philippines	..	..	..	..	..	..	..	..	..	122	138	102
	Singapore	..	..	..	..	..	..	..	..	..	20 069	20 333	21 481
	Thailand	..	..	..	..	..	..	..	..	..	135	133	193
	Viet Nam	..	..	..	..	..	..	..	..	..	46	48	27

Flow of Foreign Direct Investment

India and Thailand are becoming the dominant investor in South Asia region

FDI flows in Thailand by South Asia and India (Million $)

Region / economy			2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
South Asia			-	-	-	-	3	- 1	41	- 103	10	- 0	40	37
	India		-	-	-	-	3	- 2	40	- 103	9	- 1	39	37

Thailand's FDI Stock in India (Million $)

Region / economy		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
India		7	23	33	44	82	104	167	168	206	282	631	742

FDI stock in Thailand by South Asia and India (Million $)

			2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
South Asia			-	-	-	-	-	72	214	88	145	312	383	417
	India		-	-	-	-	-	69	210	83	139	305	376	410

Pananond (2018) viewed Thailand's recent surge in outward investment as part of **strategic efforts to strengthen companies' overall competitive position**. Ibrahim and Raji (2018) indicate that **gross domestic product (GDP), interest rate, exchange rate, money supply and inflation rate are the most important macroeconomic factors** explaining the trends of cross-border mergers and acquisition outflows of the ASEAN-6 countries.

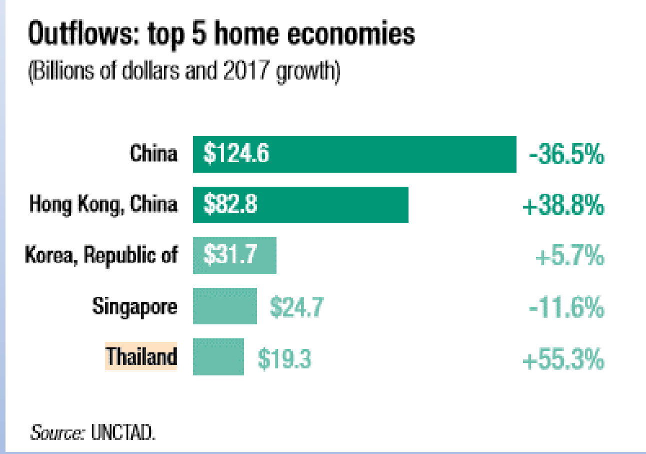
Flow of Foreign Direct Investment

Thailand and India are among the recipient countries who also received the highest amount of green field projects

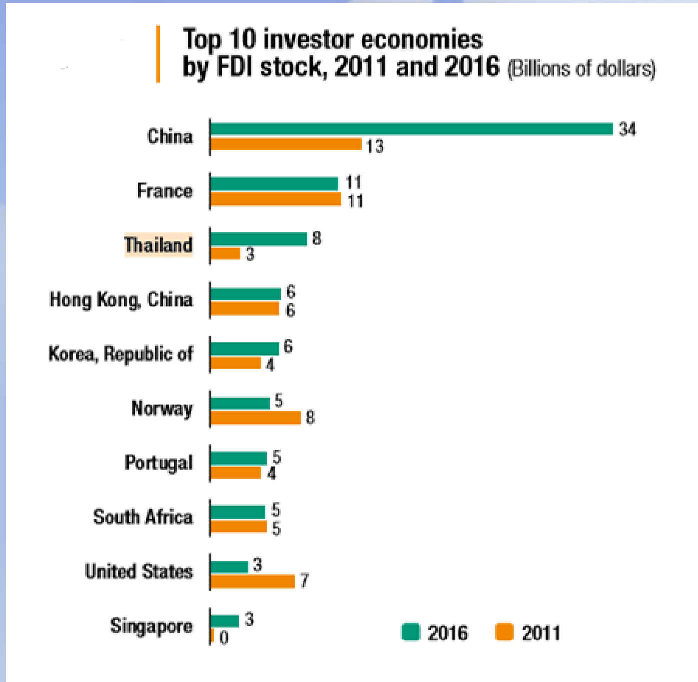
Announced green field projects by region/economy, 2016-2017 (Million $)

Partner region/economy	LDCs as destination 2016	LDCs as destination 2017	LDCs as investor 2016	LDCs as investor 2017
World	**44 315**	**25 270**	**1 577**	**797**
Developed economies	**9 050**	**13 484**	**302**	**7**
Denmark	72	2 133	-	-
Norway	24	2 010	-	-
United Kingdom	103	1 542	-	-
United States	3 397	2 424	-	-
Developing economies	**35 265**	**11 591**	**1 198**	**771**
Africa	6 453	816	465	257
Asia	28 812	10 689	734	334
China	14 041	3 668	-	81
India	3 439	633	427	197
Malaysia	3 388	375	71	56
Thailand	2 334	995	70	-

Position of Thailand among top five investors in 2017

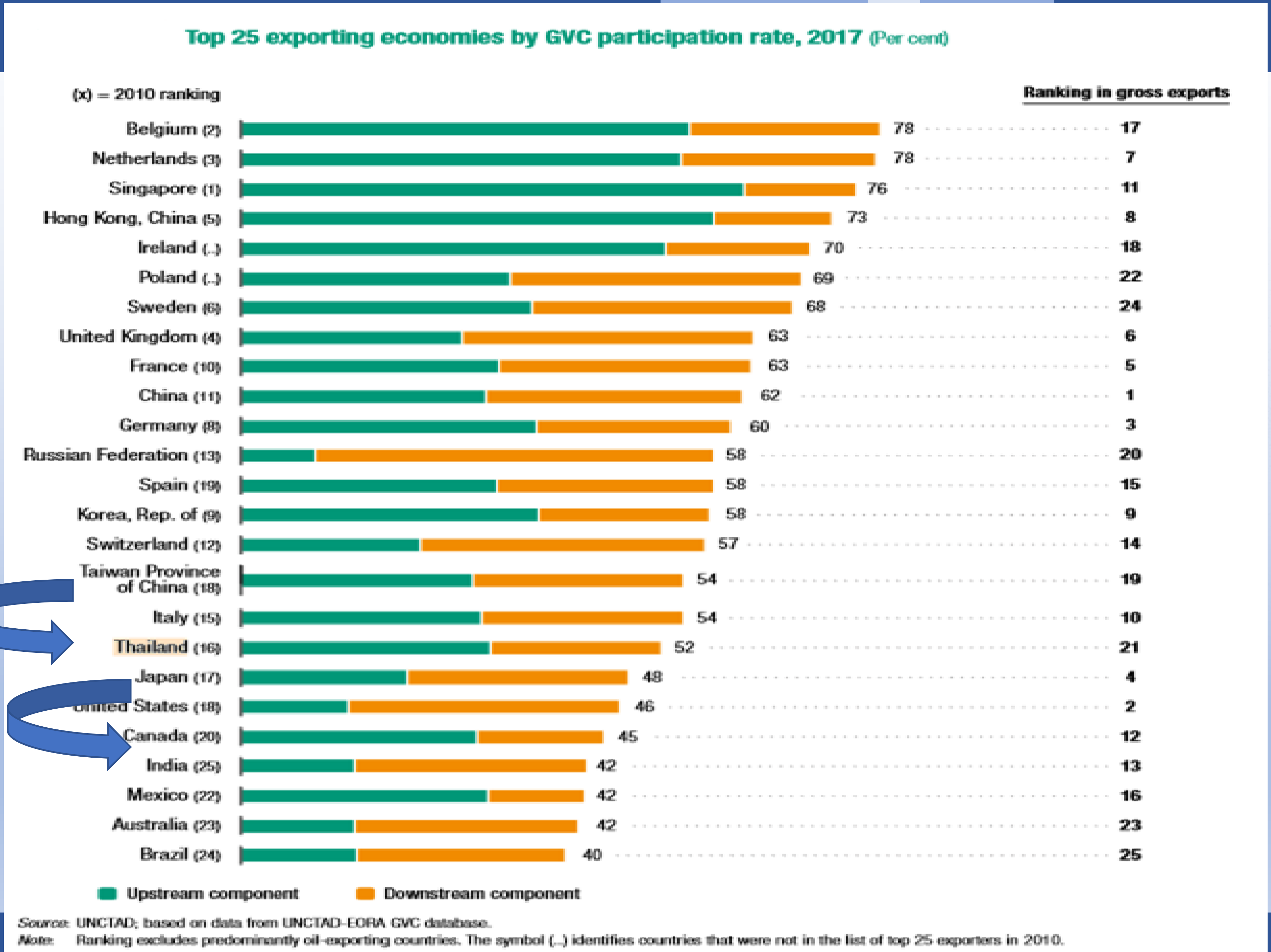


Thailand has emerged as the Top investor economy in 2016. The FDI stock by Thailand has increased from 3 billion dollars to 11 billion dollars in 2016



Thailand was ranked 27th in the 2017 World Bank's Ease of Doing Business Report. Recently, Thailand has included the new mechanism in Section 51 of the Trade Competition Act of 2017 that will ease the burden of the parties who plan to merge businesses, simply because it is clearer and more practical (Anuktanakul & Laohapairoj, 2018).

India and Thailand by Gross Value Chain Participation



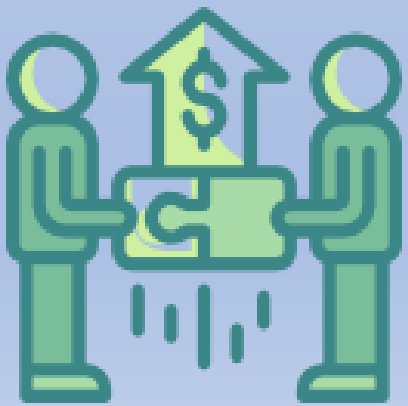
India and Thailand by Gross Value Chain Participation

Thailand and India are among the top 25 exporting economies by GVC participation rate.

Thailand and India are among top 25 exporting economies by global value chain (GVC) participation rate in 2017. There exist complementarities in the global value chain (GVC) between two economies as Thailand is integrated well on upstream components which is foreign value added (FVA) in export and India on downstream component which is domestic value added (DVA) in exports. These complementarities can be used for fostering greater integration and leveraging the development of a global value chain.

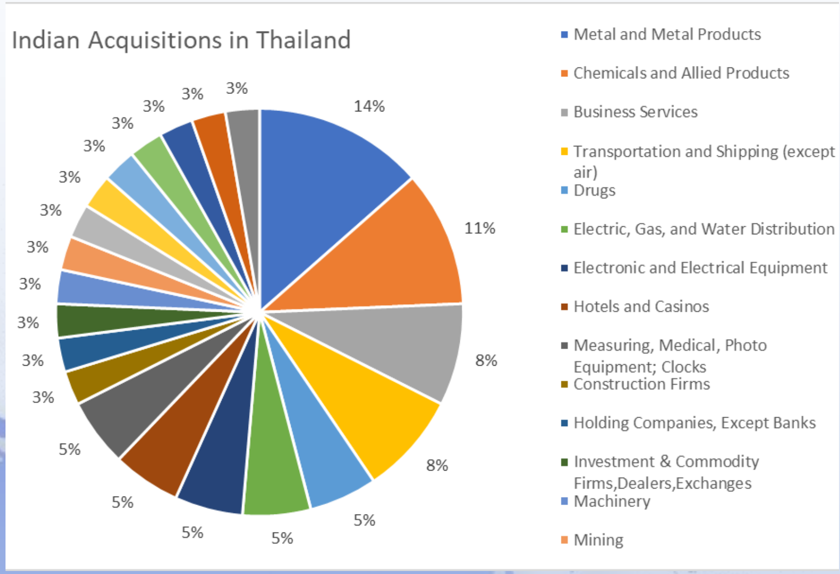
The analysis of trade, investment and global value chain (GVC) of two countries shows that there exist several complementarities in terms of integration of two countries with the rest of the world. Corporates from both countries increase their value-chain activities throughout ASEAN, these intra-regional investments can become the building blocks of economic integration and development.

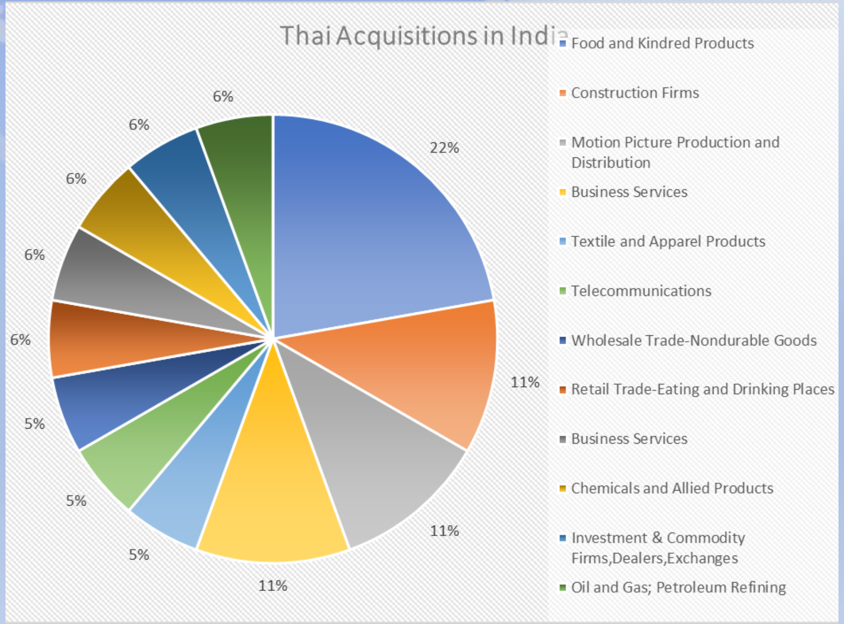
Comparative analysis of Indo- Thailand cross-border Acquisitions



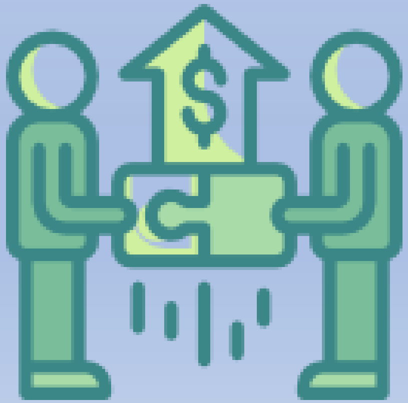
- As per SDC Thomson Reuter database, during the period 2000-2018, India announced 3191 cross-border acquisitions. Out of these, only 37 are in Thailand. Among 37 announced acquisitions, only 22 are completed
- As per the SDC Thompson Database, Thai Corporates have acquired 810 target companies across globe during January 2000 to August 2018. Out of these, only 20 acquisitions have been completed in India
- The Tata group has growing business interest in Thailand with Tata Motors forming a joint venture (JV) with Thonburi Automotive Assembly Plant Co. to form Tata Motors (Thailand), which has launched a pickup truck in the Thai market in March 2008
- The Aditya Birla group, Dabur, Lupin and NIIT are among the other major Indian companies doing business in Thailand and reflecting the diverse sectors of interest. Kirloskar Brothers Ltd opened its office in Bangkok and Punj Lloyd group entered into a Joint Venture with a Thai company

India companies are acquiring stakes in Thailand companies in the sector in which India is having highest import such as metals and chemicals. The analysis of sectoral composition of Thailand acquisitions in India shows that Thai companies are acquiring stakes in sectors in which Thailand was importing from India. Apparently, this practice may be due to the efforts of the emerging market multinationals from two countries towards effective integration of gross value chain.





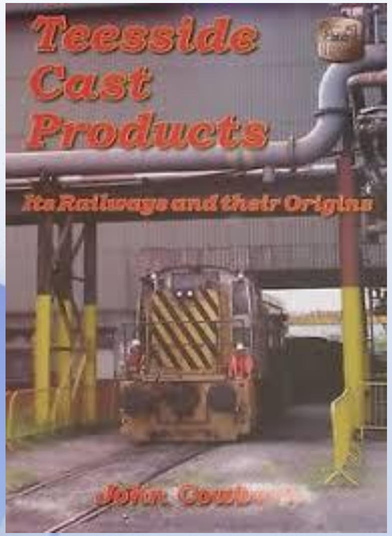
Comparative analysis of Indo- Thailand cross-border Acquisitions



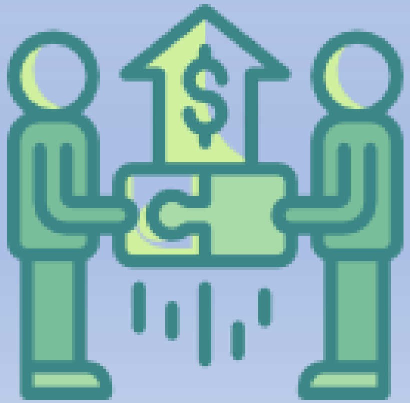
Case Study 1: Teesside Cast Products Plant Acquisition by Sahaviriya Steel Industries PCL

- Sahaviriya Steel Industries PLC or SSI is Southeast Asia's largest producer of hot rolled steel sheet in coils (HRC), with 4 million tons annual capacity.
- SSI has investments in joint-venture downstream plants, namely Thai Cold Rolled Steel Sheet PLC ("TCRSS") and Thai Coated Steel Sheet Co., Ltd., ("TCS")
- The acquisition of Teesside Cast Products Plant is another transaction in this downstream plants investment.
- Teesside Cast Products Plant belongs to Corus UK Limited, a subsidiary of Tata Steel Group.
- This investment included the purchase of the steel plant in the value of approximately USD 500 million, and the purchase of existing net working capital.
- For the upstream steel business, SSI has SSI Teesside Steelworks, a fully-integrated iron and steel making facility at Teesside in the northeast of the United Kingdom, which is operated by Sahaviriya Steel Industries UK Limited. This facility has a production capacity of 3.6 million tons per year for high-grade steel slabs to supply to SSI and secure source of raw materials for the Group, as well as to distribute to other rolling mills worldwide.
- At the time of acquisition, the target company revealed that it lost about $233 million (R1,092 crore) running its Teesside plant in northeast England after a consortium of four steel buyers, accounting for about 80 per cent of the plant's business, reneged last year on a 10-year contract. The plant has been in a state of limbo ever since.

As of 31 December 2014, SSI Group employed 4,430 employees – 2,428 in Thailand and 2,002 in the United Kingdom. SSI Group continued its policy to recruit locally; the ratio of local employee was 89% at SSI Bangsaphan Steelworks and 96% at SSI Teesside Steelworks. Moreover, in 2014 SSI has still provided opportunities to Thai and UK employees to fully work together in order to connect the human resources system and the culture of both countries. This was a crucial opportunity for SSI Group employees to gain cross-cultural exposure, grow professionally, and contribute greater benefits to the SSI Group.



Comparative analysis of Indo- Thailand cross-border Acquisitions



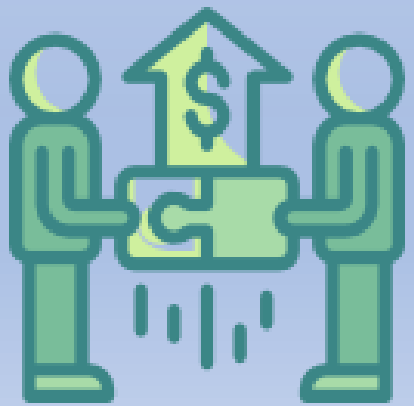
Case Study 2: Avanti Frozen Foods Pvt Ltd by Thai Union Group PCL

Thai Union Group PCL invested in Avanti Feeds Limited, a shrimp feed and frozen shrimp producer based in India, in 2009. Again in 2016, Entered into joint venture to acquire 40 percent equity stake of Avanti Feeds Limited's wholly owned shrimp processing unit Avanti Frozen Foods Private Limited India. Today, Thai Union Group holds 25.12 % in Avanti Feeds Limited and 55.07 % in Avanti Frozen Foods Private Limited India.

- Avanti Feeds Limited is a manufacturer of prawn feed, shrimp processor and exporter of its products globally. Avanti Feeds Limited is a strategic partnership of the Group in shrimp feed manufacturing and shrimp processing.
- The primary objectives of the investment are to diversify the group's shrimp sourcing and operational risks and add production capacity to meet growing demand for the firm's products.
- Currently, the existing factory has a workforce of 750. The new plant, once completed and up and running, will add this figure up to 2,250.
- At the moment, the shrimp processing business is mainly for export markets, such as the US, major European markets, and Japan. In other words, most of the business will be on contract manufacturing or OEM basis.
- However, China is also becoming a net seafood importer and a market of strong potential in the near future. Moreover, with India's growing economy and sizeable population, this joint venture is also ready to tap in the growing shrimp consumption in its domestic market.

AVANTI FEEDS LIMITED
In the Business of quality prawn & fish feed and prawn exports

Comparative analysis of Indo- Thailand cross-border Acquisitions

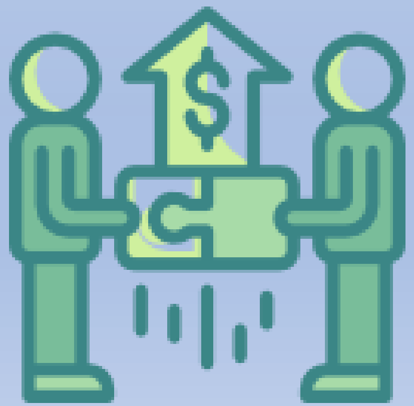


Case Study 3: MakeMyTrip Ltd' acquisitions in Thailand

- MakeMyTrip, the leading Indian online travel agent has acquired a majority equity interest in ITC Group, a Thailand based hotel aggregator for $3.2 million.
- MakeMyTrip has paid $2.2 million to the existing shareholders for the sale of their shares in the ITC Group and paid $1 million for subscription of new shares in the ITC Group.
- According to MakeMyTrip, the acquisition will help the company further expand its presence in Thailand.
- MakeMyTrip Ltd completed the acquisition of Hotel Travel Group on November 6, 2012. 'Hotel Travel Group' (HT Group), which has presence in Thailand, Singapore and Malaysia, for $25 million.
- MakeMyTrip Ltd completed the acquisition of Hotel Travel Group on November 6, 2012. 'Hotel Travel Group' (HT Group), which has presence in Thailand, Singapore and Malaysia, for $25 million. Online travel Web site HT Group had been operating the website www.hoteltravel.com for more than a decade in South-East Asia, and its booking platform offered hotel reservation across the world. Access to HotelTravel.com's inventory helped MakeMyTrip Ltd significantly expand the range of best-value hotel offerings available to Indian customers. The acquisition helped to build a stronger presence in the South-East Asia region.

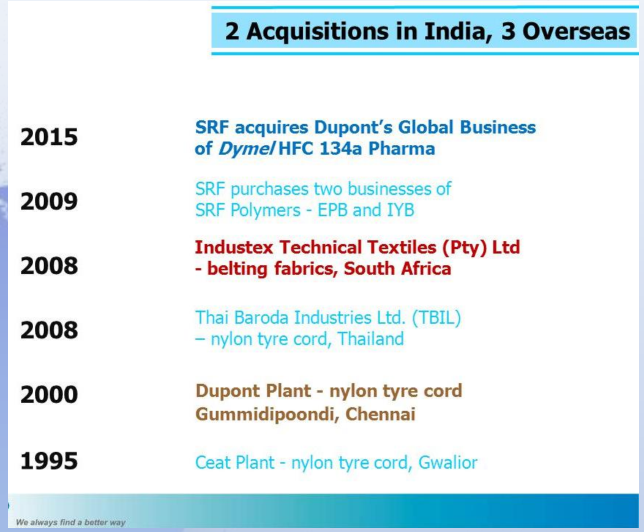
MakeMyTrip's recent acquisitions seems to be in line with its strategy of strengthening its presence in hotel and holidays segment in India and South East Asia, which is becoming increasingly popular among Indian tourists

Comparative analysis of Indo- Thailand cross-border Acquisitions



Case Study 4: SRF Ltd acquisition of Thai Baroda Industries Ltd

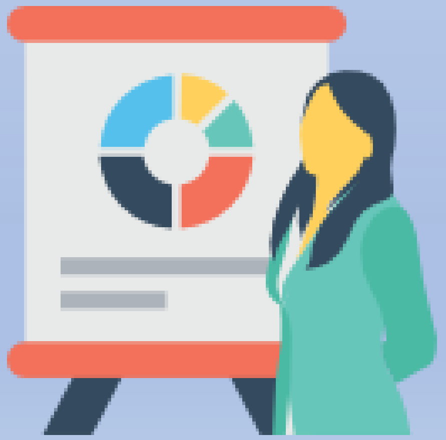
- Indian tire cord maker SRF Ltd. acquired Thai Baroda Industries Ltd. to help it expand in the Southeast Asian market in 2008.
- SRF, India's largest tire cord maker, paid about $23.5 million to buy Rayong, Thailand-based Baroda, which operates 12,000 metric tons of annual capacity for dipped nylon tire cord fabric.
- Thai Baroda is a joint venture company involving Thai and Indian investors, including Baroda Rayon Corp. of India.
- The acquisition of Thai company made SRF Ltd world's second largest nylon 6 tyre cord fabric, manufacturer in the world with total capacity of 65,000 tonne per annum.
- The leading tire cord manufacturer SRF Ltd acquired the Thailand-based firm Thai Baroda Industries (TBIL) with aim to become a global player.



The acquisition is a strategic step taken by SRF to build better synergies for our growth leading to value-creation. Besides, this acquisition will enable SRF to emerge as the third largest tyre cord fabric manufacturer in Asia and the fifth largest in the world. The acquisition is indeed a major step in SRF's efforts to become a global Company.

Chairman, Mr. Arun Bharat Ram stated in Annual Report 2008 that *"In today's environment, we will have to be looking at creating capacities across the globe both organically and inorganically".*

Concluding Observations

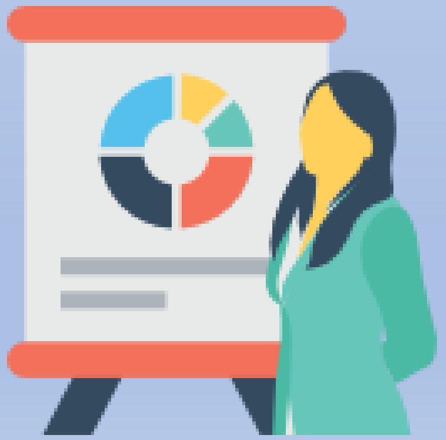


Both economies may depend on how its domestic companies adopt technological and managerial capabilities from their experience competing abroad.

Capitalizing on their cross-border acquisitions requires a trickle-down process whereby domestic competitors and suppliers also gain from increased exposure to global competition, and a bigger pool of domestic companies venturing overseas.

Closer to home, corporates from both countries increase their value-chain activities throughout ASEAN, these intra-regional investments can become the building blocks of economic integration and development.

Concluding Observations



The trends observed in this paper are useful for the following parties either directly or indirectly. Policy makers such as Company Law Board, SEBI, BSE, NSE and Ministry of Corporate Affairs, Competition Controller of India (CCI), Office of Trade Competition Commission (OTCC).

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