

# Ashmayu

Quarterly Newsletter

Initiated by  
**Tamohara Investment Managers**

June , 2022

# English, Hinduism, and M&A

By Harini Dedhia

Dear Investor,

Two of the largest cultural success stories that I can think of are the English Language and Hinduism. Multiple centuries, influences, conflicts and contenders later, both still command an influence over a billion human beings on planet earth. An exploration into their rise can perhaps illuminate what would make a company pursuing inorganic growth (i.e. growth via mergers and acquisitions) successful.

The English language is initially derived from Germanic languages. However, unlike German it has far fewer grammatical rules. English is the only language in which spelling bee contests are held as for most others, there isn't much differentiation in the way you pronounce and spell a word. This lack of rigidity has enabled English to be far more assimilative than the others. When the Vikings arrived in England they lent 10,000 words to the language in 800AD. Today, over 80% of the words in the Oxford Dictionary have non-Anglo-Saxon origins. It is perhaps for this accommodative nature of the language that today, while the population of Anglo Saxons across UK, USA, NZ, Australia, Canada and South Africa is around 80 mn (8cr) people, over a billion (1000mn or 100cr) people can understand and speak the language. It is easy to defer to the classical argument that the British empire was vast enough to help achieve this spread of the language but then so was the Ancient Roman Empire. While 20% of the world's population was under Roman rule, at no point of time did 20% of the world's population speak Italian.

The success of the Hindu way of life is no less exemplary. With no royal benefactor, no missionary activities and after the land of origin being ruled by emperors of other beliefs and faiths, it has survived. Juxtaposed with the advent of English where one used to argue that the empire helped spread the language, why and how did the Hindu way of life survive without it? Hinduism in its original form was a way of life propagated by a collection of ancient texts. In that, it never had a single founder or single prescriptive text that its origin can be traced back to. It therefore always maintained an evolutionary form, absorbing more from its surroundings with the passage of time.

In our opinion the fact that the Hindu way of life did not preach monotheism was also one of the larger contributors. Hinduism accepted the possibility of other gods, other truths and other means to salvation for within itself, varying beliefs were allowed to prosper.

The spread of the English language and the resilience of Hinduism both teach us that the success of mergers, acquisitions and deals rests upon allowing time and space for assimilation. Rigidity and abruptness are perhaps the surest way of creating dis-equilibrium which then takes away from both parties.

One of the more celebrated mergers in the auto industry was that of Daimler (Benz) and Chrysler. Daimler acquired Chrysler in 1998 for \$36bn. However they didn't pay heed to the precedent set forth by the cultural behemoths. Daimler was a conservative, methodical, hierarchical organization, whereas Chrysler's approach was unstructured, creative and relatively flat in hierarchy.



Source: The Economist, 27 July 2000

The merger didn't survive very much beyond the initial hooplah. In this case the space required to be given for assimilation to happen was not afforded to Chrysler, and Daimler sold off 80% of the stake (valued at \$28bn during the merger) at \$7bn valuation- resulting in a \$20bn+ of write offs for Daimler Benz. Rigidity causes things to break.

On the other end of the spectrum, when Google acquired Youtube, it was widely acknowledged that the search giant overpaid for the company. Stalwarts such as Mark Cuban labeled Google's move "crazy" for taking on YouTube's many legal liabilities. This was 2006. Today, our opinion on the acquisition is wildly different. What made it work? Consider the following two statements from the press release issued during the deal:

*Following the acquisition, Youtube will **operate Independently to preserve its successful brand and passionate community.***

*“By joining forces with Google, we can benefit from its global reach and technology leadership to deliver a more comprehensive entertainment experience for our users and to create new opportunities for our partners,” said Chad Hurley, CEO and Co-Founder of YouTube. “I’m confident that with this partnership **we’ll have the flexibility and resources** needed to pursue our goal of building the next-generation platform for serving media worldwide.*

Google became an enabler for YouTube’s growth without impeding on their culture, identity and its freedom. That is what made this marriage work.

It is crucial, more than ever, that we understand what it takes to make deals work. In 2021, 80% of all buyers in M&A deals in India were first time buyers. This number was at 51% in 2015.

## More first-time buyers in India are turning to M&A to drive growth



Note: 2021 estimate annualized based on data through mid-October  
Sources: Dealogic; S&P Capital IQ



Consumed by a hunger for growth (and hence valuations) or simply fearing the pace at which disruptions are coming at them, the pace of M&A will at the very least sustain if not rise further from here on.

The pace of this activity is perhaps even more frantic in the 'start-up' ecosystem. As liquidity tightens, companies desperate to show growth to raise further rounds from investors might very well sound the death knell or a winter spell for the funding season. The pace at which they are acquiring businesses, simply does not allow enough time for assimilation.

As investors, it is easy to get enamored by the perfect pitch deck for the proposed marriage presented to us by bankers. What makes it work however is something a document can simply not cover- Can both the parties live and let live? Can they absorb the good from each other? Can they coexist and thrive? A cultural litmus test has therefore become essential- an ability to understand beyond the narrative presented and numbers reported.

As always, we thank you for choosing us to be your partners in your wealth creation journey.

**Best,**  
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