

Kinetic Engineering Deal Podcast Transcript

Speaker key

JA Jaime Lee – Associate

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JC Judi Coe

SA Samir Mehta – Trainee Solicitor

JC My name is Judi Coe and I'm with the team at Allen and Overy talking about the Kinetic Engineering deal. Please could you introduce yourselves?

AW I am Andrew Wilson. I was the partner with overall responsibility for the transaction. I'm a partner in the International Capital Markets team at Allen Overy in London.

JL I'm Jaime Lee. I am an associate in the International Capital Market team in London.

SA I'm Samir, I was working in the International Capital Market team as a trainee for six months during this deal.

JC Andrew, could you give us some of the context and background to this deal? I understand it's a typical deal for Allen Overy.

AW Yes, very much so. It wasn't a particularly large deal or a particularly complicated deal, but it was quite a challenging one nevertheless for reasons that may become apparent later. It was an Indian engineering company, Kinetic Engineering, who were interested in attracting some equity investment in order to fund future development; and they were keen to do so in two ways. One by direct investment of preference shares and also by an issue of convertible bonds; that is bonds that are convertible into ordinary shares of the company. And we were involved to assist and advise the arranger, which was KBC Financial Products, in arranging the issue of the convertible bonds.

JC And what was your role, Jaime?

JL Well I was the associate on the deal and I was involved in assisting Andrew in the more high level aspects of the deal. And also I was responsible for the day to day running of the transaction, and in this regard I think Samir played a very, very instrumental role which I'm sure he'll enlighten you on. And I was there basically to support Samir in any way that he might have needed me.

JC Samir, what about you?

SA My job in the deal was essentially helping Jaime with the day to day running of the tasks and this involved preparing the actual documentation, so drafting and also reviewing the documents as well. This involved the offering circular, which was a disclosure document we had to send to the Singapore Stock Exchange; which included all aspects of the company, the company's business, its financial statements, the tax treatment of the bonds, the terms and conditions of the bonds as well. And my main task was to draft aspects of this. The other aspect that I was working on was client contact as well. Along with Jaime we were, and Andrew obviously, the main contacts for the client. I got quite a lot of exposure to KBC - pretty much on a daily basis I would be talking with our client.

JC That's really interesting. Is that a common thing for trainees to get involved with clients?

AW Yes, in the ICM department, because there is a very regular deal flow, there is plenty of opportunities for trainees to actually get involved in not only liaising with clients, but to some extent assume some responsibility for running the deal; and certainly Samir was very heavily involved in all aspects of the deal in this transaction.

JC I understand there was a real international element to this, can you explain that Jaime please.

JL Well we were involved with various parties across several jurisdictions. First of all we had counterparts in India and because this document, which is the offering circular, was Singapore listed, so we had to deal with the Singaporean lawyers as well. And I particularly enjoyed the cross border aspects of the deal and found I had to be very flexible with my working practices, and to basically accommodate the needs of the client and the company. We had to be very flexible and accommodating; and very, very sensitive to the client's different needs across our jurisdictions. And I personally found I that I had to be very curious, very open to new ways of doing things, sensitive to time differences for example. I personally found that our Indian counterparts didn't really like e-mails, they prefer us talking to them on lengthy conference calls; and I think they would have preferred us turning up in person, face to face meetings, which was virtually impossible. But there was obviously talk about us flying out to India for a due diligence which fell away, but there you go.

JC So you didn't end up going?

JL We didn't end up going which was a bit of a disappointment but I think that underscored the fact that I just had to be very, very flexible in that sense.

JC And were there cultural issues that cropped up during the course of this deal?

JL Well, I think there were definitely cultural differences, one of them being the fact that they preferred talking to us on the phone rather than receiving lengthy e-mails; and the other problem that we had was that company didn't have any real experience in International Capital Markets, and that meant they looked to KBC, and indirectly to us, for guidance. And sometimes we just had to anticipate the different problems that they would face, different road blocks, and try and guide them through the process. We found ourselves providing them with pro-formas, explaining to them what different documents were which was all very time consuming but very exciting for me personally and definitely for Samir as well.

JC What were the particular challenges for you Samir?

SA I certainly think the main challenge, and I would echo Jaime's thoughts on that, were the parties that we were dealing with, particularly in India. They were quite inexperienced in this type of transaction and there was a lot of reliance placed on us to actually help them with the documentation, to explain aspects of the deal. A lot of this would happen in the way of a phone call anytime during the day, answering a question that may seem simple, I guess, to us, but it was something that they really needed explaining; and it gave us a chance to show our legal knowledge and our expertise in the market as well. I think for me personally it gave me a lot of responsibility, doing things which maybe you wouldn't expect to do so early on in your career. But there was definitely an element of excitement in that as well, because you do really feel part of the team, and you feel like you are contributing something. And the other point I would say that I really enjoyed was the cross border element of it. At one point in the day I'd be on phone to Indian Counsel in Mumbai. Another point of the day I might be speaking to the listing agents in Singapore or with our client in London.

JC Did that mean you were up half the night on phone calls, was the time line difficult?

SA Bombay was five and a half hours ahead of us and Singapore even more. I think what it did mean was when we got into the office early in the morning we'd find maybe four or five missed phone calls, or a few e-mails.

JC And was it a highly pressured deal Andrew?

AW It was in the sense that there was a lot of expectation from all of the parties. Commercially it was very important to Kinetic and therefore to our client, KBC. I think as Samir and Jaime have said a lot of the pressure came from the fact that the company was relatively inexperienced and therefore was very nervous, was quite apprehensive I think about what was involved, and did require a lot of guidance and

reassurance. They looked primarily to KBC for that in the first instance, but quite quickly it became apparent that KBC were looking to us effectively, to manage the transaction, which is the role we would typically expect to assume. And therefore a lot of the guidance, the reassurance etc, was coming from us, and yes, knowing what was at stake for our clients and for the company - that involved a certain amount of pressure.

JC And did you celebrate when it was all finalised?

AW There was a great sense of a job well done and certainly the client was very happy.

JC They didn't fly you to Mumbai for a glass of champagne?

AW No we're still waiting for that invitation! But they were very pleased; they paid our bill very promptly which is always a good sign. And one of the great sense of achievements was that it gave us a very good opportunity to develop our relationship with KBC in London, because although we have a long standing relationship with KBC, in relation to convertible bonds, in India in particular, that relationship does tend to focus on Hong Kong. And this was an opportunity therefore to develop that relationship more broadly; and as I say the client was extremely happy and so it's provided an excellent springboard for developing that relationship.

JC Jaime, in what way was this a typical deal for the ICM department?

JL Well, this deal was typical in the sense that we had to produce the usual transaction documents, we had the offering circular which is a disclosure document, we had to produce various other agreements to bind the relationship between the various parties. And we had to assess the arranger in the structuring of the deal.

JL So, in that sense it was fairly typical. But personally to me, I found it very interesting because of the cross-border aspects and because the company was quite inexperienced and I think the best upshot of this deal is that I established a very, very good relationship with the client and the last time that I saw the client, she picked up the tab, which I think is a very nice change.

JC [laughs]. Brilliant. Finally, Andrew, can you just explain what you think the contribution was of the team as a whole here? Presumably it was more the team than an individual.

AW Oh, very much so. I mean, as we've explained, everybody in the team had an important role. Samir had a particularly important role in terms of the heavy lifting of the transaction and carrying the documents forward. But one of the good things to come out of the transaction was that the client clearly regarded herself as having effectively three points of contact at Allen & Overy.

AW It wasn't only me that she felt comfortable dealing with. She felt equally comfortable dealing with Samir or Jaime and we made sure that we were all equally well-informed about the status of the transaction and what the outstanding points were. So, it was very much presented as a team effort and I think that came across to the client.

JC And were there any particular points of learning for you, Samir?

SA I certainly think right from the start to the finish it was all a big learning process. I think every aspect of the deal you pick up new things but also you learn from the people you work with as well and I found that working with Andrew and Jaime, you pick up a lot of good habits as well when it comes to the point in drafting, when it comes to how to talk to your clients as well.

SA I certainly felt, at the end of the deal, I'd accomplished a lot. And also I think it was quite nice to get appreciation, if you like, from the client as well. She personally thanked me as well for the effort I played and a few weeks after the deal had finished, we all went out to dinner at Gary Rhodes's restaurant on the 24th floor of the NatWest Building.

SA So, it was quite a nice way to sort of bring everything to a close.

JA Thank you.

JC Andrew, could you take us through the deal from the beginning, please, and explain how it came to pass?

- AW** Yes, that was also quite interesting. Most of the transactions we do in the ICM department actually come in directly to us but this one actually came in indirectly via Keith McGuire, a partner in the corporate department who had a longstanding relationship with a major US private equity house which was interested in making investments in, in India and part of that investment was going to involve an issue of convertible bonds by Kinetic and it was through that introduction that we got, we were put in connection with KBC in London to act on this transaction.
- AW** As soon as we spoke to KBC, it was clear that from then on,, the transaction was going to proceed in a fairly standard way. So, our first task was to establish a list of parties, to understand the terms of the deal, the intended timetable for the deal and to construct a proposed timetable to completion, which included drafting all of the documents, including, crucially, the offering circular.
- AW** There were certain key milestones which dictated the timetable which included the need for Reserve Bank of India consent and for the listing of the bonds on the Singapore Stock Exchange. But apart from that, the timetable was largely dictated by the responsiveness of the parties, the ability to review and comment on draft documentation and to provide us with a business description for the company that we needed to produce the offering circular.
- AW** Because you're very reliant on that level of responsiveness, what we had to do quickly was establish a chain of communication with the key parties to the transaction that allowed us to generate responses and material as efficiently as possible. We needed to do that in a way that was sensitive to the working practices and the relationships that existed within the other parties.
- AW** So, for instance, at the beginning it was clear that the company Kinetic preferred all communication to be through its own Indian legal advisors. That, frankly, was not the most efficient way of driving this because with the time differences there was a relatively short window where we could actually communicate with all of the parties.
- AW** And so we quickly tried to short-circuit some of those chains of communication and that meant that we were able to control the process, I think, much more efficiently. From then on, as I say, it was a question of generating the documents, reviewing the documents, finalising the documents, going through these various formal processes, applying for the Reserve Bank of India consent and the listing of the bonds and, and it was fairly smooth running, I have to say from then on in.
- JC** And it was completed in what sort of timeframe?
- AW** The whole thing took about two months, I would say, which is fairly typical for this type of transaction.
- JC** Thank you very much.

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