



## Mergers and Acquisition in India

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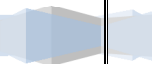
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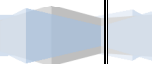


## DECLARATION

This is to certify that the dissertation report on “Mergers & Acquisition in India” submitted to University of Petroleum & Energy Studies, (Dehradun Campus), by Pushpak Roy, in partial fulfillment of the requirement for the award of degree of Masters of Business Administration (International Business Management), is a bonafide work carried out by him/her under my supervision and guidance. This work has not been submitted anywhere else for any other Degree.

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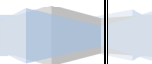
Name of the guide – Dr R Jayaraj



## Table of content

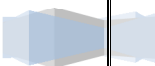
S.no	Topic
1.	Introduction
2.	Objective and research methodology
3.	History in global scenario
4.	Merger
5.	Acquisition
6.	Process of merger and acquisition
7.	Indian scenario –history
8.	Factor that initiate merger and acquisition
9.	Top 10 merger and acquisition of India
10.	PEST analysis
11.	Process of Merger And Acquisition in India
12.	Merger and Acquisition year wise data
13.	Why companies go for merger and Acquisition
14.	Strategies used in Merger and Acquisition
15.	Findings
16.	Limitations
17.	Conclusion

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## List of figures

S.No	Topic
1	GLOBAL M&A volume 1995-2012
2	M&A Volume by Region wise
3	Merger and Acquisition in India sector wise value (2012)
4	Segment wise breakup of M&A Deals based on deal value for the period Jan- Dec 2010
5	Announcement mergers & Acquisition: India, 1993-2013

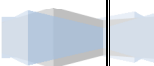


## **Introduction**

Mergers and assurance (M & A) may be in remote nation and beyond characterized in living nation, the other point of view, comprehend it through which we is business process to integrate the company's money and his administration include purchase and supply as one of the input mode System , cutting and consolidation of discrimination organizations or similar body, for the rapid development in the business area or when you touch another company or by the pursuit of power for another backup to contain.

M & A this word generally taken together and its one of the reasons that the qualification between them is not smeared in such a variety of admiration of all appreciation. In the unlikely event that we passed through legal perspective, fusion can be used as if there is legitimate connection between the two organizations to an organization or element, while a backup happens when an organization take control another organization identified and totally formed as new owner. Two terms are used that acquire the target company or companies, which is obtained or bought, and acquirers are that really buys or secures the company and turn into its holder.

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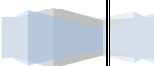


## **Objective**

- To study the drivers of merger and acquisition
- Study of Indian scenario of merger and acquisition

## **Research methodology**

This research study has been made in a descriptive manner by taking in concern the cases related to M & A.



## **GLOBAL SCENARIO**

### **History of Merger and Acquisition**

Merger and obtaining contain five wave phase in its history and in the history it was dead-set that macroeconomic environment, to take over the development of gross domestic product, interest rates and financial strategies are the most important considerations when converting the planning of the merger and the fuse between organizations included.

(A) **First wave:** The first wave of merger began between 1897 and 1904. In this phase merger between organizations, infrastructure, railway road and so on retaining happened had its origin in lines like power. Basically level fusion occurred in the midst of this time and also between staggering array retailing companies.

The vast majority of mergers were, because they do not fully ended with disappointment amid the first wave the effectiveness Craved. As a result of the Stock Exchange crash in 1904 made the log jam of economic and non-cooperative nature of the legitimate system. The Supreme Court ordered that could anticompetitive mergers completed using the Sherman Act made it an enormous disappointment passed

(B) **Second Wave:** This wave was from 1916 to 1929 with majorly centered mergers of oligopolies as opposed to infrastructure such as in the first wave to withhold. Also good to beat all, the ascent was offered to the mergers rays of the economy post World War II, government regulations that companies work as an innovative improvement and framework authorized mergers and acquisitions support. Type of fusion occurred amidst this time was even and aggregate and the organizations and industry attended was the producer of essential metals, food products, petroleum products, transport equipment and chemicals. Again due to the stock market crash in 1929 and the considerable darkness ends this second wave

(c) **Third Wave:** Took place in the middle (1965-1969). In that time there was such a variety of items that merger and get as high storage costs, interest rates and strict authorization of the antitrust laws support. Primarily, the merger and the



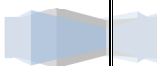
receipt were funded by values, and there was no imperative part speculation bank. . Most of the merger was conglomerate in nature during this period. Some of the most important merger in 1970 was

- INCO ESB
- United Technologies and Otis Elevator
- Colt industries and sectors Garlock

(D) **Fourth wave:** The wave 4. Between 1981 and 1989, and was much bigger than the previous one that the third wave. During this period, mergers and acquisitions took place between oil and gas industry, pharmaceutical industry, banking and aviation industries. Foreign undertake become common and this wave ended with anti-takeover laws, the Gulf War and the Financial Institutions Reform.

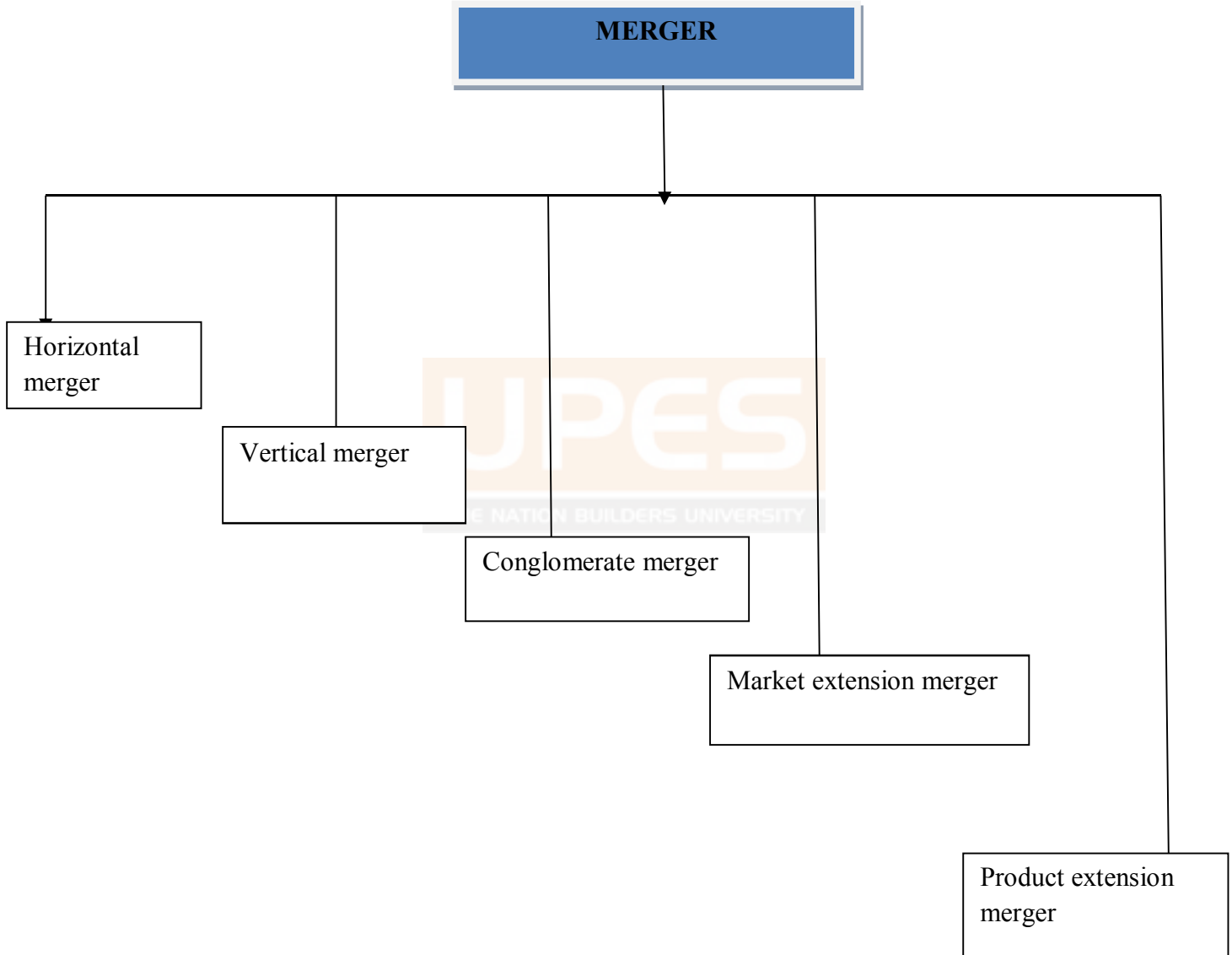
(E) **Fifth wave:** this wave period from 1992 to 2000 and the main factors that initiated the merger and acquisition were LPG (liberalization, privatization, and globalization), the stock market boom and deregulation. The main areas in which mergers and acquisitions took place, was between banking and telecommunications and was majorly by equity and not that debt financed. This wave ended in burst stock market bubble.

Finally, for a growing economy, as long as economic units of production are available further mergers and acquisitions.



## Merger

We know that by definition merger can be defined as when two companies legally consolidate and combine together to form a new company. Merger can be divided in the following three types depending upon its market function:



(a) **Horizontal Merger:** This type of fusion takes place when two companies combine together for the same business unit, forming a new company. For example, the banking sector company merger with a company. Also in the banking sector it shows that synergies can be gained as market shares are increasing in terms of the cost to tap savings, new market opportunities in many ways. One of horizontal mergers in the banking sector HDFC Bank and Bank timer tied knot 1999th

(B) **Vertical merger:** This type of fusion occurs when a company buys its suppliers. For example, in the automotive industry sector carmaker buys his parts and accessory suppliers. Its main objective is to reduce operating costs and economies of scale. For example, Ford Motor Automotive operating the Swedish Volvo in 1999, to buy based.

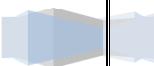
(C) **Conglomerate merger:** The merger between two companies with very different sector as conglomerate merger known. For example, L & T and Voltas Ltd. L & T engineering company with expertise in wide area such as infrastructure, oil and gas, power and process and Voltas, a Tata Group company, is a major player in the electro-mechanical engineering.

(D) **Market Extension Merger:** When two companies that sold but combining the same product in different markets together, that fusion tenure as market extension merger. A very good example of market expansion merger is the acquisition of Eagle Bancshares Inc. by RBC Centura. Eagle Bancshares in Atlanta, Georgia resident and has 283 employees. It has nearly 90,000 accounts and manages assets of 1.1 billion US \$.

Eagle Bancshares also holds the Tucker Bundesbank which in the metropolitan Atlanta extent deposit market share as one of the ten largest banks. One of the main benefits of this acquisition is that this acquisition will allow the RBC to go to their growth processes in the North American market.

With this acquisition, RBC has the opportunity in the financial market of Atlanta, which had involved the leading next financial markets in the US. This step would enable RBC to diversify its base of operations.

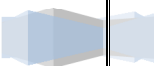
(e) **Product Extension Merger:** When two companies selling different but related product in the same market together with the fact that fusion is known as product extension merger. The acquisition of Mobil ink Telecom Inc. Broadcom is a good example of product extension merger. Broadcom offers in manufacturing Bluetooth Personal Area Network hardware systems and chips for IEEE 802.11b wireless LAN. Mobil ink Telecom Inc. offers in the production of product designs for mobile phones to be equipped with the GSM technology. There is also having in the process of certified wireless networking chips, the high speed and General Packet Radio Service technology. It is expected that the products of Mobil ink Telecom Inc. would complement the wireless products of Broadcom.



## **Acquisition**

By definition, we know that in a takeover a company to another company with cash, stock purchase, etc. In some small deals to acquire a company all of the assets of another company. For example, company A buys all assets of the company B for cash and now company B is only cash is now to liquidate or enter into another business area.

There is another type of acquisition, which is known as a reverse merger, a reverse merger occurs when a private company, has good prospects and is eager to increase the financing buys a publicly listed shell company, a and usually without business limited resources. The private company goes in the reverse stock company, and together they have become an entirely new public corporation with tradable shares.



## **Process of merger and acquisition**

To describe it is described the process of mergers and acquisitions at six stages as follows:

(A) **Company Rating:** This is the first step, as the name made suggests business valuation after this step a deep research focuses on the history of the company with regard to capital gains, structure of the organization, market share, distribution, culture, strength, its market credibility. And other aspects, to see whether the proposed company is right for M & A or not. Also evaluated the current and future value of the proposed company.

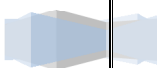
(B) **Proposal phase:** With his name we can make proposal under this step, send to the target company for M & A Deal Details including strategies, quantity etc.

(C) **Exit Planning:** Companies that want to sell their business, ie exit must go through this phase planning. The company has made the decision that when, how and in what way they make decisions, so that it be organized and profitable for them to take. Financial and other business issues are judged in this step.

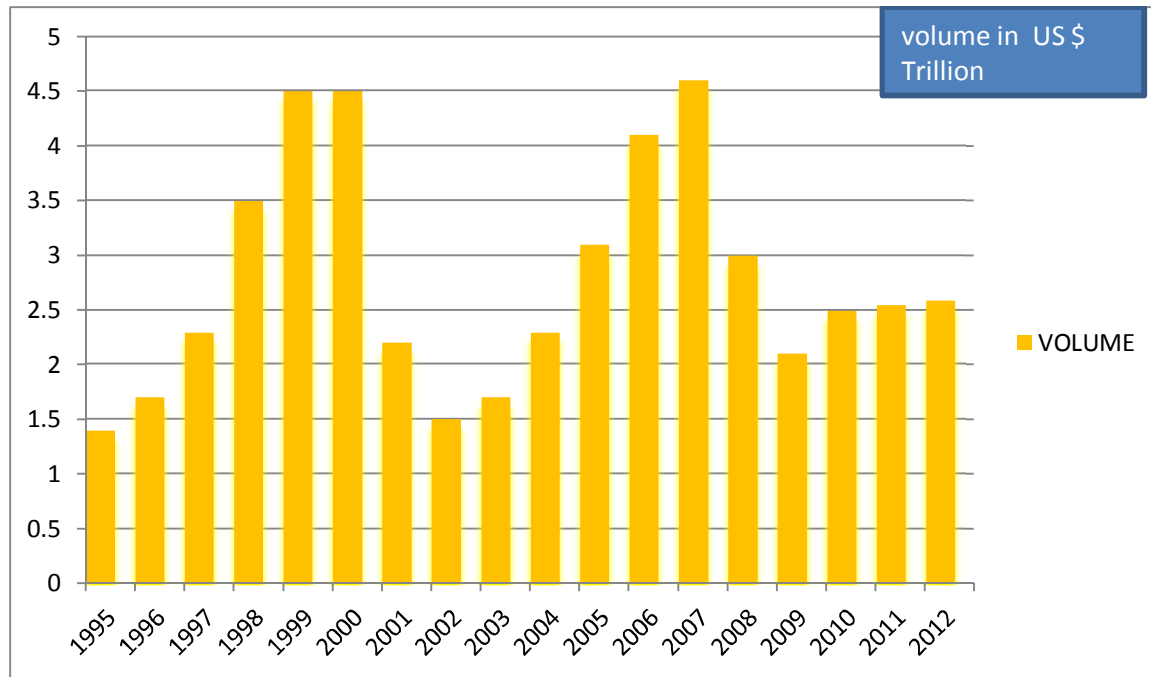
(D) **Design of Business Deal:** Now merger was decided and exit plan was now the new company, organization or company has its marketing strategies, to determine innovative strategies to improve their economy and their credibility. This step is very involved structuring of business agreements

(E) **Integration:** Now after this step for both the company came up with its own parameters whose facts and figures. What is done in the context of this step, the document preparation, agreement has been signed and negotiations.

(F) **Operation Venture:** Agreement has been signed a new venture has been made not what next is important is its operation i.e. operating the venture.

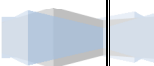


## GLOBAL M&A volume 1995-2012

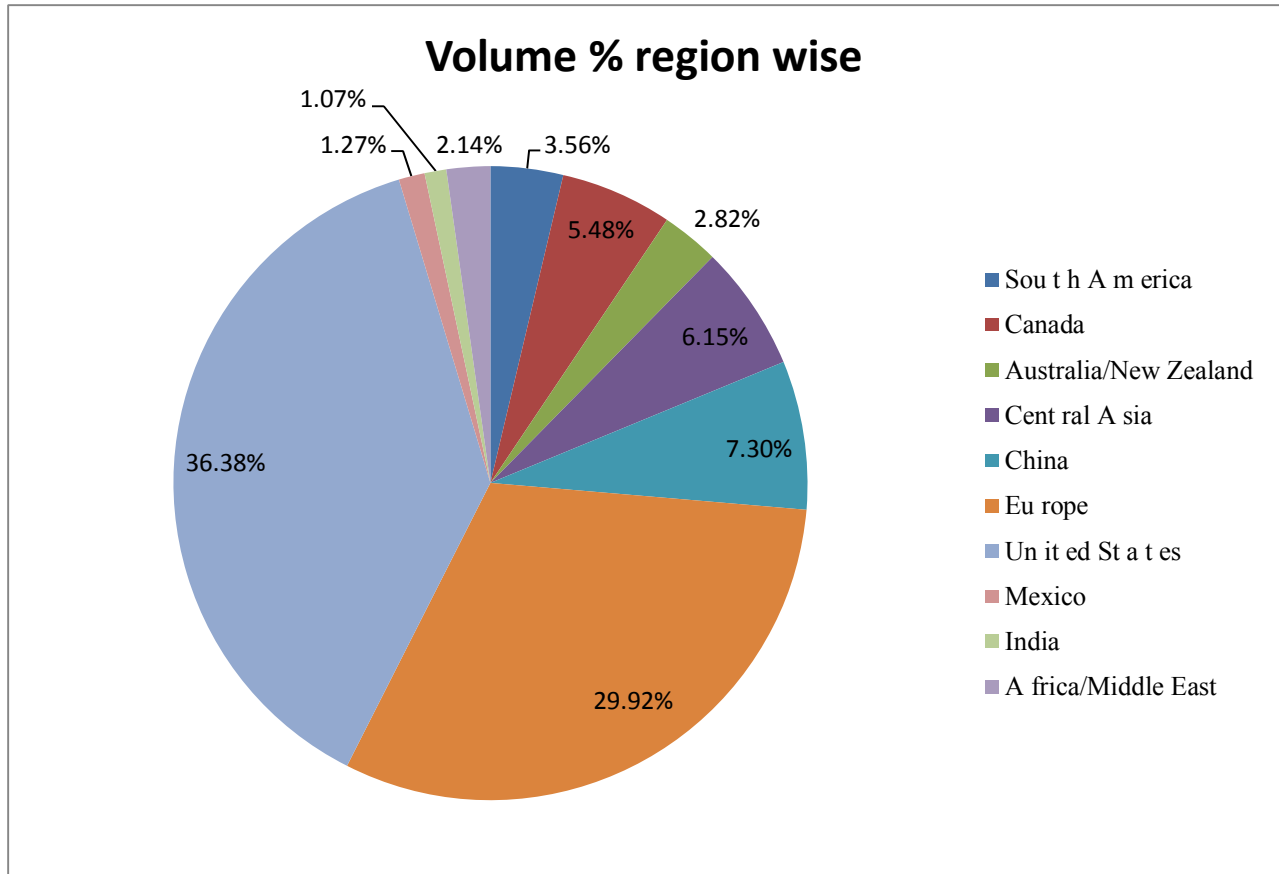


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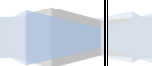
**Fig 1.1**



## M&A Volume by Region wise



**Fig 1.2**



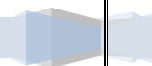


## **INDIAN SCENARIO**

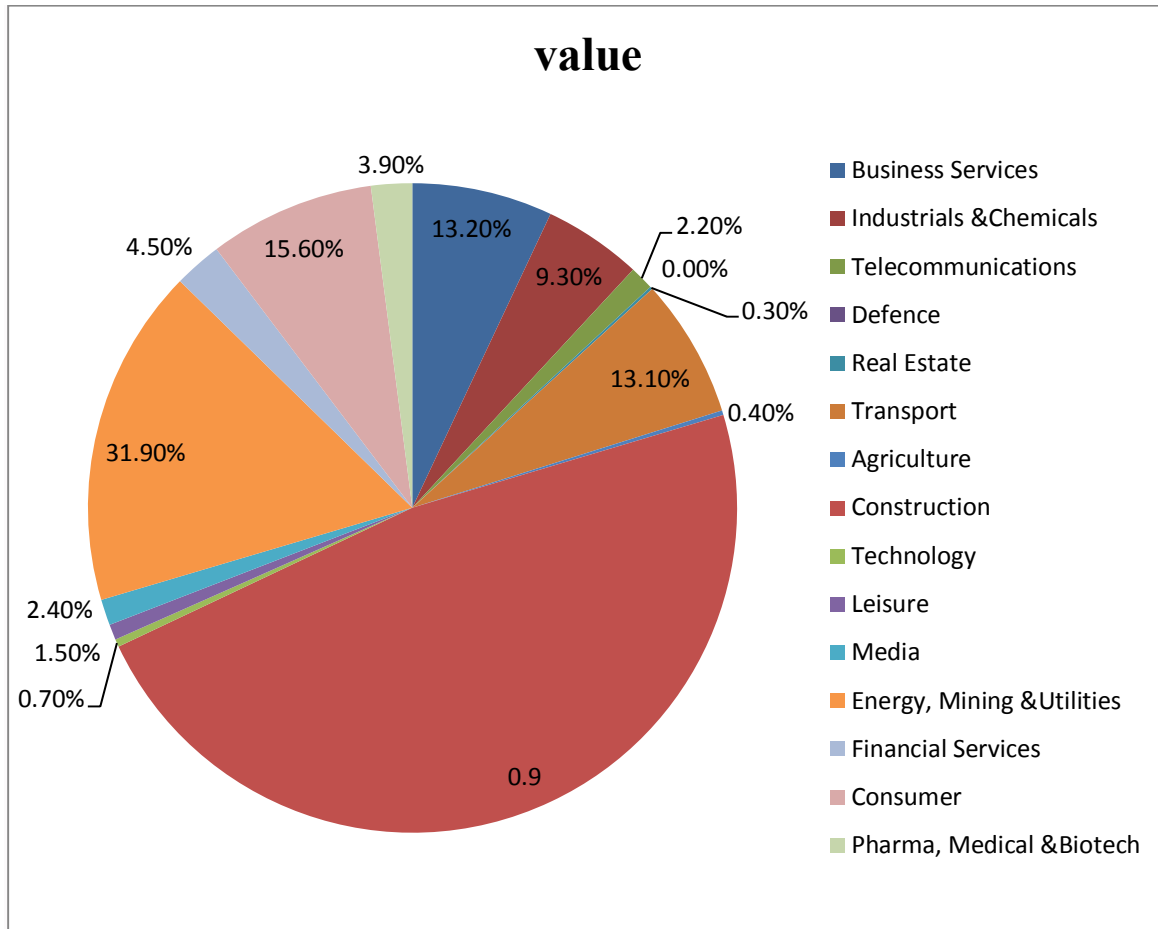
The idea, or we can say, mergers and acquisitions in concept was only after 1988 to 1988 it was not as popular as that of very small enterprises in the country to get a rule together and that popular at most in friendly merger or acquisition. And also because regulatory and prohibitions MRTP Act 1969 only a few companies involved in mergers and acquisitions.

In 1988, India's oldest acquisition took place and that was the takeover bid Swaraj Paul to DCM Ltd. And Escorts Ltd. And from there started the period of mergers and acquisitions in India.

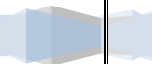
If we talk about the past few years, India has demonstrated tremendous growth in Merger and Acquisition. Various sectors in which it experienced an increase in volume are finance, pharmaceutical, telecom, FMCG, industrial development, automotive.



## Merger and Acquisition in India sector wise value (2012)



**Fig 1.3**

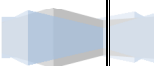


## **Factor that initiate merger and acquisition**

In India in 1991, when New industrial policy came with LPG ie liberalization globalization and privatization at this time India actually open its door for foreign companies in India and give businesses before that we were involved in only protect our domestic industry. And after 1991, the policy of the wave of dramatic opportunity experienced by India in almost all areas of business. From agriculture to infrastructure, technology up gradation, increase in product expertise with the availability of wide range of products (in quantity and quality), and a huge improvement in our service area.

Following are the factors in initiating mergers and acquisitions involved

- Our government policy that is favorable and dynamic
- Stability in our economy, that the economic stability
- Capital inflow surplus
- Business investment
- Attitude of Indian companies that is dynamic, as we experiment than willing attitude
- The exchange of knowledge and technology up gradation
- Competition
- Economies of Scale



## Top 10 merger and acquisition of India

- Tata steel acquired 100% stake in Corus Group. The deal was worth of \$12.2billion and was on 30<sup>th</sup> January 2007



- Hutch Essar was purchased by Vodafone on 11<sup>th</sup> February 2007 worth of \$11.1billion



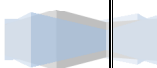
- Canada based Novelis Inc was purchased by India aluminum and copper giant Hindalco Industries in Feb 2007. The deal was of worth \$6billion



- The first biggest M&A in 2008 by Indian Pharma industry through acquisition of Japanese pharmaceutical company Daiichi Sankyo by Ranbaxy for \$4.5billion



- The oil and natural gas corp. purchased Imperial Energy Plc in Jan 2009. amounted worth of \$2.8billion and considered as one of the biggest takeover.



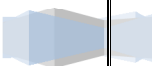


- Another Japan based telecom firm NTT DoCoMo acquired 26% stake in Tata Teleservices for \$2.7billion



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- Merger of two banks in India financial industry HDFC Bank and Centurion Bank of Punjab. In 2008 February for \$2.4billion



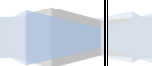
- Jaguar and Land Rover brand of Ford Motor is acquired by Tata Motors in March 2008 of worth \$2.3billion.



- Acquisition of Asarco LLC by Sterlite Industries Ltd's in 2009 of worth \$1.8billion.and it was 9<sup>th</sup> biggest M&A of an Indian Company.



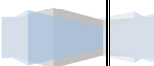
- Suzlon Energy takeover turbine producer Repower and it was Germany based company. The deal was worth \$1.7billion.





## Process of Merger and Acquisition in India

- The very first step in the process of merger and acquisition in India involved board of directors approval
- In the next step information is provided to the stock exchange
- Now the application has to be filed in High Court
- After the application to the High Court meeting is held between the shareholder and the creditors
- Mean while the sanction from the High Court is granted
- After wards all the order of the Court has to be filled
- Once the order is filled that give by the court now transfer of asset or liabilities took place under this step
- Now the court order is fulfilled, transfer is done what left is making of payment in the last step payment is made either through cash of securities



## Why companies go for merger and Acquisition?

This term is why M & A go to two things, the one is, the reasons for mergers and acquisitions and go the second to initiate the advantage is that the company will get after doing the mergers and acquisitions.

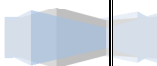
The main reasons for mergers and acquisitions are:

- Reduction competition
- Scales
- Increase in market share
- tapping into new market
- in other sectors Benefits of merger and acquisition

We can M & A as a synergy that provides all the factors and energy, look to improve the performance and cost effectiveness. For example, if two or more than companies want to work together i.e. together willingly the obvious goal is to achieve financial gain, performance, profits.

cost or in other time it can be said as operational and financial benefits for the company. As one of the M & A, the operating costs will reduce as they share each other's knowledge, business strategies, hi-tech technological progress, human resources and it will in turn help the company reduce its operating costs. This can also be a blessing, because it can improve the purchasing power, such negotiations to be more with large orders.

This M & A there is much easy to one company, the competitive advantage, as they both keep their strategies, themes etc. to share and will use their best of knowledge, skills, ideas and resources to the best, effective and efficient obtain usage opportunities and maintain a competitive advantage



□ If two companies combine together and to combine their strength and they are more than double the time more. It will help in research and development, exploring new opportunities, new range, the formation of new products, increasing the demand, improves customer satisfaction, etc.

□ It also increases diversification. If two companies combine different field together there diversification increase. Such as TATA etc. are in the automotive industry, steel industry, FMCG Strategies used in Merger and Acquisition

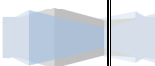
The integral role in Merger and Acquisition is played by Strategies. To ensure success of fulfilling the expected desire it is very important to have sound decision and strategy. Company differentiate with each other like in terms of their culture, working environment, etc. while going for M&A some of the company understand the difference between them take lesson and then move, some from past experience already had knowledge how to move further and some of the company without seeing other things just hear themselves and move ahead

Following are the strategies that can help the company to make their M&A successful:

- ✓ The very first that should be determined is drivers of business plan. And if the company is able to convert its business strategies to set of drivers it will help merger to succeed in every possible ways
- ✓ To have a very good understanding of business market, share, technological requirement is very necessary and also of the location of the business. Company has to understand all the risk involved and evaluate them effectively.
- ✓ Deciding of growth factor with future market opportunities , trends and customer satisfaction level plays important need to assess the market
- ✓ The integration process should taken it consent of the management from both of the companies
- ✓ Restructuring planning and future parameters has to be decided after taking the knowledge from both the companies. It includes the work environment, culture, selection process etc.

## **Conclusion**

Since our nation is a developing country, and it is necessary to bring the other companies and industries in our country through mergers and acquisitions. It will not only bring the company, but also bring the technological advancement, knowledge, skills and talents to help our people in its growth and development. But before going for one of the M & A it is the duty of the resident enterprise to study and research has anything and everything about the company to which they merge with it, to avoid the negative consequences, like any medal two so that the M & A will also have, but by negative consequences can be avoided a good research, and companies can enjoy the benefits and development of merger & Acquisition



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