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MERGERS AND ACQUISITONS IN INDIA

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ABSTRACT
The purpose of this paper is to study the concept of merger and acquisition in detail by taking example of some companies like Freecharge — Snapdeal, AdiQuity(Mobile and Network) – Flipkart, mobile marketing startup Toro — Google. Both merger and acquisitions are used for the growth of businesses in the twenty first . Merger and Acquisition can allow enterprises to grow, shrink, change the nature of their business or improve their competitive position From a commercial and economic point of view, both types of transactions generally result in the consolidation of assets and liabilities under one entity, and the distinction between a "merger" and an "acquisition" is less clear.
In an unwilling acquisition the management of target company and oppose a move of being take over. When management of acquisition and target company mutually and willing agree for the takeover is called acquisition or friendly takeover recently Yahoo merger with Verizon , merger and acquisition are aimed to at improving productivity of a company and profits and other side the objective is also reduce the expenses of the firm this paper discussed bout a post merger benefits by Freecharge — Snapdeal.
Keywords: *Merger and acquisition, enterprise, management, business expansion, takeover, mutually, consolidation.*

INTRODUCTION
Mergers and acquisitions (**M&A**) are transactions in which the ownership of companies, other business organizations or their operating units are transferred or combined. As an aspect of strategic management, M&A can allow enterprises to grow, shrink, change the nature of their business or improve their competitive position.
From a legal point of view, a **merger** is a legal consolidation of two entities into one entity, whereas an **acquisition** occurs when one entity takes ownership of another entity's stock, equity interests or assets. From a commercial and economic point of view, both types of transactions generally result in the consolidation of assets and liabilities under one entity, and the distinction between a "merger" and an "acquisition" is less clear. A transaction legally structured as a merger may have the effect of placing one party's business under the indirect ownership of the other party's shareholders, while a transaction legally structured as an acquisition may give each party's shareholders partial ownership and control of the combined enterprise. A deal may be euphemistically called a "**merger of equals**" if both CEOs agree that joining together is in the best interest of both of their companies, while when the deal is unfriendly (that is, when the management of the target company opposes the deal) it may be regarded as an "acquisition".
Till the year 1988 the merger and acquisition of companies in India was not much popular. During that period a very small percentage of businesses in the country used to come together mostly into a friendly acquisition with a negotiated price.
Merger and acquisition have been a very important market entry strategy as well as an expansion strategy. The concept of merger and acquisition is very much popular in the current scenario. According to merger and acquisition when two companies are consolidate into one company it increase their productivity, fame and financial position in the market merger and acquisition gives a new life to the exiting companies.

MERGER

Merger is defined as a combination of two or more companies into a single company where one live and the other company leave their corporate existence, the live company can survive with the assets and liabilities of merger company.

ACQUISITION

In an acquisition, the acquiring company obtains the majority stake in the acquired firms, which does not change its name or legal structure.

HISTORY OF MERGER & ACQUISITION

The concept of merger and acquisition in India was not popular until the year 1988. During that period a very small percentage of businesses in the country used to come together, mostly into a friendly acquisition with a negotiated deal. The key factor contributing to fewer companies involved in the merger is the regulatory and prohibitory provisions of MRTP Act, 1969. According to this Act, a company or a firm has to follow a pressurized and burdensome procedure to get approval for merger and acquisitions.

The year 1988 witnessed one of the oldest business acquisitions or company mergers in India. It is the well-known ineffective unfriendly takeover bid by Swaraj Paul to overpower DCM Ltd. and Escorts Ltd. Further to that many other Non-Residents Indians had put in their efforts to take control over various companies through their stock exchange portfolio.

Volume is tremendously increasing with an estimated deal of worth more than $ 100 billion in the year 2007. This is known to be two times more than that of 2006 and four times more than that of the deal in 2006. Further to that, the percentage is continuously increasing with high end success in business operations.

As for mow the scenario has completely changed with increasing competition and globalization of business. It is believed that at present India has now emerged as one of the top countries entering into merger and acquisitions.

The Role of Mergers and Acquisitions

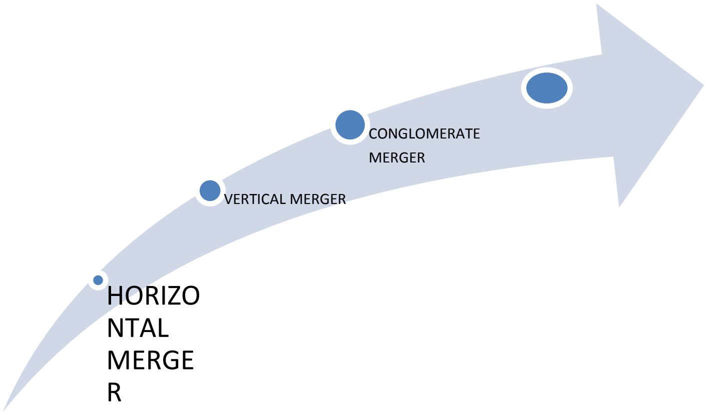
- In one of my previous blogs "Fail to innovate at your peril", I talked about how business and technology innovation was necessary to break the norm to continue as a profitable enterprise. The statistics around this is very simple.
- You can count with your hands how many companies have survived for more than 100 years. Most have fallen off the cliff of success for very obvious reasons such as the lack of aggressiveness or exuberance to re-invent their organization.
- It's granted that the need for innovation is easier said than done. Quite simply, it requires both organic and inorganic investment along with continued change management to support expected changes that occur along the way.
- I don't think there is any corporation in the world that is not thinking about investing in one way or another with the intention to transform and grow. If we agree that change is necessary, then a key question is how these investments fit into and add

value to the entire eco-system. The next imperative is the role of this new business model in the innovation of the company.

- These questions ultimately lead to the "role of Mergers & Acquisitions (M&A)". M&A has of late been the frequent source of discussion in boardrooms. M&A is more prevalent in companies that are either looking at more significant transformation strategies or have the need to fill gaps in their existing portfolio of products & services. M&A is a good strategy if you need to quickly inject new capabilities, products and services that may otherwise be too slow if developed within the company.
- At the end of the day any change brought into a company potentially disturbs the external and internal eco-system of the company. Thus, I am sure you have heard of both success and horror stories of M&A executions.
- A good example of a failure that comes to my mind is that of Time Warner and AOL merger in year 2000. I believe that this M&A exercise could possibly be the biggest M&A failure to date. If you start to peel the onion of this "Merger", the intent from the two very innovative companies was the right one. The intent contained the vision of confluence of internet and media content that was intended to rock the world. The outcome of this merger, if successful could have fueled the Googles of the world with Time Warner being the industry leader, which obviously is not the case today. This merger, which I would consider more of an acquisition of AOL by Time Warner, could have started on the wrong foot in terms of mismatched or unrealistic expectations on both sides done at an exorbitant USD350 billion – still the biggest in American business history.
- Putting aside the historically unsuccessful merger of AOL and Time Warner, M&A when executed right based on realistic mutual expectations of sustenance and growth allows for a company to create incremental shareholder value. Introducing this approach as part of life cycle management of any new product would contribute to the company's organic growth. As a new product or service is created organically, through M&A, it only serves as a positive extension to the parent company. The end game of M&A exercises is for both parties to achieve greater efficiency, and stronger competitive strength so that the collective value of the products and services from both companies will be taken to the next level of excellence.
- When done right, this assimilation exercise is likely to enhance the value of the company through the symbiotic existence of the new together with the existing products and services. In cases where M&A fail, the cause is likely to be attributed to the lack of this symbiotic relationship. The integration of this new line of products and services could have been done so poorly that it leads to value destruction. Such failures could also likely be due to bad change management by way of corporate restructuring. Another reason for failure could be the veering away of operational excellence that was based on the foundation of the original M&A strategy.
- Don't be afraid of M&A. Even if you are not thinking about it, your competition may be thinking about it as you are reading my blog. As they say the devil is in the detail. If done right, the fruits of your M&A labor will allow your company to survive the evolution in your industry longer than you ever could without it

TYPES OF MERGERS AND ACQUISITIONS

There are three types of mergers and acquisition is used in many companies they are given below.



1. Horizontal merger

Horizontal merger is nothing but when two companies are producing same products and service it is called horizontal merger.

Ex: Merger of Arirtel telecom service with axiala telecom service .These two companies combine together and provide service in Bangladesh deal with $2millions.

2. Vertical merger

A merger between two companies producing different goods or services for one specific finished product . A vertical merger represent a merger of firms engaged at different stage of production or distribution of the same product or service. In this case two or more companies dealing in the same product at different stages may join to carry out the whole process itself.

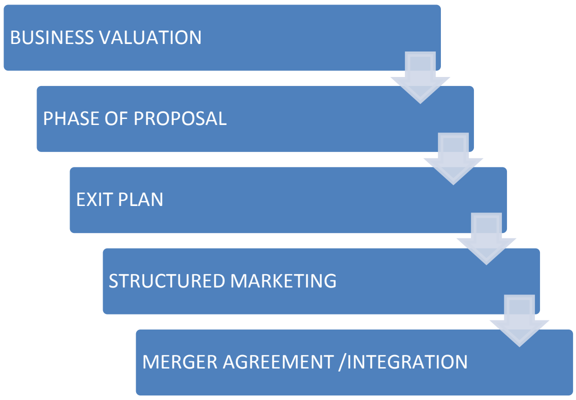
Ex: A railway company may join with coal company for carrying coal to different industry centers

3. Conglomerate

Under this method when two companies are producing different products and service for instance a manufacturing company may merger concerns are neither horizontal nor vertically related to each other.

Ex: A leading manufacturer of athletic shoes, merges with a soft drink firm. The resulting company is faced with the same competition in each of its two markets after the merger as the individual firms were before the merger. One example of a conglomerate merger was the merger between the Walt Disney Company and the American Broadcasting Company.

Process:



1.BUSINESS VALUATION

In the first step of merger and acquisition process the market value of the company is estimated in this process of assessement not only the current financial perfor msnce of the company is examind but also the estimated future market value is considered in merger acquiring company takes over the assests anf liabilities of merged company the products of the firm its capital requirement organization structure brand value every thing are reviewed strictly

2.PHASE OF PROPOSAL

After completing the business values the second steps is giving proposal for merger and acquisition generating the proposal for merger and acquisition generally the proposal is given through document.

3.EXIT PLAN

After completed the phase of proposal the next step is exit plan under this steps is exit plan under this stage plan it indicates deciding in advanced it consider all the alternatives like full sale partial sale and others the firm also does the tax planning and evaluated the option of reinvestment.

4.STRUCTURED MARKETING

After finalized the exit plan the target firm involues in the market process and tarries to achieve organization goals in this stage companies can concentrate an structuring business deal.

5.MERGER AGREEMENT

In this step the purchase agreement is made in case of an acquision deal in case of merger also the final agreement papers are generated in this stage.

6.STAGE OF INTEGRATION

Under final stage the new company carries same rules and regulation out the organization.

ADVANTAGES

- IT INCREASE THE SIZE OF THE BUSINESS.
- It helps to increase the rate of growth of a concern.
- It helps to increase the profitability.
- It reduce the competition.
- It reduce the labour force.
- It helps in effectives utilization of excess working capital in profitable investment .
- Mergers and acquisitions can help companies tap into new markets, cut down on the costs of research and development and expedite growth.

DIS ADVANTAGES

- The different that arise for the person of the banks to get acquainted with the new fellow workers the new polices and the new fellow workers the new procedure
- As a result of merger and acquisition employees of the small merging firm may require exhaustive re skilling.

Different between mergers and acquisitions

1.merging of two organization into one company	1.Buying one organization by another organization
2.it is the mutual decision	2 .it can be friendly take over
3.merger is more expansive than acquisition	3.Acquisition is less expensive than merger
4.Dilution of ownership occurs in merger	4.The acquisition does not experience the dilution of ownership

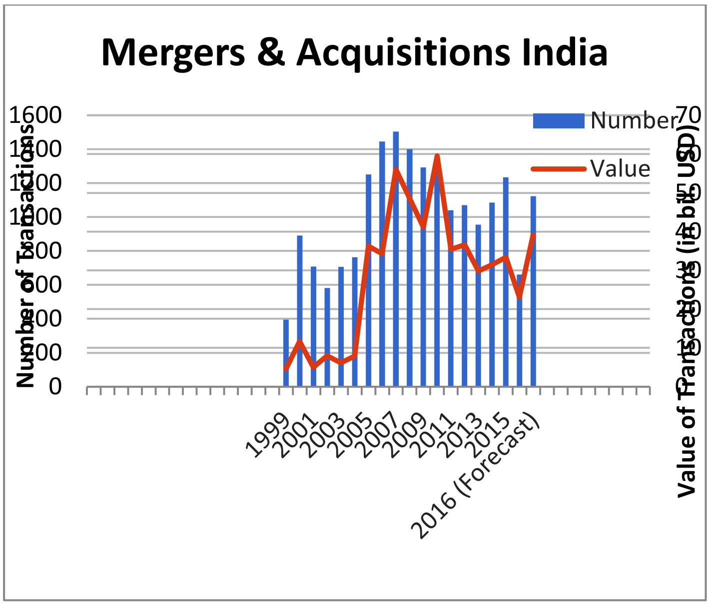
RECENT MERGER AND ACQUISITION IN INDIAN

1. Mumbai based Anil Dhirubhai Ambani group's Reliance Infrastructure acquisition of India's largest ship building and heavy Industries company, Pipavan defence and off shore engineering company ltd.
2. Bangalore based online cab aggregator Ola cabs acquisition of taxiforsure.
3. Mumbai based star Indian pvt ltd owned by 21st century for acquisition of Screen entertainment Weekly from Indian express group.
4.New delhi based online market portal Snapdeal acquisition of exclusively.com.
5. Chennai based hospital chain Appollo hospitals acquisition of Nova Specialty.

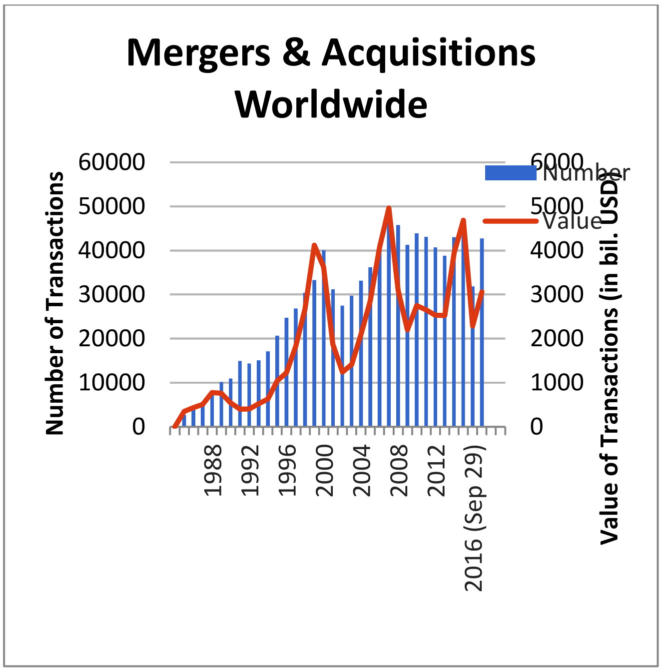
RECENT BIGGEST MERGERS AND ACQUISITIONS 2016

1. The $32 billion deal between Shire and Baxalta Industry: Pharmaceuticals
2. The $30.6 billion bid for St Jude Medical by Abbott Laboratories Industry: Medical Appliances and Equipment
3. The $28.1 billion acquisition of LinkedIn by Microsoft Sector: Tech
4. The $16.6 billion deal for Tyco International by Johnson Controls Sector: Auto Parts
5. The $13.6 billion bid to buy Starwood by Marriott International Sector: Service
6. The $13.2 billion acquisition of Columbia Pipeline Group by TransCanada Sector: Oil and Gas
7. A $12.8 billion merger between IMS Health Holdings and Quintiles Transnational Holdings
   Sector: Biotech
8. The $12.4 billion acquisition of ADT by Protection 1 Sector: Security
9. Great Plains Energy's Bid for Westar Energy Worth $12.2 billion Sector: Electrical Utilities
10. The $11.4 billion acquisition of Fortis by ITC Holdings announced in February Sector: Electric Utility
11. The merger between NorthStar Asset Management Group, its former parent North Star Realty Finance, and Colony Capital for $11.3 billion in June Sector: Finance
12. Sherwin-Williams takeover of Valspar for $11.3 in March Sector: Basic materials

Mergers & Acquisitions India



Mergers & Acquisitions Worldwide



CONCLUSION

Based on this paper Mergers and Acquisition play crucial role in India . Mergers have been the prime reason by which companies around the world have been growing. The Inorganic route has been adopted by companies forced by immense competition, need to enter new markets , saturation in domestic markets, thrust to grow big and maximize profits for shareholders.

Mergers and Acquisition activity may be explained by macroeconomic factors which may affect the entire sector like growth, reform measures, taxation and government policy or micro economic factors intrinsic to a firm such as the efficiency of firms, potential benefits that firms expect to derive from economies of scale or managerial factors. For instance, it has

been observed that pharmaceutical, telecom and financial sectors have witnessed the most fundamental reforms since 1991. Accordingly, it would be highly useful to analyse the link between liberalisation measures and involvement in M&A activity in different sectors
The significant number of M&A in the financial sector opens avenues to explore the motives and benefits that firms achieve while participating in M&A.

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