

# **SOUTH ASIAN JOURNAL OF MANAGEMENT RESEARCH (SAJMR)**

**Volume 7 Number 2**

**July 2015**

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## **SOUTH ASIAN JOURNAL OF MANAGEMENT RESEARCH (SAJMR)**

ISSN 0974-763X

(An International Peer Reviewed Research Journal)

Published By

**Chhatrapati Shahu Institute of Business Education and Research (CSIBER)**  
University Road, Kolhapur – 416 004, Maharashtra, India

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## Editorial Note

The business and investment climate in the country appears to be on the upswing. With government pushing hard the business agenda at the national and international level, the confidence of investing community is bullish. The rise in the contribution of the industrial and service sector to the total national product, since the last few years is the result of the favorable policy climate created by the new regime. In spite of the short term fall in the production indices the analysts predict a quick recovery in the coming months. The coordinated policy decisions regarding the fiscal and monetary policy issues are sending the right signals to the markets. Keeping in view the dynamic changes taking place in the business environment the management concepts of mergers and acquisitions is selected for publication in the present issue.

But the only dark cloud appears to be the weak agriculture sector. The rising trend of farmers' suicide in different states is becoming a cause of concern to the policy makers at the state as well as national level. Accordingly an article on agriculture sector is being published in the present issue of our journal. Such studies on agriculture and their publication are the need of the hour. Discussions and deliberations in different forums as well as publications of findings of studies on agriculture will bring forth new solutions to the current burning problem in India. Keeping in view the issues of national importance articles pertaining to these are selected for publication in the present volume. The published articles will be of use for young researchers, scholars and academicians.

**Dr. T. V. G. Sarma**

Editor

# Mergers and Acquisitions in India: A Trend Analysis and Forecasting

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**Abstract:** The corporate sector all over the world is restructuring its operations through inorganic growth with different types of consolidation strategies like mergers and acquisitions in order to face challenges posed by the new pattern of globalization, which has led to the greater integration of national and international markets. Mergers and Acquisitions are key forms of corporate restructuring. Over the last two decades, Mergers and Acquisitions (M&A)-related issues have drawn considerable interest from practitioners and academicians. There is massive literature available over developed economies but very not as much of studies exist in India. This paper is an explanatory attempt for examining the different studies that have been carried out in the field of global M&A. The study is based on secondary data of cases of mergers & acquisition in various geographies across global market. This research also aims to study the trend of M&A and future prospects of M&A in India. To gaze the status and competitiveness of M&A extensive literature review and desk research has been carried out. The results reveals that Indian markets have witnessed burgeoning trend in mergers which proves that Indian industries have already entered into the M&A process of value creation.

**Keywords:** Competitiveness, Globalization, Inorganic growth, Mergers & Acquisitions, Performance, profitability, Restructuring, Value Creation.

## 1.0 Introduction:

A merger is a transaction involving two or more corporations in which shareholding is exchanged and at the end one corporation exits. Merger is also defined as agreement between equals to pool their operations and create a new entity. Merger generally refers to a situation in which the assets and liabilities of two or more companies (merging company) are vested in another company (the merged company). The merging entity loses its identity and its shareholders become shareholders of the merged company. A merger is nothing but a mutually agreed decision for joint ownership between organisations.

An acquisition occurs when one firm deploys its capital resources, such as stock, debt, or cash, to buy another company. Under acquisition an organisation takes ownership of another organisation. Acquisition involves two parties that is acquiring company and acquired company.

- Acquiring company is a single existing company that purchases the majority of equity shares or ownership of acquired company.

- Acquired company is the company that surrenders the majority of their equity shares or ownership to an acquiring company.

Mergers and acquisitions emerged as one of the most effective methods of such corporate restructuring, and became an integral part of the long-term business strategy of corporates across cross borders. The mergers and acquisitions come into existence from the post independence period in India. The M&A has been taking a fundamental area of the corporate strategy and after the liberalization of 1991 has acquired a new dimension in the global economy. The major reasons of such M&A activity has been attributed to the enhancement of the market share, higher profitability and attainment of economies of scale.

Mergers and Acquisitions has been undergoing a sea change since liberalization in India. In Indian industry, the pace for mergers and acquisitions activity picked up in response to various economic reforms introduced by the Government of India since 1991, in its move towards liberalization and globalization. The Indian economy has undergone a major transformation and structural change following the economic reforms, and "size and competence" have become the focus of



business enterprises in India. Indian companies realised the need to grow and expand in businesses that they understood well, to face growing competition; several leading corporates have undertaken restructuring exercises to sell off non-core businesses, and to create stronger presence in their core areas of business interest.

## 2.0 Objectives:

- To analyze & evaluate the different studies that has been carried out in the field of M&A globally.
- To study the global trends of M&A with special reference to Indian Companies.
- To analyze the progress and status of M&A in American region, European region, Asian region and African region with reference to the specific sectors.

- To identify the impact and future prospects of global M&A'S in Indian Industry.

## 3.0 Methodology:

This study is based on secondary data. Researcher has used various journals, research articles, newspapers, internet, books, e-books, reports by various Research Agencies (e.g. Bloomberg, CMIE, BCG), etc. for this study.

## 4.0 Review of Literature:

There is a substantial body of literature that examines the performance of M&A deals both for the acquiring firms and target firms. The following papers try to bring into focus the various inferences that have been drawn by the papers and enumerate the different schools of thoughts regarding the M&A activity.

**Table No. 1 : A synthesis matrix organized by the key studies:**

Sr. No	Author & Year of study	Purpose	Method	Sample	Inferences
1	Healy Palepu and Rubak (1990) titled, "Does corporate performance improve after mergers?"	To understand and analysis of impact of mergers on performance	Compared the operating performance through accounting data	50 major public industrial firms.	The industry adjusted results proved that there was an improvement in the post-merger performance, whereas the unadjusted results give a diametrically opposite view. The "industry related" has also been checked for any anomalies. There was evidence that the pension per employee had declined after the merger.
2	Seth, Song & Pettit, (2002) titled "Value creation and destruction in Cross-Border Acquisitions: An empirical analysis of foreign acquisitions of U.S. firms"	The investigation of the sources of gains in cross-border acquisitions wherein decision-making was taken to be a function of different behavioral assumptions.	The data was consistent with the expectation that multiple sources of value creation existed in synergistic cross-border acquisitions like asset sharing, reverse internalization of valuable intangible assets, and financial diversification.	All cross-border acquisitions of U.S. industrial corporations from 1981-90.	For value-destroying acquisitions it is observed that the data are consistent with only one of the sources of value destruction, i.e., risk reduction. Large relative size of the target to the bidder mitigates the negative effects of risk reduction.
3	Carline, Linn & Yadav (2003) titled "Can the stock market systematically make use of firm-and deal-specific factors when initially capitalizing the real gains from Mergers and Acquisitions?"	To study the impact of firm-specific and deal-specific factors on the change in industry-adjusted operating performance around corporate mergers and acquisitions.	The operating performance improvement through EBT (+ depreciation & goodwill + net interest income).	The sample taken is domestic UK mergers.	Mergers were associated with improvements in operating efficiency and the total abnormal revaluations of bidder/target pairs are both positive. Operating performance improvement depends on whether the merger was friendly or hostile.

Sr. No	Author & Year of study	Purpose	Method	Sample	Inferences
4	Beena(2004), titled "Towards understanding the merger – wave in the Indian corporate sector: A comparative perspective"	Understand the motives and implications of the merger wave in the second half of the nineties.	The performance has been measured in terms of price –cost margin, rate of return, shareholder's profit, debt-equity ratio, etc. The significance of their mean difference between pre and post-merger phase by using t-statistic.	115 actual mergers which accounts for 22% of the total number of M&As that occurred in the Indian manufacturing sector in the time frame of 1995-2000.	It has been observed that foreign –owned acquiring firms have been performing better than Indian owned acquiring firms. Also the return on shareholder's equity has increased after merger.
5	Chari, Ouimet & Tesar (2004) titled "Cross Border Mergers and Acquisitions in emerging markets"	The stock price reaction, an inherently ex-ante measure, to news of an acquisition as a summary statistic to capture the gains and losses from an acquisition.	International Mergers and Acquisitions database to identify merger and acquisition events in emerging markets over the period 1988-2003.	Data Stream and Bloomberg are the sources used for stock price information	The stock price reaction of acquiring and target firms to the announcement of an acquisition as a summary statistic for value creation through foreign acquisitions.
6	Ferrett (2005) titled "Greenfield investment versus Acquisition: Positive Analysis"	To explain the Greenfield/ acquisition choice by building a model where the form of FDI (Greenfield-FDI vs acquisition-FDI) is endogenously selected.	The three stylized facts about mergers-first, that acquirers, on average, lose money. Second, mergers concentrate in industries in which regime shifts can be identified and third mergers come in waves.	Select companies with green field investment and acquisitions	In industry structure (the size distribution of the firms in the industry) is an important factor for merger dynamics.
7	Baxamusa (2006) titled "Mergers That Create Value"	To know how the performance increases for the former. It documents the operating mechanisms that generate post-merger efficiencies.	Operating ratios of the combined firm pre and post-merger. The G index of acquirer and target is compared to combined firm.	The study included 423 acquisitions from 1994 to 1999	Post-merger performance of the firm is high if the corporate governance is higher+F10
8	Betrand, Hakkala and Norbäck (2007) titled "Cross-Border Acquisition or Greenfield Entry: Does it Matter for Affiliate R&D"	Investigates empirically whether the choice of entry mode of FDI, that is M&A or Greenfield entry, is of importance for affiliate R&D activities.	Data is collected from Research Institute of Industrial Economics about Swedish multinational firms.	Swedish multinational firms and acquired affiliates.	Restricting cross-border acquisitions leads to a reduction in MNEs' technology transfers, gap in affiliate R&D performance by difference + F11nces in parent, affiliate and country characteristics.
9	Kumar and Rajib (2007) titled "Mergers and corporate performance in India: An empirical study"	To capture the variations in the operating performance of the merged firms from 1995 to 2002.	Examine the abnormal returns to shareholders in the period surrounding the announcement date such activity.	The sample consists of 57 large mergers.	An efficient market capitalizes the value of any expected post restructuring improvement in the acquirer's performance at the takeover announcement date.
10	Beena(2008) "Trends and Perspectives on Corporate Mergers in Contemporary India"	Examine significant difference in the performance between pre- and post-merger phases	case study method- 70% were horizontal M&As, 11 % were vertical M&As rest from conglomerate mergers.	acquiring firms during 1990-2005 under manufacturing sector as a whole.	new economic environment has facilitated M&As between F13en companies under domestic or foreign ownership.

Sr. No	Author & Year of study	Purpose	Method	Sample	Inferences
11	Mantravadi & Reddy (2008) titled "Type of Merger and Impact on Operating Performance: The Indian Experience"	to enumerate the method of mergers which improves the performance at the maximum.	The measures of performance are Operating profit margin, G.P. margin, N.P margin, RNW, ROCE, D/E ratio. Sample includes the listed companies at NSE/ BSE.	Sample includes the listed companies at NSE/ BSE.	Mergers do not improve the performance, the negative effects were greater for RNW and ROCE. The study suggested that horizontal mergers had caused the highest decline in the operating performance of the merging companies, followed by conglomerate and vertical mergers respectively.
12	Ramakrishnan (2008) titled "Long term post-merger performance of firms in India"	To validate if the long term post-merger performance of the firms improves.	The basis of performance is the operating cash flow-scaled by the assets, operating margin and sales turnover.	The select indian companies	On an average the merging firms have performed better in India as compared to their pre-merger performance. It says that the operating performance has improved due to the merger.
13	Saboo & Gopi (2009), titled "Comparison of post-merger performance of acquiring firms (India) involved in domestic and cross – border acquisitions"	To review the operating performance of firms advancing the M&As path for their expansion plans in the Indian corporate scenario post 2000.	firms advancing the M&As path for their expansion plans in the Indian corporate scenario post 2000.	The corporate merger between the sample period is 2000- 2007	The performances of the acquiring firms have been impacted negatively after the foreign merger. The decrease was observed when the results were analyzed for performance ratios of pre and post 1-year of merger and pre and post 2 –years of mergers.
14	Saraswathy (2010) titled "Cross-border mergers and acquisitions in India: extent, nature and structure"	To analyze merger wave in the overseas economies where the M&A is the favorite mode of corporate restructure as compared to Greenfield investment.	Service sector mergers with world FDI movement	Firm level data for identifying three distinct phases of merger activity of India.	From 1994 to 2007, there were 563 such deals of which the majority took place after 2000. A gradual shift from foreign investment to Brownfield investment can be observed which would eventually lead technology spillovers and thereby higher productivity and efficiency.
15	Paulo(2013) Mergers and Acquisitions: An Efficiency Evaluation	Evaluates the efficiency of M&A in Brazil among publicly-traded companies	Models with multiple objectives from Goal Programming and Data Envelopment Analysis (GPDEA), employing accounting indicators as input and output variables,	Few publicly traded companies in Brazil	The cases investigated were proved to be effective with new application for multi-objective approach that can be used to assess mergers and acquisitions. GPDEA leads to a greater understanding of efficiency generation in synergy creation by means of M&A.
16	Neethu, Rajaesh (2015) titled, "A Study on Financial Performance of Companies Before and After M &A"	The impact of mergers and acquisitions on the monetary potency of the chosen producing firms in Republic of India.	To analyze financial performance, ratio analysis, standard deviation and 't' test are used as standard tools of research using CMIE	Sample includes consists of 10 merged manufacturing companies in India.	There is significant effect of merger and acquisition on the financial performance of selected units

Sr. No	Author & Year of study	Purpose	Method	Sample	Inferences
17	Dr Poonam Bassi (2015), A Study on impact of announcement of merger and acquisition on the valuation of the companies (with special reference to banks)	The impact of Merger and acquisition on the fundamental value of Acquirer bank	To examine the financial performance of merged companies five years before merger and five years after merger.	FIVE BANKS AS: HDFC, ICICI, SBI, IOB, IDBI	The event of merger and acquisition has positively affected the net worth, earning per share, return on capital employed

## 5.0 Global Scenario of M&A:

The corporate sector all over the world is restructuring its operations through different types of consolidation strategies like mergers and acquisitions in order to face challenges posed by the new pattern of globalization, which has led to the greater integration of national and international markets.

Global M&A volume up 23% from \$732.8bn announced in first quarter of 2014 and the highest first quarter total since 2007 (\$1.08tr)

### 5.1 Global Trends : Growth Trajectory of M&A from 2007-2014

- After a year that delivered the biggest global M&A volume since 2007 (\$3.6 1tr announced in full year 2014), the first three months of 2015 got off to a strong start with \$902.2bn, up 23% from \$732.8bn announced in 1Q 2014 and the highest 1Q total since 2007 (\$1.08tr).
- Healthcare was the top targeted sector with \$126.5bn – only the sixth time that the sector has surpassed the \$100.0bn mark during a quarter. Healthcare M&A revenue (\$1.2bn) surpassed \$1bn for the first quarter on record.
- Real Estate was the second most targeted sector with \$113.0bn in 1Q 2015, the highest 1Q level since 2007 (\$145.0bn). Technology ranked third by volume with \$84.3bn, though led global M&A by activity (2,058 deals).
- The estimated \$45.4bn merger of HJ Heinz and Kraft Foods Group (51%, 49%), was the largest transaction announced in 1Q 2015 and the third largest global Food & Beverage M&A deal announced on record.
- Global cross -border M&A volume totaled \$315.2bn in 1Q 2015, up 54% on 1Q 2014 (\$204.2bn) and the highest 1Q volume since 2007 (\$357.9bn) The largest M&A transaction 2014 was the purchase of Time Warner Cable Inc by Comcast Corporation. This deal was signed in February 2014 and the transaction value amounted to 68.5 billion U.S. dollars. . The global value of M&A transactions in the Energy, Mining and Utilities sector amounted to 106.4 billion U.S. dollars in 2014.(fig: 2)
- Deal value expected to climb: Despite the large, headline grabbing deals, such as Facebook's \$19 billion acquisition of WhatsApp, the market research for sees that the M&A environment will be dominated by smaller and middle market deals.



**Table No. 2 : Top 10 Mergers and Acquisitions at a global level  
as on August 2013**

Top 10 Mergers & Acquisitions globally				
Rank	M&A Deal	Current name of acquirer	Value (in \$ billion)	Announcement date
1	America Online acquires Time Warner	Time Warner	186.2	01/10/2000
2	Vodafone Airtouch acquires Mannesmann	Vodafone Group	185.1	11/14/1999
3	Fortis, Banco Santander, Royal Bank of Scotland group acquires ABN Amro holding	Ageas, Banco Santander, Royal Bank of Scotland group	100.0	04/25/2007
4	Pfizer acquires Warner-Lambert	Pfizer	87.3	11/04/1999
5	AT&T acquires BellSouth	AT&T	83.1	03/05/2006
6	Exxon acquires Mobil	Exxon Mobil	80.3	12/01/1998
7	Royal Dutch Shell merges with Shell Transport & trading	Royal Dutch Shell	80.1	10/28/2004
8	Comcast acquires AT&T Broadband	Comcast	76.1	07/09/2001
9	Sanofi-Synthelabo acquires Aventis	Sanofi	73.5	01/26/2004
10	Glaxo Wellcome merges with SmithKline Beecham	GlaxoSmithKline	72.4	01/17/2000
Source: - <a href="http://www.bloomberg.com">http://www.bloomberg.com</a> last updated on August 2013				

## 5.2 Overview of Regional M&A:

### A. American M&A:

#### I. United States:

US targeted M&A reached \$415.0bn in 1Q 2015, up 28% on 1Q 2014 volume of \$324.6bn, and the highest first quarter total since 2007 (\$430.7bn)

- 15 \$20bn+ US targeted M&A deals were announced between 2010-2013. In contrast, 12 \$20bn+ deals have been announced since January 2014, with three of these deals announced in 1Q 2015
- 1. Healthcare led US targeted M&A with \$104.1bn, the highest 1Q total since 2009 (\$132.1bn). Healthcare M&A hit an annual record high of \$326.1bn in 2014.

**Case:** The \$21.0bn bid for Pharmacyclics by AbbVie, announced on March 4, 2015, is one of only nine \$20bn+ healthcare M&A deals announced since 2010.

- 2. Food & Beverage ranked second for US targeted M&A with \$54.3bn, the second highest 1Q level on record, behind \$60.5bn in 1Q 2007

**Case:** The merger of HJ Heinz with Kraft Foods Group is the third largest Food & Beverage M&A deal announced on record globally. The top six deals include two Kraft Foods demergers – the spin-off from Altria Group in 2007 (\$56.1bn) and subsequent split into two separate companies in 2012 (\$36.7bn) – and the Berkshire Hathaway/3G Capital buyout of HJ Heinz (\$27.5bn) in 2013

- 3. US cross-border M&A of \$139.5bn was over double the total in 1Q 2014 (\$68.6bn) and accounted for 44% of global cross-border M&A, up from 34% in 1Q 2014
- Inbound volume reached \$82.1bn, highest 1Q total since 1999 (\$118.6bn), led by NXP Semiconductors' \$16.7bn bid for Freescale Semiconductors, the largest inbound M&A deal in the US Technology sector on record.

#### II. Canada

Canada targeted M&A reached \$14.2bn in 2015, the lowest 1Q level since 2003 (\$11.2bn). Healthcare led with \$4.0bn, up from \$888m announced in 1Q 2014. Oil & Gas M&A

volume dropped to \$3.3bn from \$8.0bn in 1Q 2014.

### III. Latin America

- Latin America targeted M&A volume of \$18.4bn in 1Q 2015 was down 22% on 1Q 2014 (\$23.6bn) although up from \$18.3bn announced in 1Q 2013
- Brazil M&A volume of \$9.2bn was down 27% year-on-year.

### B. Asia Pacific (ex Japan) :

Its targeted M&A volume reached \$200.6bn in 1Q 2015, up 41% year-on-year and the highest 1Q volume on record

- The \$41.0bn reorganization of Cheung Kong / Hutchison Whampoa into CK Hutchison Holdings and Cheung Kong Property Holdings is the largest M&A transaction announced in the region on record
- 27 \$1bn+ deals were announced in 1Q 2015 for a combined total of \$111.4bn, the highest quarterly volume on record, surpassing the previous high of \$84.7bn in 4Q 2006. \$1bn+ deals accounted for a record high 56% share of total Asia Pacific (ex Japan) M&A volume
- China was the top targeted nation in the region with a record 1Q high of \$88.6bn in 2015, up 63% on the \$54.4bn announced in 1Q 2014.
- 14 \$1bn+ China targeted deals were announced for a total of \$37.9bn. The \$10.4bn bid for a 19.7% stake in CITIC by Itochu Corp and CP Group, is in line to be the largest cross-border China targeted M&A deal on record
- Australia was the third most targeted country in Asia Pacific (ex Japan) by deal volume, with \$19.3bn in 1Q 2015, up 13% from 1Q 2014 (\$17.1bn) and the highest 1Q volume since 2011 (\$23.2bn)
- Southeast Asia targeted M&A volume of \$19.5bn was up 8% compared to 1Q 2014 (\$18.1bn), the highest 1Q level since 2010 (\$19.9bn). Real Estate was the top targeted sector in the region with \$6.1bn in 1Q 2015
- Asia Pacific (ex Japan) outbound volume totaled a 1Q record high of \$51.8bn in 2015, led by Hutchison Whampoa's pending \$15.5bn bid for O2 UK, the second largest

Asia Pacific (ex Japan) outbound M&A deal on record

### C. Japan :

- Japan targeted M&A volume totaled \$14.7bn in 1Q 2015, down 19% on 1Q 2014 (\$18.3bn) and the lowest 1Q volume since 2002 (\$11.7bn)
- o Domestic volume of \$13.4bn was at the lowest 1Q level since 2002 (\$10.9bn). In contrast, outbound M&A reached \$41.1bn, the highest 1Q level on record
- o Japan Post Holdings' \$6.4bn pending acquisition of Toll Holdings is the largest Japanese acquisition announced of an Australian target on record and the second largest Japan outbound M&A deal in 1Q 2015

### D. Europe:

- Europe targeted M&A reached \$217.5bn in 1Q 2015, up from \$193.0bn in 1Q 2014 and the highest 1Q level since 2011 (\$222.0bn)
- European targeted cross-border M&A totaled \$162.3bn, the highest 1Q level since 2008 (\$168.8bn). Intra-Europe M&A volume stood at \$101.7bn, the lowest 1Q volume since 1998 (\$98.5bn) and down 39% from 1Q 2014 (\$167.1bn).
- UK was the top targeted European nation with \$72.7bn announced in 1Q 2015, the highest 1Q volume since 2008 (\$91.8bn). Cross-border acquirors (\$59.0bn) accounted for 81% of UK targeted volume.
- Hutchison Whampoa's pending \$15.5bn bid of O2 UK is the largest UK targeted deal by a Hong Kong acquiror on record, and the largest Europe targeted M&A deal announced in 1Q 2015.
- Ball Corp's (US) pending \$8.5bn acquisition of Rexam, announced on February 5, is the fourth largest European Metal & Steel deal on record.
- Construction volume was led by CRH's \$7.3bn pending acquisition of Lafarge and Holcim's assets in Europe and other countries, in what is the fourth largest Europe targeted deal announced in 1Q 2015.

#### E. Middle East and Africa:

- Middle East targeted M&A stood at \$6.3bn in 1Q 2015, the highest 1Q volume since 2011 (\$9.4bn) and more than double the \$2.9bn announced in 1Q 2014.
- ENOC's pending \$1.7bn acquisition for the remaining 46% stake in Dragon Oil (UAE), announced on March 17, is in line to be the largest Middle East targeted Oil & Gas M&A deal on record.
- Africa targeted M&A totaled \$8.1bn in 1Q 2015, up on \$4.5bn in 1Q 2014.
- OCI NV's \$1.6bn acquisition for 23% stake in Orascom Construction Industries SAE – OCI is the largest Africa targeted M&A deal

in 1Q 2015.

#### 5.3 Mergers and Acquisitions in India

Total number of merger and acquisition (M&A) deals of Indian companies in 2014 rose to 1,177 – valuing at about USD 50 billion – the highest ever in a decade and the momentum is set to pick even higher this year. M&A deals contributed close to USD 38 billion from 573 deals and Private Equity (PE) deals contributed USD 12 billion from 604 deals. E-commerce within the Information & Technology (IT) space was the major contributor for PE investments with about USD 4 billion being raised from over 100 deals.

**Table No. 3: Detail of M&A'S Deals Both in Terms of Value and Volume**

Deal Summary	Volume			Value (US\$MN)		
Year	2011	2012	2013	2011	2012	2013
Domestic	216	234	220	5036	6078	5749
Cross Border	288	262	221	39,577	14,507	17891
Mergers & Internal Restructuring	140	102	59	-	14799	4546
<b>Total M&amp;A</b>	<b>644</b>	<b>598</b>	<b>500</b>	<b>44613</b>	<b>35384</b>	<b>28186</b>
Private Equity	373	401	450	8751	7378	10392
<b>GRAND TOTAL</b>	<b>1017</b>	<b>999</b>	<b>950</b>	<b>53,363</b>	<b>42,761</b>	<b>38,578</b>

Source: Annual Report of Ministry of External Affairs.

**Table No. 4 : Top Acquisitions Made by Indian Companies Worldwide(2007-2014)**

Acquired Company	Acquirer	Deal Amount	Date of Deal
Corus Group (U.K.)	Tata Steel	U.S. \$12.11 billion	January 31, 2007
Zain Africa	Bharti Airtel	\$10.7 billion	February, 2010
Novelis (U.S.)	Hindalco Industries	U.S. \$6 billion	Feb 11, 2007
Jaguar Cars and Land Rover (U.K.)	Tata Motors	U.S. \$ 2.3 billion	2008
Honiton Energy Holdings (China)	Tanti group	U.S. \$2 billion	April, 2010
Abbot Point Coal Terminal (Australia)	Adani Enterprises	\$2-billion	May, 2011
Algoma Steel (Canada)	Essar Steel Global	\$1.85 billion	April, 2007
Marcellus Shale (U.S.)	Reliance Industries	\$1.7 billion	April, 2010
Minnesota Steel (U.S.)	Essar Steel Holdings	\$1.65 billion	April, 2007
Oil & Gas Assets (Kashagan oilfield)	ONGC	\$5 billion	November, 2012
Port Terminals (Abbot Point X 50 Coal Terminal)	Australia Adani Enterprises	\$1.97 billion	May, 2011
Orient- Express Hotels (Bermuda)	Indian Hotels Co	\$1.67 billion	October, 2012
Oil & Gas Assets (Eagle Ford shale gas field) (United States)	Reliance Industries	\$1.35 billion	June, 2010
Myntra	Flipkart	\$300 million	May 2014

Source: Annual Report of Ministry of External Affairs.



#### 5.4 Cross Border M&A in India: The Latest Trends

The new Government's intent to revitalize the Indian economy positively affected business environment. Indian companies were

more open and aggressive in acquisitions post elections. At the same time, some companies divested their assets to raise cash for repaying debt and reducing their interest costs.

**Table No. 5 :Top 10 deals of M&A 2014**

Geography	Date	Target	Target Country	Acquiror	Acquiror Country	Value (US\$ Million)	Sector
Domestic	Apr	Ranbaxy Laboratories Ltd	India	Sun Pharmaceutical Industries Ltd	India	3,226	Pharmaceuticals
Domestic	Nov	Ing Vysya bank Ltd.	India	Kotak Mahindra bank Ltd.	India	2,400	Banking
Inbound	Apr	United Spirits Ltd	India	Diageo PLC	UK	1,901	Retail and consumer products
Domestic	Sep	Himachal Baspa Power Co Ltd	India	JSW Energy Ltd.	India	1,572	Infrastructure
Inbound	Nov	Bharti Airtel's Nigeria-based telecom towers	India	American Tower corp	US	1,050	Tele communications
Domestic	Aug	Udupi Power CorpLtd	India	Adani Power Ltd	India	982	Infrastructure
Domestic	May	Dhamra Port Co Ltd	India	Adani Ports & Special Economic Zone Ltd	India	925	Infrastructure
Domestic	Dec	Jaiprakash Associates Ltd's two cement plants	India	UltraTech Cement Ltd	India	847	Cement and building products
Inbound	May	United Spirits Ltd's UK-based subsidiary Whyte & Mackay Ltd	India	Alliance Global Group Inc	Philippines	725	Retail and consumer products
Domestic	May	Network 18 Media & Investments Ltd	India	Reliance Industries Ltd	India	680	Media and entertainment

Source: EY Analysis of Thomson One Data

#### 5.5 Inbound activity witnesses positive momentum:

The inbound activity registered a 27% increase in the number of deals to 257 from 203 during the last year. Foreign players continued to buy/ increase stake in the Indian companies to establish/ increase their presence in India. These companies were further attracted by the newly elected Government's intent to foster a

more benign investment climate in the country for international players. While inbound transactions increased in volume, their value was relatively smaller in size.

Consequently, the cumulative deal value of inbound deals declined to US\$10.4 billion from US\$13.7 billion seen in the previous year.

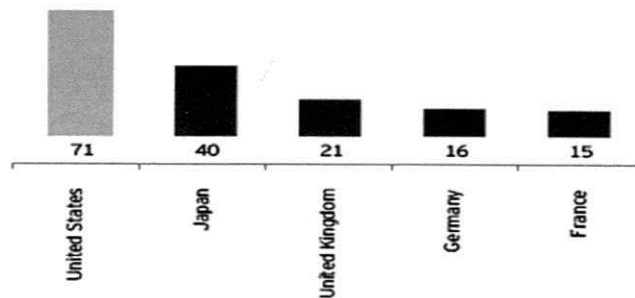
**Table No. 5 :The Geographical Distribution of Deals**

	2013		2014	
	Count Value	(US\$ million)	Count Value	(US\$ million)
<b>Domestic</b>	437 6	179 494 16	212	437 6
<b>Inbound</b>	203 13	747 257 10	402	203 13
<b>Outbound</b>	102 7	068 119 2	005	102 7
<b>Total</b>	<b>742 26</b>	<b>995 870 28</b>	<b>620</b>	<b>742 26</b>

Source:EY Analysis of Thomas One Data

- i. The US was the most active cross-border partner, followed by Japan, UK, Germany and France. The US was the most active cross-border partner. Companies from the US were the most prominent with regard to cross-border

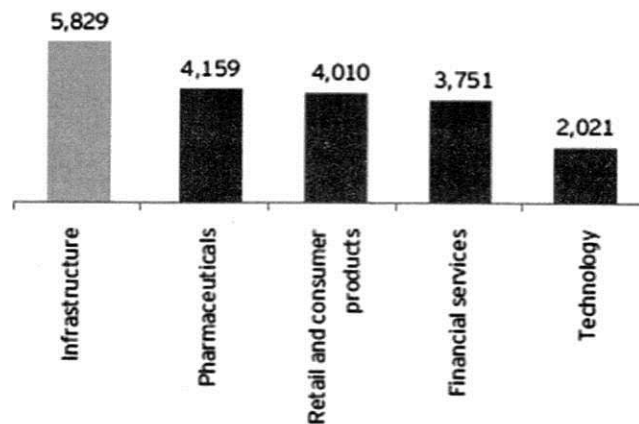
transactions involving Indian players. They were involved as acquirers in 71 inbound deals worth US\$1.5 billion and targets in 38 outbound deals worth US \$ 1billion.



Source: EY analysis of Thomson ONE data

Figure:1 India's cross border Partners

- ii. By value, infrastructure was at the forefront, followed by pharmaceutical, and retail and consumer products.

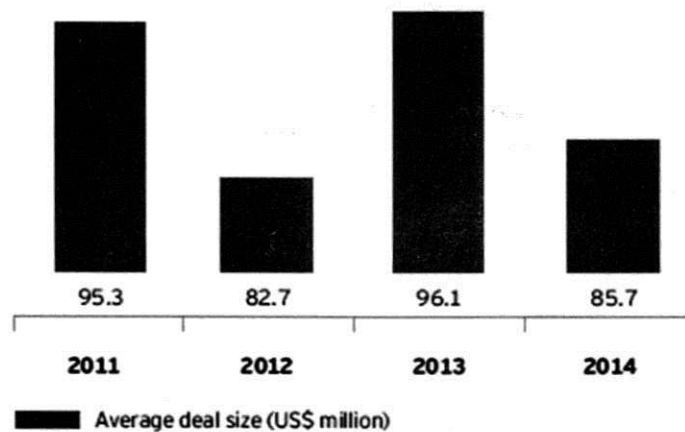


Source: EY analysis of Thomson ONE data

Figure: 2 Value deals –Sector wise

- iii. Average size of domestic deals more than doubled to US\$87 million in FY14 from US\$39 million last year. M&A activity

continued to be driven by small- and mid-market deals.



Source: EY analysis of Thomson ONE data

Figure: 3 Average size of deals

## 6.0 Future Prospects of Cross Border M&A In India:

With the increasing number of Indian companies opting for mergers and acquisitions, India is now one of the leading nations in the world in terms of mergers and acquisitions. 2014 has been an encouraging year for India's business environment, as well as the M&A landscape. After experiencing a long period of lull, the Indian economy seems set towards accelerated growth.

- i. The newly-found business optimism, on the back of strong macroeconomic fundamentals, a stable government at the helm and an improved pace of economic reforms, is expected to continue through 2015 and drive M&A activity.
- ii. Inbound M&A activity is expected to rise further. The Indian Government's move to strengthen ties with other key economies, such as the US, China, Japan and Australia, is expected to boost bilateral trade and create opportunities for inbound investments.
- iii. Among the different Indian sectors that have resorted to mergers and acquisitions in recent times, telecom, finance, FMCG, construction materials, automobile industry and steel industry are worth mentioning.

iv. The "Make-in-India" campaign is envisioned to reignite growth in Indian manufacturing sector. The Government's focus to speed-up project approvals and improve ease of doing business in the country have uplifted the morale of corporate leaders. Furthermore, clearance of pending reforms related to land acquisition bill and GST, coupled with the recently concluded coal block auctions would further boost investor sentiment.

- v. On domestic front last year are likely to continue in 2015. Sectors like healthcare, pharmaceuticals and retail & consumer products are likely to witness a wave of consolidation in 2015 as companies, driven with the need to generate high growth are eyeing opportunities to strengthen market presence and add revenue streams.
- vi. Outbound activity by Indian Companies recorded an improvement last year in terms of volume and is expected to remain stable in 2015. Companies in sectors like technology, automotive and pharmaceuticals will continue to assess the acquisition opportunities overseas. However, historically active sectors for outbound transactions such as oil & gas and mining are expected to see subdued activity.



**Table No. 6. Proposed Major M&A deals yet to conclude**

S.No.	Name of the Acquirer	Expected Deal Size	Target Company	Type	Industry
1	Amazon.com	1.2B USD	Jabong.com	Inbound	e-commerce
2	Adani Power	680M USD	Korba West Power Co Ltd	Domestic	Power
3	Tech Mahindra	240M	Lightbridge Communications Corporation	Outbound	Information Technology
4	Balaji Telefilms	N.A.	Marinating Films	Domestic	Media & Entertainment
5	Majesco Inc (US arm of Mastek Ltd.)	N.A.	Marinating Films	Outbound	Information Technology
6	Nihon Nohyaku	N.A.	Hyderabad Chemicals Ltd	Inbound	Chemicals
7	Pricol Limited	N.A.	Mellin do Brazil	Outbound	Auto Component
8	Tata Power	N.A.	Ideal Energy Projects	Domestic	Power
9	Birla Corporation Limited	N.A.	Lafarge India Private Limited	Outbound	Cement

(Compilation of information from various sources by Researcher)

## 7.0 Conclusion:

Globally, acquisition of Arcelor by Mittal Steels, Daewoo Trucks by Tata motors and domestically acquisition of Air Sahara by Jet Airways further emphasizes that companies are aiming to foster the synergies by economies of scale apart from other criterion such as gaining new market, maintaining existing share, etc. M&As have been found to be beneficial in the sense that Indian companies grew in size, and attain better market share which is substantiated by empirical analysis.

Further, it has been observed that M&As in India are strategic in nature that motives range from growth and expansion to high quality of human resources, strong brand presence and global identity and leadership. To remain ahead of competitors, business leaders need to have a global vision, be pro-active, able to take calculated risk and initiate and manage acquisition and consolidation process smoothly.

Large Indian companies are going through a phase of growth as all are exploring growth potential in foreign markets and on the other end even international companies is targeting Indian companies for growth and expansion. Some of the major factors resulting in this sudden growth of merger and acquisition deal in India are favorable government policies, excess of capital flow, economic stability, corporate investments, and dynamic attitude of Indian companies. Therefore, it is good time for business houses and corporate to watch the Indian market going global, and grab the opportunity.

M&As have been found to be beneficial in the sense that Indian companies grew in size, and attain better market share which is substantiated by empirical analysis. Throughout the period of study, turnover increased after the companies experienced an M&A.

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