Project Dissertation on
MERGER & ACQUISITION IN INDIA

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CERTIFICATE

This is to certify that the dissertation report titled **"Merger & Acquisition in India"** is a bonafide work carried out by **Mr. Arun Kumar Giri** of **Executive MBA 2017-19** and submitted to Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 in partial fulfillment of the requirement for the award of the Degree of Masters of Business Administration.

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DECLARATION

I, **Arun Kumar Giri** student of **EMBA 2017-19** of Delhi School of Management, Delhi Technological University, Bawana Road, Delhi – 42, hereby declare that the dissertation report **"Merger & Acquisition in India"** submitted in partial fulfillment of Degree of Masters of Business Administration is the original work conducted by me.

The information and data given in the report is authentic to the best of my knowledge.

This report is not being submitted to any other University, for award of any other Degree, Diploma or Fellowship.

Arun Kumar Giri

Place: **Date:**

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ABSTRACT

Merger and Acquisition have become a routine feature than an exception in the present day business scenario. In a merger companies join up with each other sharing their resources to reach a common goal. Shareholders of both the entities continue as join owners of the merged entity. In an acquisition , as the denotes, one firm out rightly purchases the assets or shares or both of another company whose shareholders lose their claim on the acquired outfit once the deal is over. As businesses expanding with diversification becoming the order of day, merger and acquisition are being adopted as strategic tools for growth. Restricting to core area makes no business sense any longer, as one can see the way both the houses of reliance are foging ahead with entry into virtually every field. Tatas are rewriting their corporate history with acquisition galore. No different is the case with the other major industrial houses. All the augurs well for our country which is poised to become an economic force to reckon with, very soon.
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Winning the race to future and the rest world requires a strong sense of purpose and speed. Yet, few companies, if any, have what it takes to run the race on their own. The idea of racing as a team is somehow uplifting to the human spirit. The logic of bringing many heads together to achieve what was previously considered difficult or impossible on an individual basis is somehow compelling.

The trends towards globalization of all national and regional economies has increased the intensity of mergers, in a bid to create more focused, competitive, viable, larger players, in each industry. The recent liberalization has made mergers more necessary and acceptable. The globalization may entail redundancies and closures of inefficient units as a consequence of technological up gradation and modernization. As it open the flood gates of competition between unequal partners. The working units below average efficiency are more favorable to mergers and takeover

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Merger & Acquisition in India

Introduction to Mergers and Acquisition

We have been learning about the companies coming together to from another company and companies taking over the existing companies to expand their business.

With recession taking toll of many Indian businesses and the feeling of insecurity surging over our businessmen, it is not surprising when we hear about the immense numbers of corporate restructurings taking place, especially in the last couple of years. Several companies have been taken over and several have undergone internal restructuring, whereas certain companies in the same field of business have found it beneficial to merge together into one company.

In this context, it would be essential for us to understand what corporate restructuring and mergers and acquisitions are all about. The phrase mergers and acquisitions (abbreviated M&A) refers to the aspect of corporate strategy, corporate finance and management dealing with the buying, selling and combining of different companies that can aid, finance, or help a growing company in a given industry grow rapidly without having to create another business entity.

Thus important issues both for business decision and public policy formulation have been raised. No firm is regarded safe from a takeover possibility. On the more positive side Mergers & Acquisition’s may be critical for the healthy expansion and growth of the firm. Successful entry into new product and geographical markets may require Mergers & Acquisition’s at some stage in the firm's development.

Successful competition in international markets may depend on capabilities obtained in a timely and efficient fashion through Mergers & Acquisition's. Many have argued that mergers increase value and efficiency and move resources to their highest and best uses, thereby increasing shareholder value. To opt for a merger or not is a complex affair, especially in terms of the technicalities involved. We have discussed almost all factors that the management may have to look into before going for merger.

Considerable amount of brainstorming would be required by the managements to reach a conclusion. e.g. a due diligence report would clearly identify the status of the company in respect of the financial position along with the net worth and pending legal matters and details about various contingent liabilities. Decision has to be taken after having discussed the pros & cons of the proposed merger & the impact of the same on the business, administrative costs benefits, addition to shareholders' value, tax implications including stamp duty and last but not the least also on the employees of the Transferor or Transferee Company.

Merger

Merger is defined as combination of two or more companies into a single company where one survives and the others lose their corporate existence. The survivor acquires all the assets as well as liabilities of the merged company or companies. Generally, the surviving company is the buyer, which retains its identity, and the extinguished company is the seller.

Merger is also defined as amalgamation. Merger is the fusion of two or more existing companies. All assets, liabilities and the stock of one company stand transferred to transferee company in consideration of payment in the form of:

- Equity shares in the transferee company,
- Debentures in the transferee company,
- Cash, or
- A mix of the above modes.

In business or economics a merger is a combination of two companies into one larger company. Such actions are commonly voluntary and involve stock swap or cash payment to the target. Stock swap is often used as it allows the shareholders of the two companies to share the risk involved in the deal.

A merger can resemble a takeover but result in a new company name (often combining the names of the original companies) and in new branding; in some cases, terming the combination a "merger" rather than an acquisition is done purely for political or marketing reasons.

Merger is a financial tool that is used for enhancing long-term profitability by expanding their operations. Mergers occur when the merging companies have their mutual consent as different from acquisitions, which can take the form of a hostile takeover. The business laws in US vary across states and hence the companies have limited options to protect themselves from hostile takeovers. One way a company can protect itself from hostile takeovers is by planning shareholders rights, which is alternatively known as “poison pill.

If we trace back to history, it is observed that very few mergers have actually added to the share value of the acquiring company and corporate mergers may promote monopolistic practices by reducing costs, taxes etc.

Managers are concerned with improving operations of the company, managing the affairs of the company effectively for all round gains and growth of the company which will provide them better deals in raising their status, perks and fringe benefits.

Acquisition

An Acquisition usually refers to a purchase of a smaller firm by a larger one. acquisition, also known as a takeover or a buyout, is the buying of one company by another.

Acquisitions or takeovers occur between the bidding and the target company. There may be either hostile or friendly takeovers. Acquisition in general sense is acquiring the ownership in the property. In the context of business combinations, an acquisition is the purchase by one company of a controlling interest in the share capital of another existing company.

Methods of Acquisition:

An acquisition may be affected by

(a) agreement with the persons holding majority interest in the company management like members of the board or major shareholders commanding majority of voting power;
(b) purchase of shares in open market;
(c) to make takeover offer to the general body of shareholders;
(d) purchase of new shares by private treaty;
(e) Acquisition of share capital through the following forms of considerations viz. means of cash, issuance of loan capital, or insurance of share capital.

There is different type of acquisition:-

A. Reverse takeover: - Sometimes, however, a smaller firm will acquire management control of a larger or longer established company and keep its name for the combined entity. This is known as a reverse takeover.

a. Reverse takeover occurs when the target firm is larger than the bidding firm. In the course of acquisitions the bidder may purchase the share or the assets of the target company.

b. In the former case, the companies cooperate in negotiations; in the latter case, the takeover target is unwilling to be bought or the target's board has no prior knowledge of the offer.

B. Reverse merger: - A deal that enables a private company to get publicly listed in a short time period.

a. A reverse merger occurs when a private company that has strong prospects and is eager to raise financing buys a publicly listed shell company, usually one with no business and limited assets.

b. Achieving acquisition success has proven to be very difficult, while various studies have showed that 50% of acquisitions were unsuccessful. The acquisition process is very complex, with many dimensions influencing its outcome.

Takeover:

In business, a takeover is the purchase of one company (the target) by another (the acquirer, or bidder). In the UK, the term refers to the acquisition of a public company whose shares are listed on a stock exchange, in contrast to the acquisition of a private company.

A 'takeover' is acquisition and both the terms are used interchangeably. Takeover differs from merger in approach to business combinations i.e. the process of takeover, transaction involved in takeover, determination of share exchange or cash price and the fulfillment of goals of combination all are different in takeovers than in mergers. For example, process of takeover is unilateral and the offeror company decides about the maximum price. Time taken in completion of transaction is less in takeover than in mergers, top management of the offeree company being more co-operative

There are different types of takeover:-

1. Friendly takeovers
2. Hostile takeovers
3. Reverse takeovers

1. Friendly takeovers

Before a bidder makes an offer for another company, it usually first informs that company's board of directors. If the board feels that accepting the offer serves shareholders better than rejecting it, it recommends the offer be accepted by the shareholders.

In a private company, because the shareholders and the board are usually the same people or closely connected with one another, private acquisitions are usually friendly. If the shareholders agree to sell the company, then the board is usually of the same mind or sufficiently under the orders of the shareholders to cooperate with the bidder. This point is not relevant to the UK concept of takeovers, which always involve the acquisition of a public company. Hostile takeovers

2. Hostile takeovers

A hostile takeover allows a suitor to bypass a target company's management unwilling to agree to a merger or takeover. A takeover is considered "hostile" if the target company's board rejects the offer, but the bidder continues to pursue it, or the bidder makes the offer without informing the target company's board beforehand.

A hostile takeover can be conducted in several ways. A tender offer can be made where the acquiring company makes a public offer at a fixed price above the current market price. Tender offers in the USA are regulated with the Williams Act.

An acquiring company can also engage in a proxy fight, whereby it tries to persuade enough shareholders, usually a simple majority, to replace the management with a new one which will approve the takeover.

Another method involves quietly purchasing enough stock on the open market, known as a creeping tender offer, to effect a change in management. In all of these ways, management resists the acquisition but it is carried out anyway.

1. **Reverse takeovers**

A reverse takeover is a type of takeover where a private company acquires a public company. This is usually done at the instigation of the larger, private company, the purpose being for the private company to effectively float itself while avoiding some of the expense and time involved in a conventional IPO. However, under AIM rules, a reverse take-over is an acquisition or acquisitions in a twelve month period which for an AIM company would:

- exceed 100% in any of the class tests; or
- result in a fundamental change in its business, board or voting control; or
- in the case of an investing company, depart substantially from the investing strategy stated in its admission document or, where no admission document was produced on admission, depart substantially from the investing strategy stated in its pre-admission announcement or, depart substantially from the investing strategy

History of Mergers and Acquisitions

Tracing back to history, merger and acquisitions have evolved in five stages and each of these are discussed here. As seen from past experience mergers and acquisitions are triggered by economic factors.

The macroeconomic environment, which includes the growth in GDP, interest rates and monetary policies play a key role in designing the process of mergers or acquisitions between companies or organizations.

First Wave Mergers

The first wave mergers commenced from 1897 to 1904. During this phase merger occurred between companies, which enjoyed monopoly over their lines of production like railroads, electricity etc.

The first wave mergers that occurred during the aforesaid time period were mostly horizontal mergers that took place between heavy manufacturing industries.

End of 1st Wave Merger

Majority of the mergers that were conceived during the 1st phase ended in failure since they could not achieve the desired efficiency. The failure was fuelled by the slowdown of the economy in 1903 followed by the stock market crash of 1904. The legal framework was not supportive either. The Supreme Court passed the mandate that the anticompetitive mergers could be halted using the Sherman Act.

Second Wave Mergers

The second wave mergers that took place from 1916 to 1929 focused on the mergers between oligopolies, rather than monopolies as in the previous phase. The economic boom that followed the post World War I gave rise to these mergers. Technological developments like the development of railroads and transportation by motor vehicles provided the necessary infrastructure for such mergers or acquisitions to take place.

The government policy encouraged firms to work in unison. This policy was implemented in the 1920s. The 2nd wave mergers that took place were mainly horizontal or conglomerate in nature. Te industries that went for merger during this phase were producers of primary metals, food products, petroleum products, transportation equipments and chemicals. The investments banks played a pivotal role in facilitating the mergers and acquisitions.

End of 2nd Wave Mergers

The 2nd wave mergers ended with the stock market crash in 1929 and the great depression. The tax relief that was provided inspired mergers in the 1940s.

Third Wave Mergers

The mergers that took place during this period (1965-69) were mainly conglomerate mergers. Mergers were inspired by high stock prices, interest rates and strict enforcement of antitrust laws.

The bidder firms in the 3rd wave merger were smaller than the Target Firm. Mergers were financed from equities; the investment banks no longer played an important role.

End of the 3rd Wave Merger

The 3rd wave merger ended with the plan of the Attorney General to split conglomerates in 1968. It was also due to the poor performance of the conglomerates. Some mergers in the 1970s have set precedence.

The most prominent ones were the INCO-ESB merger; United Technologies and OTIS Elevator Merger are the merger between Colt Industries and Garlock Industries.

Fourth Wave Merger

The 4th wave merger that started from 1981 and ended by 1989 was characterized by acquisition targets that wren much larger in size as compared to the 3rd wave merger. Mergers took place between the oil and gas industries, pharmaceutical industries, banking and airline industries. Foreign takeovers became common with most of them being hostile takeovers. The 4th Wave mergers ended with anti takeover laws, Financial Institutions Reform and the Gulf War.

Fifth Wave Merger

The 5th Wave Merger (1992-2000) was inspired by globalization, stock market boom and deregulation. The 5th Wave Merger took place mainly in the banking and telecommunications industries.

They were mostly equity financed rather than debt financed. The mergers were driven long term rather than short term profit motives. The 5th Wave Merger ended with the burst in the stock market bubble. Hence we may conclude that the evolution of mergers and acquisitions has been long drawn. Many economic factors have contributed its development.

Procedure for Takeover and Acquisition

Public announcement:

To make a public announcement an acquirer shall follow the following procedure:

1. Appointment of merchant banker:

The acquirer shall appoint a merchant banker registered as category – I with SEBI to advise him on the acquisition and to make a public announcement of offer on his behalf.

2. Use of media for announcement:

Public announcement shall be made at least in one national English daily one Hindi daily and one regional language daily newspaper of that place where the shares of that company are listed and traded.

3. Timings of announcement:

Public announcement should be made within four days of finalization of negotiations or entering into any agreement or memorandum of understanding to acquire the shares or the voting rights.

4. Contents of announcement:

Public announcement of offer is mandatory as required under the SEBI Regulations.

Therefore, it is required that it should be prepared showing there in the following information:

(1) Paid up share capital of the target company, the number of fully paid up and partially paid up shares.

(2) Total number and percentage of shares proposed to be acquired from public subject to minimum as specified in the sub-regulation (1) of Regulation 21 that is:

a) The public offer of minimum 20% of voting capital of the company to the shareholders;

b) The public offer by a raider shall not be less than 10% but more than 51% of shares of voting rights. Additional shares can be had @ 2% of voting rights in any year.

(3) The minimum offer price for each fully paid up or partly paid up share.

(4) Mode of payment of consideration;

(5) The identity of the acquirer and in case the acquirer is a company, the identity of the promoters and, or the persons having control over such company and the group, if any, to which the company belong;

(6) The existing holding, if any, of the acquirer in the shares of the target company, including holding of persons acting in concert with him;

(7) Salient features of the agreement, if any, such as the date, the name of the seller, the price at which the shares are being acquired, the manner of payment of the consideration and the number and percentage of shares in respect. Which the acquirer has entered into the agreement to acquirer the shares or the consideration, monetary or otherwise, for the acquisition of control over the target company, as the case may be;

(8) The highest and the average paid by the acquirer or persons acting in concert with him for acquisition, if any, of shares of the target company made by him during the twelve month period prior to the date of the public announcement.

(9) Objects and purpose of the acquisition of the shares and the future plans of the acquirer for the target company, including disclosers whether the acquirer proposes to dispose of or otherwise encumber any assets of the target company:

Provided that where the future plans are set out, the public announcement shall also set out how the acquirers propose to implement such future plans;

(10) The 'specified date' as mentioned in regulation 19.

(11) The date by which individual letters of offer would be posted to each of the shareholders.

(12) The date of opening and closure of the offer and the manner in which and the date by which the acceptance or rejection of the offer would be communicated to the share holders.

(13) The date by which the payment of consideration would be made for the shares in respect of which the offer has been accepted.

(14) Disclosure to the effect that firm arrangement for financial resources required to implement the offer is already in place, including the details regarding the sources of the funds whether domestic i.e. from banks, financial institutions, or otherwise or foreign i.e. from Non-resident Indians or otherwise.

(15) Provision for acceptance of the offer by person who own the shares but are not the registered holders of such shares.

(16) Statutory approvals required to obtained for the purpose of acquiring the shares under the Companies Act, 1956, the Monopolies and Restrictive Trade Practices Act, 1973, and/or any other applicable laws.

Purpose of Mergers and Acquisition

The purpose for an offeror company for acquiring another company shall be reflected in the corporate objectives. It has to decide the specific objectives to be achieved through acquisition. The basic purpose of merger or business combination is to achieve faster growth of the corporate business. Faster growth may be had through product improvement and competitive position.

Other possible purposes for acquisition are short listed below: -

(1) Procurement of supplies:

1. to safeguard the source of supplies of raw materials or intermediary product;
2. to obtain economies of purchase in the form of discount, savings in transportation costs, overhead costs in buying department, etc.;
3. To share the benefits of suppliers economies by standardizing the materials.

(2)Revamping production facilities:

1. to achieve economies of scale by amalgamating production facilities through more intensive utilization of plant and resources;
2. to standardize product specifications, improvement of quality of product, expanding
3. market and aiming at consumers satisfaction through strengthening after sale
4. services;
5. to obtain improved production technology and know-how from the offeree company
6. to reduce cost, improve quality and produce competitive products to retain and
7. Improve market share.

(3) Market expansion and strategy:

1. to eliminate competition and protect existing market;
2. to obtain a new market outlets in possession of the offeree;
3. to obtain new product for diversification or substitution of existing products and to enhance the product range;
4. strengthening retain outlets and sale the goods to rationalize distribution;
5. to reduce advertising cost and improve public image of the offeree company;
6. Strategic control of patents and copyrights.

(4) Financial strength:

1. to improve liquidity and have direct access to cash resource;
2. to dispose of surplus and outdated assets for cash out of combined enterprise;
3. to enhance gearing capacity, borrow on better strength and the greater assets backing;
4. to avail tax benefits;
5. to improve EPS (Earning per Share).

(5) General gains:

1. to improve its own image and attract superior managerial talents to manage its affairs;
2. to offer better satisfaction to consumers or users of the product.

(6) Own developmental plans:

The purpose of acquisition is backed by the offeror company's own developmental plans.

A company thinks in terms of acquiring the other company only when it has arrived at its own development plan to expand its operation having examined its own internal strength where it might not have any problem of taxation, accounting, valuation, etc. It has to aim at suitable combination where it could have opportunities to supplement its funds by issuance of securities, secure additional financial facilities eliminate competition and strengthen its market position.

(7) Strategic purpose:

The Acquirer Company view the merger to achieve strategic objectives through alternative type of combinations which may be horizontal, vertical, product expansion, market extensional or other specified unrelated objectives depending upon the corporate strategies. Thus, various types of combinations distinct with each other in nature are adopted to pursue this objective like vertical or horizontal combination.

(8) Corporate friendliness:

Although it is rare but it is true that business houses exhibit degrees of cooperative spirit despite competitiveness in providing rescues to each other from hostile takeovers and cultivate situations of collaborations sharing goodwill of each other to achieve performance heights through business combinations. The combining corporate aim at circular combinations by pursuing this objective.

Types of merger

Merger or acquisition depends upon the purpose of the offeror company it wants to achieve. Based on the offeror objectives profile, combinations could be vertical, horizontal, circular and conglomeratic as precisely described below with reference to the purpose in view of the offeror company. Merger types can be broadly classified into the following five subheads as described below.

1. Horizontal Merger: - refers to the merger of two companies who are direct competitors of one another. They serve the same market and sell the same product.

2. Conglomeration: - refers to the merger of companies, which do not either sell any related products or cater to any related markets. Here, the two companies entering the merger process do not possess any common business ties.

3. Vertical Merger: - is effected either between a company and a customer or between a company and a supplier.

4. Product-Extension Merger: - is executed among companies, which sell

different products of a related category. They also seek to serve a common market. This type of merger enables the new company to go in for a pooling in of their products so as to serve a common market, which was earlier fragmented among them.

5. Market-Extension Merger: - occurs between two companies that sell identical products in different markets.

It basically expands the market base of the product.

1. Certified Mergers and Acquisitions

2.Horizontal Mergers

3.Vertical Mergers

4.Market Extension Merger and Product Extension Merger

5. Conglomerate Mergers

1 . Certified Mergers and Acquisitions

There are a number of certified mergers and acquisitions advisory programs available at the present time. With the help of these programs, a lot of commercial entities are getting involved in merger and acquisition activities. These programs are offered by numerous merger and acquisition consultants and agencies. Some of them are also conducting educational programs and seminars for the purpose of educating financial professionals about the nuances of certified mergers and acquisitions and growing the knowledge base of the merger and acquisition professionals.

One of the most important certified merger and acquisition advisory programs is the Certified Valuation Manager Program offered by the American Academy of Financial Management (AAFM). The American Academy of Financial Management is also hosting a number of Certified Valuation Manager Training Conferences throughout the year.

The certified mergers and acquisitions agencies help commercial enterprises or business corporations in acquiring or taking over other companies and also in significant issues related to mergers and acquisitions. These agencies also help business entities regarding management buyouts (MBOs), finding acquisition lookup, sources of equity and debt financing, as well as valuation of businesses.

In this modern-day world, the power of globalization, market liberalization and technological advancement has contributed towards the formation of an increasingly competitive and active commercial world, where mergers and acquisitions are more and more utilized for achieving optimization of firm value and competitive benefits.

With the help of certified merger and acquisition advisory services, the clients can enjoy instant accessibility to:

- A large number of certified business purchasers, which include multinational or transnational corporations who are seeking to buy profitable companies

- A platform of the merger and acquisition professionals, sources of funding, transaction makers, intermediaries and tax professionals
- Knowledgeable principals
- Advices on pricing and valuation
- Forward-looking transaction formation, which will lead to value addition The certified mergers and acquisition advisory services can be broadly categorized into the following types:
- Business Valuation Services
- Funding Services (Acquisition financing, recapitalizations, financial reconstruction)
- Asset Disposal Services
- Acquisition Lookup
- Management Buyouts (MBOs)
- Certified Equipment and Machinery Estimation

2 . Horizontal Mergers

- It is a merger of two competing firms which are at the same stage of industrial process. The acquiring firm belongs to the same industry as the target company.

- The main purpose of such mergers is to obtain economies of scale in production by eliminating duplication of facilities and the operations and broadening the product line, reduction in investment in working capital, elimination in competition concentration in product, reduction in advertising.

- Costs, increase in market segments and exercise better control on market.

- Horizontal mergers are those mergers where the companies manufacturing similar kinds of commodities or running similar type of businesses merge with each other.

- Two companies that are in direct competition and share similar product lines and markets. In the context of marketing, horizontal merger is more prevalent in comparison to horizontal merger in the context of production or manufacturing.

- The principal objective behind this type of mergers is to achieve economies of scale in the production procedure through carrying off duplication of installations, services and functions, widening the line of products, decrease in working capital and fixed assets investment, getting rid of competition, minimizing the advertising expenses, enhancing the market capability and to get more dominance on the market.

- Never the less, the horizontal mergers do not have the capacity to ensure the market about the product and steady or uninterrupted raw material supply.

- Horizontal mergers can sometimes result in monopoly and absorption of economic power in the hands of a small number of commercial entities.

- According to strategic management and microeconomics, the expression horizontal merger delineates a form of proprietorship and control. It is a plan, which is utilized by a corporation or commercial enterprise for marketing a form of commodity or service in a large number of markets.

Horizontal Integration

Sometimes, horizontal merger is also called as horizontal integration. It is totally opposite in nature to vertical merger or vertical integration.

Horizontal Monopoly

A monopoly formed by horizontal merger is known as a horizontal monopoly. Normally, a monopoly is formed by both vertical and horizontal mergers.

Horizontal merger is that condition where a company is involved in taking over or acquiring another company in similar form of trade. In this way, a competitor is done away with and a wider market and higher economies of scale are accomplished. In the process of horizontal merger, the downstream purchasers and upstream suppliers are also controlled and as a result of this, production expenses can be decreased.

Horizontal Expansion

An expression which is intimately connected to horizontal merger is horizontal expansion. This refers to the expansion or growth of a company in a sector that is presently functioning. The aim behind a horizontal expansion is to grow its market share for a specific commodity or service.

Examples of Horizontal Mergers:-

Following are the important examples of horizontal mergers:

- The formation of Brook Bond Lipton India Ltd. through the merger of Lipton India and Brook Bond

- The merger of Bank of Mathura with ICICI (Industrial Credit and Investment Corporation of India) Bank

- The merger of BSES (Bombay Suburban Electric Supply) Ltd. with Orissa Power Supply Company

- The merger of ACC (erstwhile Associated Cement Companies Ltd.) with Damodar Cement

3 Vertical merger

A customer and company or a supplier and company. Think of a cone supplier merging with an ice cream maker.

Vertical mergers refer to a situation where a product manufacturer merges with the supplier of inputs or raw materials. In can also be a merger between a product manufacturer and the product's distributor.

A company would like to takeover another company or seek its merger with that company to expand espousing backward integration to assimilate the resources of supply and forward integration towards market outlets.

The acquiring company through merger of another unit attempts on reduction of inventories of raw material and finished goods, implements its production plans as per the objectives and economizes on working capital investments. In other words, in vertical combinations, the merging undertaking would be either a supplier or a buyer using its product as intermediary material for final production.

The following main benefits accrue from the vertical combination to the acquirer company i.e.

(1) it gains a strong position because of imperfect market of the intermediary products, scarcity of resources and purchased products;

(2) has control over products specifications.

Vertical mergers may violate the competitive spirit of markets. It can be used to block competitors from accessing the raw material source or the distribution channel. Hence, it is also known as "vertical foreclosure". It may create a sort of bottleneck problem. As per research, vertical integration can affect the pricing incentive of a downstream producer. It may also affect a competitor's incentive for selecting input suppliers.

There are multiple reasons, which promote the vertical integration by firms. Some of them are discussed below.

- The prime reason being the reduction of uncertainty regarding the availability of quality inputs as also the uncertainty regarding the demand for its products.

- Firms may also enter vertical mergers to avail the plus points of economies of integration.

- Vertical merger may make the firms cost-efficient by streamlining its distribution and production costs. It is also meant for the reduction of transactions costs like marketing expenses and sales taxes. It ensures that a firm's resources are used optimally.

4 Market-extension merger

Two companies that sell the same products in different markets.

As per definition, market extension merger takes place between two companies that deal in the same products but in separate markets. The main purpose of the market extension merger is to make sure that the merging companies can get access to a bigger market and that ensures a bigger client base.

Example of Market Extension Merger

A very good example of market extension merger is the acquisition of Eagle Bancshares Inc by the RBC Century. Eagle Bancshares is headquartered at Atlanta, Georgia and has 283 workers. It has almost 90,000 accounts and looks after assets worth US $1.1 billion.

Eagle Bancshares also holds the Tucker Federal Bank, which is one of the ten biggest banks in the metropolitan Atlanta region as far as deposit market share is concerned. One of the major benefits of this acquisition is that this acquisition enables the RBC to go ahead with its growth operations in the North American market.

With the help of this acquisition RBC has got a chance to deal in the financial market of Atlanta, which is among the leading upcoming financial markets in the USA. This move would allow RBC to diversify its base of operations.

5 Product-extension merger

Two companies selling different but related products in the same market.

According to definition, product extension merger takes place between two business organizations that deal in products that are related to each other and operate in the same market. The product extension merger allows the merging companies to group together their products and get access to a bigger set of consumers. This ensures that they earn higher profits.

Example of Product Extension Merger

The acquisition of Mobilink Telecom Inc. by Broadcom is a proper example of product extension merger. Broadcom deals in the manufacturing Bluetooth personal area network hardware systems and chips for IEEE 802.11b wireless LAN.

Mobilink Telecom Inc. deals in the manufacturing of product designs meant for handsets that are equipped with the Global System for Mobile Communications technology.

It is also in the process of being certified to produce wireless networking chips that have high speed and General Packet Radio Service technology. It is expected that the products of Mobilink Telecom Inc. would be complementing the wireless products of Broadcom.

6 Conglomeration

Two companies that have no common business areas.

As per definition, a conglomerate merger is a type of merger whereby the two companies that merge with each other are involved in different sorts of businesses. The importance of the conglomerate mergers lies in the fact that they help the merging companies to be better than before.

Types of Conglomerate Mergers

There are two main types of conglomerate mergers:-

1. pure conglomerate merger
2. Mixed conglomerate merger.

1. pure conglomerate merger

The pure conglomerate merger is one where the merging companies are doing businesses that are totally unrelated to each other.

2. Mixed conglomerate merger

The mixed conglomerate mergers are ones where the companies that are merging with each other are doing so with the main purpose of gaining access to a wider market and client base or for expanding the range of products and services that are being provided by them There are also some other subdivisions of conglomerate mergers like the financial conglomerates, the concentric companies, and the managerial conglomerates.

Reasons of Conglomerate Mergers

There are several reasons as to why a company may go for a conglomerate merger. Among the more common reasons are adding to the share of the market that is owned by the company and indulging in cross selling. The companies also look to add to their overall synergy and productivity by adopting the method of conglomerate mergers.

Benefits of Conglomerate Mergers

There are several advantages of the conglomerate mergers. One of the major benefits is that conglomerate mergers assist the companies to diversify. As a result of conglomerate mergers the merging companies can also bring down the levels of their exposure to risks.

Advantages of mergers and takeovers

Mergers and takeovers are permanent form of combinations which vest in management complete control and provide centralized administration which are not available in combinations of holding company and its partly owned subsidiary.

Shareholders in the selling company gain from the merger and takeovers as the premium offered to induce acceptance of the merger or takeover offers much more price than the book value of shares. Shareholders in the buying company gain in the long run with the growth of the company not only due to synergy but also due to "boots trapping earnings".

Motivations for mergers and acquisitions

Mergers and acquisitions are caused with the support of shareholders, manager's ad promoters of the combing companies. The factors, which motivate the shareholders and managers to lend support to these combinations and the resultant consequences they have to bear, are briefly noted below based on the research work by various scholars globally.

(1) From the standpoint of shareholders:-

Investment made by shareholders in the companies subject to merger should enhance in value.

The sale of shares from one company's shareholders to another and holding investment in shares should give rise to greater values i.e. the opportunity gains in alternative investments. Shareholders may gain from merger in different ways viz. from the gains and achievements of the company
i.e. through

(a) realization of monopoly profits;
(b) economies of scales;
(c) diversification of product line;
(d) acquisition of human assets and other resources not available otherwise;
(e) better investment opportunity in combinations.

One or more features would generally be available in each merger where shareholders may have attraction and favour merger.

(2) From the standpoint of managers

Managers are concerned with improving operations of the company, managing the affairs of the company effectively for all round gains and growth of the company which will provide them better deals in raising their status, perks and fringe benefits.

Mergers where all these things are the guaranteed outcome get support from the managers. At the same time, where managers have fear of displacement at the hands of new management in amalgamated company and also resultant depreciation from the merger then support from them becomes difficult.

(3) Promoter's gains

Mergers do offer to company promoters the advantage of increasing the size of their company and the financial structure and strength. They can convert a closely held and private limited company into a public company without contributing much wealth and without losing control.

(4) Benefits to general public

Impact of mergers on general public could be viewed as aspect of benefits and costs to:

(a) Consumer of the product or services;
(b) Workers of the companies under combination;
(c) General public affected in general having not been user or consumer or the worker in the companies under merger plan.

(a) Consumers

The economic gains realized from mergers are passed on to consumers in the form of lower prices and better quality of the product which directly raise their standard of living and quality of life.

The balance of benefits in favour of consumers will depend upon the fact whether or not the mergers increase or decrease competitive economic and productive activity which directly affects the degree of welfare of the consumers through changes in price level, quality of products, after sales service, etc.

(b) Workers community

The merger or acquisition of a company by a conglomerate or other acquiring company may have the effect on both the sides of increasing the welfare in the form of purchasing power and other miseries of life. Two sides of the impact as discussed by the researchers and academicians are:

1. Mergers with cash payment to shareholders provide opportunities for them to invest this money in other companies which will generate further employment and growth to uplift of the economy in general.

2. Any restrictions placed on such mergers will decrease the growth and investment activity with corresponding decrease in employment. Both workers and communities will suffer on lessening job opportunities, preventing the distribution of benefits resulting from diversification of production activity.

(c) General public

Mergers result into centralized concentration of power. Economic power is to be understood as the ability to control prices and industries output as monopolists. Such monopolists affect social and political environment to tilt everything in their favour to maintain their power ad expand their business empire. These advances result into economic exploitation. But in a free economy a monopolist does not stay for a longer period as other companies enter into the field to reap the benefits of higher prices set in by the monopolist. This enforces competition in the market as consumers are free to substitute the alternative products.

Therefore, it is difficult to generalize that mergers affect the welfare of general public adversely or favorably. Every merger of two or more companies has to be viewed from different angles in the business practices which protects the interest of the shareholders in the merging company and also serves the national purpose to add to the welfare of the employees, consumers and does not create hindrance in administration of the Government polices.

Distinction between Mergers and Acquisitions

Although they are often uttered in the same breath and used as though they were synonymous, the terms merger and acquisition mean slightly different things:-

- When one company takes over another and clearly established itself as the new owner, the purchase is called an acquisition.
- When merger happens when two firms, often of about the same size, agree to go forward as a single new company rather than remain separately owned and operated. This kind of action is more precisely referred to as a "merger of equals".
- Both companies' stocks are surrendered and new company stock is issued in its place. A purchase deal will also be called a merger when both CEOs agree that joining together is in the best interest of both of their companies.
- But when the deal is unfriendly - that is, when the target company does not want to be purchased - it is always regarded as an acquisition. This is challengeable.
- An acquisition can be either friendly or hostile. An example of a recent friendly takeover was when Microsoft bought Fast Search and Transfer (OSE Stock Exchange, Ticker FAST).CEO of the acquired company (FAST) revealed that they had been working with Microsoft for more than 6 months to get the deal which was announced in January, 2008.

Mergers and Acquisitions in India

The process of mergers and acquisitions has gained substantial importance in today's corporate world. This process is extensively used for restructuring the business organizations.

In India, the concept of mergers and acquisitions was initiated by the government bodies. Some well known financial organizations also took the necessary initiatives to restructure the corporate sector of India by adopting the mergers and acquisitions policies.

The Indian economic reform since 1991 has opened up a whole lot of challenges both in the domestic and international spheres. The increased competition in the global market has prompted the Indian companies to go for mergers and acquisitions as an important strategic choice.

The trends of mergers and acquisitions in India have changed over the years. The immediate effects of the mergers and acquisitions have also been diverse across the various sectors of the Indian economy.

India has emerged as one of the top countries with respect to merger and acquisition deals. In 2007, the first two months alone accounted for merger and acquisition deals worth $40 billion in India.

Mergers and Acquisitions across Indian Sectors

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.

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.

The merger and acquisition business deals in India amounted to $40 billion during the initial 2 months in the year 2007. The total estimated value of mergers and acquisitions in India for 2007 was greater than $100 billion. It is twice the amount of mergers and acquisitions in 2006.

Mergers and Acquisitions in India: The Latest Trends

Till recent past, the incidence of Indian entrepreneurs acquiring foreign enterprises was not so common. The situation has undergone a sea change in the last couple of years. Acquisition of foreign companies by the Indian businesses has been the latest trend in the Indian corporate sector.

There are different factors that played their parts in facilitating the mergers and acquisitions in India. Favorable government policies, buoyancy in economy, additional liquidity in the corporate sector, and dynamic attitudes of the Indian entrepreneurs are the key factors behind the changing trends of mergers and acquisitions in India.

The Indian IT and ITES sectors have already proved their potential in the global market. The other Indian sectors are also following the same trend. The increased participation of the Indian companies in the global corporate sector has further facilitated the merger and acquisition activities in India.

Major Mergers and Acquisitions in India

Recently the Indian companies have undertaken some important acquisitions. Some of those are as follows:

- Hindalco acquired Canada based Novelis. The deal involved transaction of $5,982 million.
- Tata Steel acquired Corus Group plc. The acquisition deal amounted to $12,000 million.
- Dr. Reddy's Labs acquired Betapharm through a deal worth of $597 million.

- Ranbaxy Labs acquired Terapia SA. The deal amounted to $324 million.

- Suzlon Energy acquired Hansen Group through a deal of $565 million.

- The acquisition of Daewoo Electronics Corp. by Videocon involved transaction of $729 million.

- HPCL acquired Kenya Petroleum Refinery Ltd. The deal amounted to $500 million.

- VSNL acquired Teleglobe through a deal of $239 million.

When it comes to mergers and acquisitions deals in India, the total number was 287 from the month of January to May in 2007. It has involved monetary transaction of US $47.37 billion. Out of these 287 merger and acquisition deals, there have been 102 cross country deals with a total valuation of US $28.19 billion.

Mergers and Acquisitions in Banking Sector

About Mergers and Acquisitions in Banking Sector

Mergers and acquisitions in banking sector have become familiar in the majority of all the countries in the world.

A large number of international and domestic banks all over the world are engaged in merger and acquisition activities. One of the principal objectives behind the mergers and acquisitions in the banking sector is to reap the benefits of economies of scale. With the help of mergers and acquisitions in the banking sector, the banks can achieve significant growth in their operations and minimize their expenses to a considerable extent.

Another important advantage behind this kind of merger is that in this process, competition is reduced because merger eliminates competitors from the banking industry. Mergers and acquisitions in banking sector are forms of horizontal merger because the merging entities are involved in the same kind of business or commercial activities. Sometimes, non-banking financial institutions are also merged with other banks if they provide similar type of services.

In the context of mergers and acquisitions in the banking sector, it can be reckoned that size does matter and growth in size can be achieved through mergers and acquisitions quite easily.

Growth achieved by taking assistance of the mergers and acquisitions in the banking sector may be described as inorganic growth. Both government banks and private sector banks are adopting policies for mergers and acquisitions. In many countries, global or multinational banks are extending their operations through mergers and acquisitions with the regional banks in those countries.

These mergers and acquisitions are named as cross-border mergers and acquisitions in the banking sector or international mergers and acquisitions in the banking sector. By doing this, global banking corporations are able to place themselves into a dominant position in the banking sector, achieve economies of scale, as well as garner market share. Mergers and acquisitions in the banking sector have the capacity to ensure efficiency, profitability and synergy. They also help to form and grow shareholder value.

In some cases, financially distressed banks are also subject to takeovers or mergers in the banking sector and this kind of merger may result in monopoly and job cuts. Deregulation in the financial market, market liberalization, economic reforms, and a number of other factors have played an important function behind the growth of mergers and acquisitions in the banking sector. Nevertheless, there are many challenges that are still to be overcome through appropriate measures. Mergers and acquisitions in banking sector are controlled or regulated by the apex financial authority of a particular country. For example, the mergers and acquisitions in the banking sector of India are overseen by the Reserve Bank of India (RBI).

Mergers and Acquisitions in Telecom Sector

The number of mergers and acquisitions in Telecom Sector has been increasing significantly.

Telecommunications industry is one of the most profitable and rapidly developing industries in the world and it is regarded as an indispensable component of the worldwide utility and services sector. Telecommunication industry deals with various forms of communication mediums, for example mobile phones, fixed line phones, as well as Internet and broadband services. Currently, a slew of mergers and acquisitions in Telecom Sector are going on throughout the world.

The aim behind such mergers is to attain competitive benefits in the telecommunications industry. The mergers and acquisitions in Telecom Sector are regarded as horizontal mergers simply because of the reason that the entities going for merger or acquisition are operating in the same industry that is telecommunications industry.

In the majority of the developed and developing countries around the world, mergers and acquisitions in the telecommunications sector have become a necessity. This kind of mergers also assists in creation of jobs. Both transnational and domestic telecommunications services providers are keen to try merger and acquisition options because this will help them in many ways.

They can cut down on their expenses, achieve greater market share and accomplish market control. Mergers and acquisitions in the telecommunications sector have been showing a prosperous trend in the recent past and the economists are advocating that they will continue to do so.

The majority of telecommunication services providers have understood that in order to grow globally, strategic alliances and mergers and acquisitions are the principal devices.

Private sector investment and FDI (Foreign Direct Investment) have also boosted the growth of mergers and acquisitions in the telecommunications sector. Over the last few years, a phenomenal growth has been witnessed in the number of mergers and acquisitions taking place in the telecommunications industry.

The reasons behind this development include the following:

- Deregulation
- Introduction of sophisticated technologies (Wireless land phone services)
- Innovative products and services (Internet, broadband and cable services)

Economic reforms have spurred the growth in the mergers and acquisitions industry of the telecommunications sector to a satisfactory level. Mergers and acquisitions in Telecom Sector can also have some negative effects, which include monopolization of the telecommunication products and services, unemployment and others.

However, the governments of various countries take appropriate steps to curb these problems. In countries like India, mergers and acquisitions have increased to a considerable level from the mid 1990s. In the United States, the mergers and acquisitions in the telecommunications sector are going on in a full-fledged manner.

The mergers and acquisitions in the telecommunications sector are governed or supervised by the regulatory authority of the telecommunication industry of a particular country, for instance the Telecom Regulatory Authority of India or TRAI. The regulatory authorities always keep a tab on the telecommunications industry so that no monopoly is formed.

Significant Mergers and Acquisitions in Telecom Sector

Following are the important mergers and acquisitions that took place in the telecommunications sector:

- The takeover of Mobilink Telecom by Broadcom. This can also be described as a suitable example of product extension merger

- AT&T Inc. taking over BellSouth
- The acquisition of Scription Inc. by Nuance Communications Inc.
- The taking over of Hutchison Essar by the Vodafone Group. Now it has become Vodafone Essar Limited
- China Communications Services Corporation Ltd. taking over China International Telecommunication Construction Corporation
- The acquisition of Ameritech Corporation by SBC (Southwestern Bell Corporation) Communications
- The merger of GTE (General Telephone and Electronics) with Bell Atlantic
- The acquisition of US West by Qwest Communications
- The merger of MCI Communications Corporation with WorldCom

Following are the benefits provided by the mergers and acquisitions in the telecommunications industry:

- Building of infrastructure in a more convenient way
- Licensing options for mergers and acquisitions are often found to be easier
- Mergers and acquisitions offer extensive networking advantages
- Brand value
- Bigger client base
- Wide array of products and services

Mergers and Acquisitions in Pharmaceutical Sector

There are several causes of mergers and acquisitions in the global pharmaceutical industry. Among them are the absence of proper research and development facilities, gradual expiry of patents and competition within specific pharmaceutical genres. The high profile product recalls have also played a major role in the continuing mergers and acquisitions in the industry.

Mergers and Acquisitions in Indian Pharmaceutical Sector

In the Indian pharmaceutical market there are a number of companies that have entered into merger and acquisition agreements in the context of the global market scenario. These companies would be selling off the non-core business divisions like Over-the-Counter. This is expected to further the consolidation in the mid-tier as far as the pharmaceutical industry in Europe is concerned.

The sheer number of companies acquiring parts of other companies has shown that the Indian pharmaceutical industry is ready to be a dominant force in this scenario. In the recent times Nicholas Piramal has taken the ownership of 17% of Biosyntech that is a major pharmaceutical packing organization in Canada.

Torrent has got the ownership of Heumann Pharma, a general drug making company and, formerly, a subsidiary of Pfizer. Matrix has acquired Docpharma, a major pharmaceutical company of Belgium.

Sun Pharmaceutical Industries is set to make acquisitions in pharmaceutical companies in the US and has set aside $450 million to execute these plans. In Bengaluru, Strides Arcolab has aimed at acquiring 70 percent in a pharmaceutical facility in Italy that is worth $10 million.

Opportunities for Pharmaceutical Companies

There are a number of opportunities for the major pharmaceutical products and services providers in the Indian pharmaceutical sector as the price controls have been relaxed and there have been significant changes in the medicinal requirements of the Indians.

The manufacturing base in India is also strong enough to support the major international pharmaceutical companies from the performance perspective.

This may be said as the Indian pharmaceutical market is varied as well as economical. It is expected that in the coming years the Indian pharmaceutical companies would be executing more mergers and acquisitions. It is expected that the regulated pharmaceutical markets in the United States and Europe would be the main areas of operation.

In the recent years the Indian pharmaceutical companies have been venturing into mergers and acquisitions so that they can gain access to the big names of the international pharmaceutical scenario.

Patterns of Mergers and Acquisitions in Pharmaceutical Sector

One of the major features of the mergers and acquisitions in the pharmaceutical sector of the Asia-Pacific region has been the integration of the local pharmaceutical companies. This has happened especially in India and China. Acquisition has made it convenient for a number of companies to do business in various pharmaceutical markets. Previously the pharmaceutical markets of Europe were closed to the companies of other countries due to the difference in language. There were also other problems for companies like the trade barriers for instance.

Figures of Mergers and Acquisitions in Pharmaceutical Sector

As per the figures of mergers and acquisitions in pharmaceutical sector, from the year 2004, there have been more mergers and acquisitions in the pharmaceutical sector in the Asia-Pacific region compared to North America. The combined financial value of the mergers and acquisitions in Asia-Pacific region has been greater than North America. One of the major merger and acquisition deals in the Asia-Pacific region in the recent years has been the merger of Fujisawa and Yamanouchi in Japan.

This deal was worth $7.9 billion. In the same period the Asia-Pacific region has experienced the highest percentage of growth in the mergers and acquisitions in pharmaceutical sector. In the same period the rate of growth in the Asia-Pacific region has been 37%. In Western Europe the rate of growth has been 11% and in North America it has been 20%. The pharmaceutical market in Eastern Europe has not experienced any increase in the rate of mergers and acquisitions.

Mergers and Acquisitions in Global Pharmaceutical Sector

Since the year 2004 there has been an increase in the mergers and acquisitions in the global pharmaceutical sector. This was reflective of the increase in the mergers and acquisitions in other industries at the same period. There was 20% increase in the number of deals, which stood at 1,808. There were eight deals with the value of more than $1 billion. This was three more than 2003. The total financial value of the deals was $112 billion and this was an increase of 53%. However, these figures do not include the acquisition of Aventis by Sanofi-Synthelabo that was worth $60 billion. This is the biggest acquisition in the pharmaceutical industry after the merger of Pharmacia and Pfizer in 2002.

Recent Mergers and Acquisitions

Mergers and Acquisitions have been very common incidents since the turn of the 20th century. These are used as tools for business expansion and restructuring.

Through mergers the acquiring company gets an expanded client base and the acquired company gets additional lifeline in the form of capital invested by the purchasing company.

Change in scenario of Banking Sector

1. The first mega merger in the Indian banking sector that of the HDFC Bank with Times Bank, has created an entity which is the largest private sector bank in the country.

2. The merger of the city bank with Travelers Group and the merger of Bank of America with Nation Bank have triggered the mergers and acquisition market in the banking sector world wide.

3. Europe and Japan are also on their way to restructure their financial sector thought merger and acquisitions. Merger will help banks with added money power, extended geographical reach with diversified branch Network, improved product mix, and economies of scale of operations. Merger will also help banks to reduced them borrowing cost and to spread total risk associated with the individual banks over the combined entity. Revenues of the combine entity are likely to shoot up due to more effective allocation of bank funds.

4. ICICI Bank has initiated merger talks with Centurion Bank but due to difference arising over swap ration the merger didn't materialized. Now UTI Bank is egeing Centurion Bank.

The proposed merger of UTI Bank and Centurion Bank will make them third largest private banks in terms of size and market

Capitalization State Bank of India has also planned to merge seven of its associates or part of its long-term policies to regroup and consolidate its position. Some of the Indian Financial Sector players are already on their way for mergers to strengthen their existing base.

5. In India mergers especially of the PSBS may be subject to technology and trade union related problem. The strong trade union may prove to be big obstacle for the PSBS mergers. Technology of the merging banks to should complement each other NPA management. Management of efficiency, cost reduction, tough competition from the market players and strengthen of the capital base of the banks are some of the problem which can be faced by the merge entities. Mergers for private sector banks will be much smoother and easier as again that of PSBS.

CASE STUDY

ICICI BANK LTD

ICICI Bank was originally promoted in 1994 by ICICI limited, an Indian financial institution, and was its wholly owned subsidiary. ICICI was formed in 1955 at the initiative of the World Bank, the Government of India and representatives of the Indian industry.

The principal objective was to create a development financial institution for providing medium-term and long-term project financing to Indian businesses. In the 1990s, ICICI transferred its businesses from a development financial institution offering only project finance to a diversified financial services group offering a wide variety of product and services, both directly and through a number of subsidiaries and affiliates like ICICI Bank. In 1999, ICICI became the first Indian company and the first bank or financial institution from non-Japan Asia to be listed on NYSE.

After consideration of various corporate structuring alternatives in the context of the emerging competitive scales in the Indian banking industry, and the move towards universal banking, the management of ICICI and ICICI Bank formed the view that the manager of ICICI with ICICI Bank would be the optimal strategic alternative for both entities, and would create the optimal legal structure for the ICICI group's universal banking, strategy.

The merger would enhance the value for ICICI shareholders through the merged entity's access to low-cost deposits, greater opportunities for

earning fee-based income and the ability to participate in the payment system and provide transaction-banking services.

The merger would enhance value for ICICI Bank shareholders through a large capital base and scale of operation, seamless access to ICICI's strong corporate relationship built up over five decade, entry into new business segment, higher market share in various business segment, particularly fee-based services, and access to the vast talent pool of ICICI and its subsidiaries.

In October 2001, the board of director of ICICI and ICICI Bank approved the merger of ICICI and its two wholly owned retail finance subsidiaries ICICI personnel financial services limited and ICICI Bank.

The merger was Approved by shareholder of ICICI and ICICI Bank in January 2002, by the high court of Gujarat at Ahmadabad in April 2002.Consequent to the merger, the ICICI group's financing and banking operation, both wholesale and retail, have been integrated in a single entity.

The following tables analyses the financial performance of ICICI Bank Limited from the Year 1997 TO 2004

Sales position and assets turnover of ICICI Bank

Year	Net sales	Increase over previous period (%)	Total Assts (Rs. cr.)	Assets Turnover Ratio
1997	221.76	-	1781.86	0.124
1998	344.26	35.58	3279.43	0.104
1999	634.19	45.71	6981.67	0.09
2000	1042.09	39.14	12072.62	0.86
2001	1442.48	27.75	19736.59	0.073
2002	2724.73	47.06	104959.5	0.025
2003	10771.83	74.7	107760.3	0.099
2004	11509.26	6.4	126149.6	0.091

Table 4.25 shows the Sales position and Assts Turnover of ICICI Bank.

The net Sales have been rising especially after the merger in 2001. In 2002, sales have increased by 47.06% and in 2003 by 74.71%. The percentage increase was less in 2004 i.e. 6.4% over the previous year. But overall there has been an improvement in the sales position after the merger.

The Assts turnover ratio has declined from 0.124 (1997) to 0.86 (2000) and 0.073 (2001) (pre-merger). In the year 2004 it has slightly improved to 0.91. The bank needs to further improve the ratio so that it reaches 1.0 beyond which the assets of a company are supposed to be fully utilized.

Table 4.26: Profitability Position of ICICI Bank

Year	PAT (Rs. Cr.)	PBDIT as % of sales (%)	PBIT as % of sales (%)	PAT as % of sales (%)	ROI (%)
1997	40.13	79.52	74.99	1706	2.25
1998	5.22	78.97	73.63	14.28	1.53

1999	63.35	84.08	80.58	9.17	0.9
2000	105.3	79.95	77.48	11.27	0.87
2001	161.1	74.93	72.38	9.77	0.81
2002	258.3	69.97	67.62	5.93	0.24
2003	1206.18	74.69	69.99	-507	1.19
2004	1637.11	82.11	77.42	14.11	1.29

Table 4.26 shows the profitability position of ICICI Bank.

The PAT has seen a significant improvement especially after the merger.
In 2001, PAT were Rs. 161.1 crore, the level went up to Rs. 258 crore in 2002. There was sizeable jump at Rs. 1206 crore in 2003 and Rs. 1637 crore in 2004.

The PBDIT as percentage of sales has also gone up from 74.93% in 2001 to 82.11% in 2004 (after the merger).

PBIT as percentage of sales has almost remained the same at around 72% in 2001 and slightly improved in 2004 at 77.42%.

The PAT as percentage of sales was 17.06% in 1997 but declined to 9.77% in 2001 (the year of the merger), reduced to 5.93% in 2002 and also a negative in 2003 but in 2004 it has gone up to 14.11%.

The ROI was 2.25% in 1997 it declined to 0.81% in 2001 (the year of the merger) and has now improved in 2004 at 1.29%.

Overall, the operational performance of the Bank has enhanced after the merger as indicate by its PAT and ROI.

The single most important reason for the merger was synergies between the two institutions. The only problem faced due to this merger was to raise lot of funds and the biggest challenge was to meet the government regulation. And after analysis that there has been an increase in sales by 50% in fee income in 2004 and by 80% in 2005 due to the merger.

Conclusions

The following conclusions have been drawn from the study:

1. Post- liberalization, most Indian business houses are undergoing major structural changes, the level of restructuring activity is increasing rapidly and the consolidations through M&A have reached every corporate boardroom.

2. Most of the mergers that took place in India during the last decade seemed to have followed the consequence of mergers in India corroborate the conclusions of research work in U.S. with most of the M&A are taking place in India to improve the size to withstand international competition which they have been exposed to in the Post-liberalization regime.

3. The M&A activity is undertaken with the objective of financial restructuring and to avail of the benefits of financial restructuring. Nowadays, before financial restructuring, it has become a pre-requisite that companies need to merge or acquire. Moreover, financial restructuring becomes easier because of M&A. the small companies cannot approach international markets without becoming big i.e. without merging or acquiring.

4. Market capitalalisation of a company sometimes is found to be going up or down without any corresponding change in the EVA and MVA since the stock may be strong because of the general bullish scenario in the market, s is observed in most of the cases in our study.

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