ABSTRACT

Mergers and acquisitions and corporate restructuring are a big part of the corporate finance world. Many companies find that the best way to get ahead is to expand ownership boundaries through this process. For others, separating the public ownership of a subsidiary or business segment offers more advantages. This strategy has gained substantial importance in today's corporate world and is extensively used for restructuring business organizations.

The Indian economic reforms since 1991 have opened up a plethora of challenges both in the domestic and international spheres. The increased competition in the global market has prompted Indian companies to go for mergers and acquisitions as an important strategic choice. The trends of mergers and acquisitions have changed over the years and their immediate effects have been diverse across the various sectors of the Indian economy.

This report begins with an introduction and overview to merger and acquisition activities to facilitate understanding of the problems and consequently to outline the objectives of the research. The objective of study is to analyze the activities of merger and acquisitions in the Indian context in the context of the strategic intent of the organizations. This research report contains detailed study and analysis of forty five deals from various sectors - deal wise along with hypotheses testing. The various hypotheses which were tested with respect to various sectors are:

1) The companies which are leaders in a particular industry use this process to gain greater market share.
2) The companies which are not leaders but have excess resources and good vision use the process of M&A to improve and strengthen their positions and vision.
3) Declining firms choose this strategy to strengthen/safeguard their resources (financial, human, and infrastructural).
4) Localized firms use this approach to spatially expand their companies and to tap unattended markets.
5) International/spatially differentiated companies may use this process to cater/tap locally concentrated markets.

6) The deal amount transacted is governed by the growth of the particular sector.

7) The success of mergers and acquisitions depends upon the matching of the visions of organizations included in merging and acquiring activities.

The above hypotheses were formulated based on the various theories of merger and acquisitions and on the research carried out earlier as mentioned in the detailed literature review. The forty five deals of organizations in various sectors were analyzed deal wise/case wise based on the various articles/media releases/statements/interviews/press notes given by various corporates. On detailed analysis of these secondary data, the reasons behind each merger activity of each sector were identified and analyzed and the deals were grouped under various hypotheses and tested.

In the first stage, this study identified and analyzed the main reasons behind mergers and acquisitions through detailed case wise analysis of the various secondary data of the different deals. Achieving market consolidation and leadership gaining entry into un-catered markets and achieving operational synergies leading to low cost were main reasons in telecom sector. In the pharmaceutical sector, gaining market leadership, having global presence and synergy were the prime reasons. In the steel sector, need to have market leadership position; diversification and achieving low cost of operation were the main reasons. In the beverage sector, it was found that achieving market position and share, accessing R & D facilities were main reasons. In the aviation sector, market consolidation and route rationalization were the main reasons behind the mergers and acquisitions.

In the IT sector, achieving technological synergy and increased market penetration were main reasons. While in the automobile sector, entry new as well as global market were the main reason. In the chemical sector, achieving increased market position and market leadership were prime reasons and in the cement sector, gaining market entry was the prime reason. In the wind sector, gaining access to advanced technology was the prime reason. In the banking sector, need for strong branch network and regulatory requirements were among the prime reasons. In telecom
sector, innovation, technological needs, cultural similarity were the main objectives. On the other hand in the petroleum sector, achieving optimum restructuring of the resources was the main reason behind the M & A.

A search for correlating the mismatching sets was attempted and it was found that the reasons for M & A could be many and varied in different sectors as mentioned above like, market entry, market dominance, market consolidation, cost efficiency, technological synergy and cultural match, which are not clearly perhaps spelt out.