Chapter-VII
Conclusions

In the preceding chapters the researcher discussed rate of mergers and acquisitions in the globalisation of the Indian economy. This chapter provides the concluding past of the thesis. It contains the summary of earlier chapter and also the findings and suggestions for future development.

The main motive behind the mergers and acquisitions is expansion, control and increase the wealth of the shareholders. M & A takes place because of the interest advantages and benefits that accrue from it, people problems are the most frequent cause of failure.

So the single biggest challenge is to elicit the support of the employee base of both organizations.

There are reasons why this may be difficult such as Indian corporate are highly controlled and managed by the promoters. The ownership state in the normal course inhibits any rational judgment are this sensitive issue. It is difficult for any promoters to voluntarily relinquish management control in favour of the other after the merger between the two. The other and foremost is the worry of employees with regard to their future, whether they will be appreciated or valued in the new structure, whether their roles will be enhanced or diminished and so on. Competitors
and headhunters understand that in the first week after a merger or acquisition announcement, most employees may not know where they fit into the new structure or, indeed, if they have a job or not. So they move in aggressively and rapidly on the best talent. There is a real danger of losing the very people who make the acquisition a good buy.

So there is a real need to work on a HR strategy concurrently, even as the details of the acquisition are being finalized. Many decisions need to be taken in advance of the announcement of acquisition, so that the key identified employees are contacted immediately post announcement, their roles and contribution in the new order outlined, and their support won.

An examination of the studies made and the survey conducted for the success of failure of acquisitions world over, reveal that about 50 per cent of the acquisition are regarded as successfully or failure based on the perception of the managers. One of the most important factors in determining the success of the mergers and acquisitions is the human factor. Different methods of restructuring are being used with a view to enhancing shareholders value. These include spin-off and de-mergers. Innovative methods, like financing acquisition of even very large firms such as leverage buy-outs LBOs are being used.

Integrating foreign acquisition is generally much, more complex and presents formidable problems. Since the acquired company’s managers and staff tend to be unfamiliar with the
language, managerial behavior and corporate custom of the acquirer, they need to be reassured more than in the domestic condition about the intention of the acquire. The acquire must develop vision for the target company under the new dispensation and communication this vision with clarity. The benefits to the acquired company, managers and staff must be explicitly outlined.

The interface between the two companies must be handled extra sensitively. Cross-border mergers and acquisitions need to be handled carefully and human element must be given top priority in addition to the other factors, which are kept in view while resorting to cross-border mergers and acquisitions. Successful acquirers typically focus on critical global functions such as R&D in pharmaceuticals to give them worldwide competitive advantage. The skill transfer mechanism must be handled cautiously. Internationalisation/ globalisation Efforts on the part of the countries and likely to increase cross-border mergers and acquisitions and international alliance. The need for understanding the corporate culture of the concerned organisation, therefore, is the hallmark of success of the cross-border mergers, acquisitions and strategic alliance.

Inter culture training and research seems to be one of the important factors to facilities and extend the necessary understanding required for making international alliance success.
To conclude, mergers and acquisitions will continue to be almost everyday feature of the contemporary business, yet at least half is likely to be proved unsuccessful. The success and failure will depend upon how it can deal with the problem of cultural integration and how it is able to interface with the human phenomenon. Greater emphasis will be required on cultural compatibility as it concerns partner selection, integration practices and venture outcome. With increasing economic activity due to the business becoming global, there is need to know more about the national culture as well as the corporate culture of different countries.

Most of the M&A have multiple objectives, which are sometimes very complex. The objectives of the M&A activities could vary from getting a tax shelter to making a new project, which has become unviable due to changed government policies time and cost overruns etc. Sometimes the objectives in case of mergers could also be the hefty financial gains, which promoters will get due to capital appreciation.

The mergers studied show a trend their companies will increasingly go for synergy driven mergers where economies of scale, marketing and distribution efficiencies reduced workforce possible through reorganization, reduction in costs by prevention of duplication of facilities are major objectives. With increasing competition in liberalized India, diversified companies will concentrate on core strategies and divert divisions not complementary to
their businesses. The coming years will see a lot of activities in the areas of mergers where new valuation techniques will be used and mega mergers will be resorted to by the companies to survive in the increasingly competitive global environment.

Will Indian Mergers Pay?

In 1996, the Indian capital market witnessed several big mergers than at any time in the past _ mega ones being Brooke Bond Lipton India with Hindustan Lever, McLeod Russel-Eveready and those in the Ciba-Sandoz stable. In the Ajay Piramal group, Nicholas Piramal India, Piramal Healthcare and Boehringer Mannheim India are merging. The M. A. Chidambaram group started a restructuring exercise in 1995 through mergers.

The year 1996 saw the three-way merger of Indrad Auto, MAC Industrial Products and South India Corporation. While the Videocon group decided to merge Videocon Narmada and Videocon International, four group companies of the Onida group _ Mire Electronics, Monica Electronics, Onida Saka and Onida Savak _ have similar plans. The year ended with the mega ICICI-SCICI merger.

Most mergers were justified in terms of operational and financial synergies, economies of size, pooling of resources, tax benefits, and so on. What can one expect of these mergers? A
look at the international scene could provide some useful leads. While mergers have started hitting up only now in the Indian market, the US market has seen two such phases (apart from the current one) when merger activities peaked, first in the mid-1960s and then in the late 1980s.

Many of the studies abroad on mergers are divided into ex-ante market reactions and ex-post analysis. A summary of the ex-ante studies shows that the shareholders of the acquired company generally tend to gain more than those of the acquiring company. While the average returns of the former category worked out to around 20 per cent, for the latter it was only 2-3 per cent.

The ex-post analysis studied the success or failures of mergers. A merger was considered successful if the post-tax earnings as percentage of equity invested in the acquisition had exceeded the acquirer's opportunity cost of capital. In sum, the probability of success was at best about 50 per cent. However, it was found that the probability of success could be improved by having strong core businesses, buying companies in related areas where chances of achieving real economic synergies are the highest, and buying smaller companies that can easily be integrated in the post-acquisition phase.

The major reasons cited for the failure of mergers were over-optimistic appraisal of market potential, over-estimation of synergies, overbidding, and poor post-acquisition integration. Merger activity displays a cyclical phenomenon in line with the
peaks and troughs in industrial activity. The merger route is generally preferred as external investment and is believed to be a more than a substitute for internal investment. However, an active market for corporate control (which has now been facilitated by the takeover code) dramatically reduces the chances of success for acquiring companies. Even where the acquisitions are in related areas and the companies are small enough to be easily aid integrated post-merger, the success rate was found to be just 50 per cent.

A formula for mergers

A wave of mega mergers is once again sweeping the corporate world. The rationale in all these mergers and acquisitions is to deliver enhanced shareholder value. With economic recession, sales are sluggish and brands are stagnating. It is not a rosy picture on the corporate front too, and many corporate houses are opting for mergers and acquisitions for mutual growth.

An effective prescription for successful mergers and acquisitions can be the following for a company like HLL. Since 1967, the company has witnessed many a merger - some which led to phenomenal growth and others that failed to click.
Merger Rationale

The rationale in any merger is to deliver enhanced values. And this value may accrue from one of three sources - 

a) Cost synergy,
b) Value synergy
c) Growth synergy.

A merger between two corporate entities operating in roughly the same categories should lead to cost energy. Here value enhancement comes from cost savings and is characterised by restructuring and re-organising. The Citibank-Travellers mergers and the HLL-Tomco merger are examples of mergers based on cost synergy.

Examples of value synergy would be the Monsanto-American Home products or Chrysler-Daimler merger. Here, the merger is characterised by each partner gaining access to something that the other uniquely has, like a market segment.

The HLL-BBLIL merger was the one driven by growth synergy. Here the expectation is for 2+2=5, because the resources of one can be used to drive the growth of the other. In a market like India, the opportunity for growth is a very strong driver for mergers and acquisitions. Low category penetration and/or higher consumption opportunities make for a rich array of alternative strategies. This is evident in the Kissan and Kwality Walls, brands that came into the HLL fold in the last few years.
Corporate mergers are inevitably high profile events with wide media attention. As always, there is a great deal of focus on the visible aspects of the merger. These are typically the valuation, swap ratio, the new chief executive, impact on share prices etc. The post-merger scenario, which is largely about people and brands, seldom receives the same level of reporting or analysis. And the management of the post-merger scenario is what determines whether a merger is successful or not - the yardstick being market position and consumer perception.

Over the years mergers have taught us many lessons. The most important lesson of them all is to stick to the basics and not forget the obvious. The other lessons include: reconnect with the consumer, develop insights into the brand context and create, preserve and destroy all at once.

**Advantages of Organic growth vs. growth through M&A's**

1. No risk of different organisational cultures coming together. This is one of the factors that hamper the growth of an organisation that has been formed by a merger or acquisition. For example:- When HSBC and Midland bank came together they faced problems because HSBC's organisational culture was different from that of Midland bank. HSBC was more customers driven, aggressive, conscious of its bottom line and more professional than Midland bank.
These kinds of problems do not arise in the case of organically growing organisations because the organisational culture remains constant and there is no conflict.

2. Management style, attitudes and long term goals and objectives are consistent. This is unlike in the case of growth through M&A's, where after coming together there might be a difference of opinion on where the organisation is headed.

3. Employees might be threatened if a company merges or is acquired by another. But this does not happen in the case of an organically growing organisation. There are in fact more chances of growth and promotions in a healthy organically growing company than in one that believes in Mergers and acquisitions. This is however very subjective. Say for example, two companies come together. They each have one CEO. After coming together one will have to be placed below another because they can not have two CEO's. This will lead to dissatisfaction and the departure of a valuable employee from the organisation.

4. In an organically growing organisation all the employees are committed to the organisation. They become loyal to the company and relate to it. On the other hand one might merge or acquire another company but will not be able to acquire the kind of employee commitment that they have for the original organisation. This could hamper work performance.
5. No compromises have to be made in an organically growing organisation because their goals are predefined and do not come in conflict with those of another organisation. In a merger and acquisition both relinquish their independence and cooperate with each other, therefore obviously resulting in some form of compromise on one front or the other.

LOOKING BACK ON FY 2004

M & As shave off Rs 12,700 cr in market capital.

Mergers of group companies dominate in FY 2004, as consolidation is the order of the day

A total of 42 mergers and amalgamations took place in FY 2004 in Corporate India, encompassing the banking, finance, power, pharmaceuticals, chemicals, steel, electronics and automobile sectors.

Prominent among them were the mergers of two Tata group power companies—Andhra Valley Power Supply Company (AVPSC) and Tata Hydro-Electric Supply Company (THESC)—with Tata Power Company (TPC), the merger of Bank of Madura (BoM) with ICICI Bank and the merger of Cheminor Drugs (CDL) with Dr.Reddy’s Laboratories (DRL).

Quite a few mergers were undertaken to consolidate operations in an increasingly competitive environment.
The merger of BoM with ICICI Bank was the biggest merger in the banking industry after the Times Bank-HDFC Bank merger. The merger has been a part of the consolidation in the banking sector. The merger created one of the largest private sector banks in the country with an asset base of Rs 16,000 crore. The merger ratio of two ICICI Bank shares for every one BoM share was quite favourable to Bank of Madura's shareholders vis-à-vis their prevailing share prices. There was a sharp surge on the BoM counter after the announcement.

Notwithstanding the mergers, there was an erosion of Rs 12,724.43 crore in the combined market cap of the companies involved in the 42 mergers from Rs 44,806.82 crore as on 31 March 2003 to Rs 30,882.39 crore as on 31 March 2004. The decline can be attributed to a sharp setback on the bourses during the year with the BSE Sensex shedding 27.93% to 3,604.38 on 31 March 2004 from 5,001.28 on 31 March 2003.

**RECENT TRENDS:**

**INDATA: The Indian M&A Database**

INDATA is a comprehensive database on the Indian mergers and acquisitions market. Developed by India Advisory Partners, INDATA’s analysis of all M&A and private equity deals in India is published in the leading M&A journal Acquisitions Monthly. In developing INDATA, IAP uses information provided by major corporate finance intermediaries active in India (who report all their transactions to IAP), contacts with leading Indian
companies involved in deals and a thorough survey of all publicly available information.

INDATA has been tracking the market since 1998. The graph below shows M&A and private equity activity in India each half year starting January 1998.

INDATA carries comprehensive analysis of published deal terms, for use as a tool by M&A practitioners. Deals are updated as further information becomes publicly available up to 18 months after the deal has been completed.

INDIAN BANKING INDUSTRY ENTERS M&A ERA

Consolidation in the banking industry worldwide is an ongoing process. Banks, in their quest for lower costs and higher margin, are always on the look out for synergy with their own kind.
We read about the birth of a new larger, more diversified or more focussed bank on a regular basis. However, in India, action on this topic has been missing. This topic has only been discussed and debated ever since it was first elaborated in the Narasimham committee report in 1991. The only instance of its kind was mandated by the powers that be and it had nothing to do with the need of the two merging entities. Consequently, the experiment of merging two public sector banks - Punjab national bank and new bank of India – way back in 1993 has not been a success but was a disaster.

The proposed amalgamation between Timesbank and HDFC bank will be the first merger of its kind, wherein the two profitable private sector banks have agreed to merge on a negotiated basis. Under the proposed scheme of amalgamation, subject to the shareholder and requisite regulatory approvals, shareholders of Timesbank would receive one share of HDFC bank for every 5.75 shares of Timesbank. The merger is effective from December 1, 1999.

The present merger makes sense from a business and as well as strategic point of view. The logic behind the merger has, most importantly, been one of size. Based on the balance-sheet sizes of the two banks as of September 30 1999, post-merger, HDFC bank will have total deposits of around Rs 6,900 crore and a combined balance-sheet size of over Rs 9,000 crore, making it the largest private bank.

The merger shall bring in both synergies of operations and volumes. HDFC bank stands to gain in terms of savings on
technology, faster growth, an expanded consumer base, increased market-share and reduced costs. The network of the merged entity will stand increased to 107 branches, ahead of centurion bank. HDFC bank is present in 26 cities while Timesbank is present in 23. With the merger, HDFC bank will gain a presence in seven centers where it does not have branches. Total retail banking and demat accounts would also increase to over 6,50,000. The merger would enable HDFC bank to leverage the use of its alternative delivery channels (phone banking, Internet banking, etc) and provide cross-sell opportunities across a wider product range and to a larger customer base.

HDFC, which already has a considerable presence in the market for housing finance, the merger consolidates its position as a serious player in the financial sector. Times group, the merger is an opportunity to exit an unrelated business and focus on its core operations of media and entertainment industry.

With a combined market cap that will now be second to only State bank of India, HDFC bank has entered the top league. It may give a tough competition to Indian banks led by SBI and foreign banks led by Citi bank. This merger will lead to the M&A scene in the Indian banking industry warming up.
THE 'LIBERALIZATION ERA'

A Look at the Indian Financial Industry

This is the first in a series of articles by iS3C about the Indian Financial Industry. In this article, Bharat Shah, of iS3C, gives Finance Line readers some background on the current financial industry in India, particularly treasury, and the first generation of reforms undertaken by the Indian Government, which began in 1991 and ushered in what is known as the 'Liberalization Era.'

The Indian economy, considered to be one of the largest consumer markets that form the Asian Tiger Economies, was finally awakened from its sleep with the Liberalization reforms in 1991 undertaken by the Indian Government under the leadership of the Prime Minister P.V. Narishma Rao and Finance Minister Manmohan Singh.

Key broad economic indicators for the Indian Economy:

Foreign exchange reserves: In 1994-95 the Foreign Exchange Reserves were as low as USD 5.6 billion, but have now reached a comfortable level of USD 52.17 billion as of 7 January 2004 (excluding gold reserves).

Balance of Trade: Balance of Trade continues to be negative with Fiscal Year 2003-2004 Imports being USD 50.25 billion and Exports being USD 44.2 billion with a deficit of USD 6.05 billion.
Capital Markets: The BSE Sensitive Index, the leading Stock Market indicator, has increased phenomenally from the 1996-97 level of 3,361, to an all-time high of 5,953 on 12 February 2000.

Gross Domestic Product: According to the Center for Monitoring Indian Economy’s October review, the real Gross Domestic Product (GDP) in 2003-2004 is likely to grow at a rate of 6.1 percent, which is considered to be a healthy rate of growth.

Fiscal Deficit: The fiscal deficit, as a proportion of GDP stood at 6.7 percent in 2002-03 and is expected to be 6.5 percent in 2003-2004. This is considered to be very high and, as a result, is a cause for concern. In the last two Fiscal Budgets the Government has taken measures to stem the increase in the Fiscal Deficit by embarking on bold policies such as reduction in subsidies, increasing direct and indirect taxation revenues.

Capital Markets: As part of the liberalization of the capital market, Indian corporates have been permitted, since 1992, to access international capital markets through Euro-issues aimed at mobilizing funds for modernization and import requirements. The instruments used for these issues are the Global Depository Receipt and Foreign Currency Convertible Bonds (FCCB), also called, in the present context, Euro Convertible Bonds or simply Euro-convertibles. Recently many companies have approached the ADR route for their international financing needs.

The Indian capital market is one of the top eight performing markets in the world. With 7,500 listed companies it is second only to the United States in terms of listings. Market capitalization
in 1995 was approximately USD 185 billion, with approximately 15 million shareholders. The BSE Index on 14 February 2000 reached an all time high of 6,150 with a market capitalization of rupees.

There are 23 stock exchanges in India with the five major exchanges located in Bombay, Madras, Delhi, Calcutta and Ahmedabad. In 1993 the government opened the National Stock Exchange of India (NSEI) in Bombay. The NSEI is a milestone in the development of the Indian capital markets, forcing an automation of the Bombay Stock Exchange (BSE) and other stock exchanges. It serves as a nodal exchange, integrating the stock exchanges across the country with the provision of on-line, paperless screen trading facilities allowing investors to buy and sell securities from anywhere in the country.

The BSE accounts for approximately two thirds of the total turnover of securities in India. It is estimated that 20 Million shares are exchanged every day on the two prominent exchanges (i.e. BSE and NSE combined) and the amount of the trades is about Rupees 10,000 crores a day. The Securities and Exchange Board of India (SEBI) was established by the government to regulate the exchanges making transactions more transparent in an effort to protect the interests of the individual investor. The SEBI regulations introduced the concept of dual registration of stockbrokers with SEBI and the stock exchanges, bringing the brokers under regulation for the first time.
Taxation

Taxation in India comes in two forms: direct and indirect. Direct taxes include income tax, wealth tax, corporation tax, gift tax and expenditure tax. Indirect taxes include duties and excise taxes and provide more than 70% of gross tax revenue. The reforms in taxation are moving towards a simpler system, with moderate rates, fewer exemptions and a wider tax base. They have assisted in correcting structural imbalances in the tax system; the share of direct taxes has increased, leading to greater equity and economic efficiency.

Double-Tax Treaties

India currently has double-taxation agreements (DTA) covering all sources of income with over forty countries. A DTA takes precedence over the provisions of the Income Tax Act. Operating from a country that has a DTA with India, can provide a corporation with significant tax concessions and options. For those countries with whom India has no tax treaty unilateral tax relief is allowed at either country rate, whichever is lowest.

These features play an important role in Mergers and Acquisitions.
Failure of M & A :

A study of mergers by the consultancy firm, KPMG, that found that half the mergers had destroyed shareholders value while another third had made no difference. Other studies, covering different countries, sectors and time periods, have come to similar conclusions. Indeed, it is fair to say that in few respects have managers defined the findings of pundits as resolutely as in the case of merger; every CEO, no doubt, thinks he can bring it off.

Germany's top banker have had ridicule heapted on them following the collapse of merger talks, first between Dentsche Bank Dresdner Bank and then between Drasdner and commerz bank.

Mr. Kaufman of Financial Times says that mergers are bad because, far from leading to efficiency, these will create monopolies that will "inact a cost on society as a whole". He laments the fact that corporate consolidation has gone largely in challenged. This is because it is taking place against. This is because it is taking place against a background of general prosperity and rising stock prites, with much of the stock being held by ordinary citizens.

Two academics, Mr. Pankaj Ghemawat and Mr. Fariborz Ghadar say that big mergers are driven by the belief that industries will become more concentrated with globalization and the sports of the market will ------ to a select few. So, mergers have not always enhanced shareholders value.
The truth is that many a merger is an escape for under-performing management. They fail because they cannot hope with the great complexity that merger brings or because, in their eagerness to clinch deals, they overpay for targets. So, main reason for M & A failure is implementation.

SUGGESTIONS & RECOMMENDATIONS

• Change in the FERA, MRTP, IDRA, 1961, new takeover code’97 and new companies act 97 are going to remove numerous hurdles in the path of Mergers, acquisitions and takeovers.

• Under these and other liberalization’s, the companies will need to grow rapidly and consolidate their operations which can be done through Business restructuring in which mergers, acquisitions and takeovers will play a key role.

• Firms will substitute their Greenfield growth plans with takeover strategies because the benefits of taking over a company-ready-made manufacturing facilities, well-entrenched brands, capture market share, no entry delays and an entrenched distribution network.

• Further liberalization and resulting restructuring of Indian companies will force an unprecedented reshuffling of companies and businesses. They will identify their core-competencies that will help them cope best with the future and take necessary steps to consolidate (one way would be mergers and Takeovers).
• The Government's decision regarding disinvestments of some of its enterprises will also add to the activity of merger and acquisitions.

• The new definition of sickness by BIFR will also facilitate M&A activities. In view of the turbulent environment in the corporate India in wake of liberalization and globalization process, the prospects of entrepreneurs burning that hands and more and more firm going silk and further put to sale are very high.

• According to the new definition of sickness, firms which have eroded their net worth, no longer have to post net losses for two successive years before they can be declared sick. BIFR is also been that sick companies be acquired quickly.

• With transnational also realizing that the complex local market is better accessed by ready-made distribution network rather than one build from the scratch.

• The opening up of banking industry to the private, sector is also resulting in flurry of M&A activity in this industry. Further relaxing of rules a certainty and a trend towards universal Banking taking shape is also going to spurt the M&A and takeover activities in Banking.

• Increasing competition has already played its part in M&A activities in parts, further increase in competition particularly competition based on cost and efficiency, will result in merger and takeovers to achieve economies of scale so that to reduce costs and increase efficiency.
• The recent guidelines for NBFC's will also add fuel to fire and those would be large consolidation of firms in this highly scattered industry.

• The current industrial slowdown and overcapacity in some sectors will also result in consolidation in these industrial sectors (Cement, steel, auto-ancillaries, NBFC's tyre industry).

• Companies operating in industries which are in a bad shape are likely to witness more takeover bids than companies operating in industries, which are in good shape. There are two reasons for this.

• In 1994 a large number of corporate went for public issues after which the holding of promoters went down substantially ad bulk of equity is not with the retail investor. These small investors have seen a constant erosion of their wealth in the last three-year. As soon as an acquirer offers a handsome price for his stock, investors will jump at the opportunity of offloading their junk stocks.

• Also strong companies, specially the multinational in the poorly performing industrial sectors, are added at much cheaper costs. It also reduced competition. They survive through recession on the strength of their deep pockets. This is evidenced by the spate of takeovers and mergers in the pharmaceutical industry where MNCs prevail.
• Industrial sectors which are likely to see a large number of such bids in near future include cement steel and flexible packaging.

• In the case of cement the industry is divided on the basis of regions. A south based company interested in making its presence in any other region will be keen on taking over company in that particular region and will be able to expand at a lower cost then setting up of a new plant in that region.

• In case of steel industry, several companies have been hit hard by recession in the last three years. Due to large capital cost, promoters holding in most of the companies is very low. Replacement cost of putting up a next plant is very high and in the current state of the market he scraps are quoting much below their inherent worth. Moreover the steel industry is a cyclical industry and as soon as the cycle starts moving upwards the investment by an acquirer can be recovered soon.

• The flexible packaging industry has been a relatively new industry in India. The promoters, several of them first generation have expanded rapidly during 1993 to 1995. There have been huge capacities installed in this industry leading to low capacity utilisation and consequent fall in scrip prices.

• The promoters holding in several new companies are very low making them easy takeover targets. In flexible packaging industry the nature is such that the small converters have been able to grab regional market share
at the lower end of the markets. During the last two years of recession of the flexible packaging industry. Lower end of the market has shown only small growth. A big company can take daily if it acquires a medium size company, which has a large list of clients who may be small in size but add to the volumes of business.

- On the other hand the services sector is unlikely to see much of acquisition and takeover activity. Companies in industries like finance and software will be relatively immune from such threats. In software companies the main asset of the company is skilled manpower. In case of a takeover bid the skilled manpower can leave the company leaving the acquirer high and dry. This is particularly in the case of Indian software companies who are providing services rather than developing branded software, which could be, acquire along with the targeted company.

- Besides the assets, other major consideration for Takeovers is the share holding pattern. Companies where promoters holding are above 51% should feel less threatened unless somebody takes a substantial stake in the company to merely disturb the management or in certain cases green mail the promoters. In other cases where the promoters holding is less than majority level the holding of the financial institution an important role in the event of takeover threat.

- Another important factor in the take over game will be brands. If the targeted company owns very strong
brands, the chances that bidder company will offer a higher price than justified by the tangible assets. Plant and machinery of a company have a replacement cost but the value of a brand is intangible. The case of Lakme is prefect example. HLL has paid RS. 200 cr. for the brand of Lakme which is more than were they are likely to pay for plant and machinery so the companies which has strong brands and lower promoter holdings are likely to be attractive takeover targets. Even the level of institutional holding may company can determine susceptibility of a company to takeover threats. If the investment is held by investment institutions by UTI, LIC and other development financial institutions like ICICI, IDBI and IFCI, the chances of hostile bid will be lower but if the holding is with UTI and other mutual funds. The chances of the bidder succeeding are very high. For an institution like UTI or any other mutual fund the increase in their NAV is more important is more important than saving the incumbent management or the long-term prospect of business.

- A larger number of friendly takeovers will also take place. This is the much-voiced concept of the white knight. The white knight as it were takes over the target company to release its independence later. Under performing companies in big industrial groups are likely to witness friendly takeovers, but this may often jeopardize the interests of small investors.
• Take over code has opened up the debt issue route to finance the Merger and takeover activity. It will add a new product to the current product portfolio of financiers and also make corporate job of generating funds for M&A a lot easier.

Omkar Goswamy Committee which was commissioned by the confederation of Indian Industry (CII) to look into the area of financing takeovers and acquisitions has given the following recommendations.

i) Allow greater funding to the corporate sector against the security of shares and other papers.

ii) Permit setting up of medium term leveraged buyout funds and that the companies act should liberalize inter-corporate flow of funds within group firms.

iii) That FI’s should create M&A subsidiaries to facilitate new entrants in the industry and catalyze take over dynamic groups.

iv) Facilitate FI’s to exit from poor debt or equity exposure via the capital market.

v) As financing of take over and acquisition slowly becomes a reality, investment bankers, public and foreign banks and financial institution are recognizing M&A a big and sensible business. so much so that
many NBFC’s are also seriously considering converting themselves into investment banks and dumping traditional focus of financing leasing and hire purchase. Others are lining up divisions for target identification, advising clients and executing deals and of course earning huge fees in the process.

According to UNCTA Dr latest world investment report (WIR). The value of cross border M & As announced in the first half of this year touched $ 574 billion; already close to the value of all cross-border M & A of $ 655 billion. Such figure does not include domestic M & A activity. In fact, cross-border M & A have been found to be roughly 25% of all M & As.

Globalization is a faster highlighting competitive pressure. According WIR, driving forces thus are liberalization and globalization and the special needs and condition of particular industries leading to a consolidation on a global scale.

Cross-border M & As have important implications for developing countries like India which seek to attract $10 billion FD in a year, up from the current average of $ 3 to $ 3.5 billion.

Much of that investment will be through foreign investors acquiring majority stakes of 50% or more in domestic industries. Yet the country does not have a competition policy to deal with this growing phenomenon.
In a proper competition policy is in place, M & A can become a viable strategy for Indian corporate to grow bigger and bigger to hold their own against global rivals.

To be sure, M & As are taking place in India, but the scale of this process is negligible by global standard. Family seen business houses and corporate are restructuring their activities. The year old economic slowdown is causing shakeouts in many sectors.

Share prices are depressed enough to make acquisitions of large equity stakes feasible. SEBI's new takeover code has also laid out the rules for hostile and negotiated takeovers.

However, this process must be fast forwarded as Indian integrates with the world economy. If FDI comes in largely through cross-border M & As, the need is for a proper regulatory framework for M & As in the domestic context. As yet, this is only in an embryonic stage.

The need is uppermost for a competition policy to balance the interests of consumers, and domestic and foreign players who enter with majority stakes through M & As.
So the study can predict the M & A activity in the Indian economy can help a company to decide whether it has time to strengthen itself or whether it should consider an M & A to survive. It makes the time frames for expected M & A seal. Especially with global competition coming in the ‘S’ curve would help corporate take crucial decisions.

Although the researcher has tried his level best to evaluate the role of M & A in the globalization of Indian economy with maximum coverage. But due to the time constraint and not making the research lengthy, the researcher restrained and left the other areas to taken up by other researchers.