Chapter 10

Problems, Strategies, Implications and Prospects

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the domestic market. In the previous chapters these are analysed and investigated from financial, accounting and other aspects. Here an attempt is made by the Researcher to provide a synoptic view of the problems and issues at hand. Further prospects for Mergers and Acquisitions (M&A's) are studied strategies are carved out to make the most of the available opportunities, maximise potential and also deal with the various challenges at hand. Mergers and Acquisitions (M&A's) as a tool is generally used by firms to enhance and diversify its present capacity in order to maximise growth and development for the purpose of which firms are willing to undertake major restructuring and revamping. The main idea is to gain entry into markets or achieve higher economies of scale and operations by creation of synergies. However the aim of achieving growth, diversification, development and expansion to a large extent depends on effective implementation of the plans and strategies that are chalked out for the purpose.

There is generally a lot of excitement and anticipation regarding a Mergers and Acquisitions (M&A's) when undertaken especially when big names are involved as in the case of Chrysler-Daimler, Tata-Corus, Essar-Algoma, JSW-SISCOL, SAIL with IISCO and VISL or Arcelor-Mittal. However there are often a lot of surprises and disappointments faced later when the expected synergies do not materialize for the management, employees and the stockholders.

10.3 Problems Encountered in Effecting Mergers and Acquisitions (M&A's)

While indulging in Mergers and Acquisitions (M&A's) corporate firms are faced by a host of challenges and issues. Along with the prospect of growth, expansion and development the merging entities also face a high proposition of risk. The twin objectives of cost reduction and growth have to be achieved in tandem. It is even more difficult to achieve growth after the merger as compared to reduce cost^2. Despite the popularity of Mergers and Acquisitions (M&A's) as a tool for investment, it is suggested by a large number of studies that the rate of success of mergers is not very high. Porter (1987)^3 in his study found that 33 US companies out of those he studied for the period between 1950 to 1986 had divested more than half of what they had acquired. In this period it was reported that the rate of failure of such strategic alliances was estimated at between 50 to 70 percent. The alliances undertaken were
proving to be risky and prone to failure due to a large number of inherent problems persistent relating to management. However the situation in 1990’s led to a spate of increase in the number of alliances due to the prevalent competitive global scenario where survival was the key factor. The failure or unsuccessful merger might have result in lower profitability; lower market prices, selling off of the acquired firm. Despite this the mode of consolidation and restructuring is inevitable and it warrants for an even more concerted effort by the management in the pre and post merger stages.

Technological Obsolescence is a major motive for entering into alliances. For the purpose of up gradation of research and development and technological processes M&A is becoming a popular strategic tool. In the case of the mergers with enterprises running into losses like Visvesvaraya Iron and Steel (VISL), Indian Iron and Steel Company (IISCO) with one of the largest producers of steel in India that is SAIL, one of the major motive is to let these companies flourish under the protection of a profitable enterprise and benefit from its technological competence. In case of foreign acquisitions as is seen in the case of Tata acquiring NatSteel in Thailand and Corus in Europe or Essar taking over Canada’s Algoma Steel, acquiring the technological competence of these undertakings is definitely a major driving force behind the merger or acquisition. However, a majority of the studies still reported that a majority of the mergers fail which is realised in the form of various indicators like fall in the stock price of the acquiring firm’s stock, decline in profitability of the acquired firm. It should be ensured that while integrating the processes and functions it is also important to integrate their enterprise and software.

Another major issue is the timing of the Mergers and Acquisitions (M&A’s). The acquiring company has to decide as to what is the optimum time of striking a deal which can maximise value for him. A major factor affecting the timing of the deal is the level of competition too. These days companies are cash rich and a large number of modes of financing are available. Hence, there are large numbers of potential bidders as compared to the number of targets. The global and domestic economic scenario may have a huge impact in pre and post merger decisions. The year 2007 saw a global slump with major economies going for a beating. An acquisition at that time may benefit the acquiring the company as the valuations might be low while the acquired company if making losses might get a lease of life. In the above case studies we see that the merger of ICCL-IMFA in 2005, IISCO-SAIL in 2006, Bellary...
Pittsburgh in 2006, Tata NatSteel in 2005, Tata-Corus in 2007, Essar-Algoma Steel in 2006 and JSW-SISCOL in 2008 took place when the global economy was in financial distress. The global recession struck the worldwide economies in September 2007 which resulted in a huge slump of demand of steel and hence had an impact on the post merger results. Thus there was an impact irrespective of the financial and operating efficiencies. Other micro and macro environmental factors like political instability, rupee appreciation or depression, boom or slackened demand etc may affect the performance of the merged entities.

Apart from considering various parameters regarding the process of Mergers and Acquisitions (M&A's), a major concern relates to the financing of the scheme. Restructuring involves a significant amount of money and hence added responsibility. In the recent years it has been observed that the value of the deals is much larger than before and though companies may be cash rich there might be still shortage of funds to pay for the deal. With the deal value running into millions companies resort to debt financing and a large number of banks are willing to aid in financing the deal on the basis of the financial capability of the company involved. However the debt raising may have a financial burden on the company as long as it is not repaid. In case of deals where the acquiring price is paid through share swapping it puts serious doubts in the minds of the existing investors as it dilutes their stake and ownership. In the case of Corus acquisition Tata went for a debt equity mix where debt was around US$ 6.14 billion and equity amounted to US$ 7.56 billion. It was an all cash deal\(^5\).

Decision on finalizing the cost of deal is a very pertinent issue for both the acquiring and acquired firm as calculating the synergies that are expected to be created after the merger has taken place is a tricky issue. Tata Steel had to estimate the anticipated synergies before paying huge amounts of acquisition that is S$468.10 million for NatSteel\(^6\) and $12.1 billion for Corus\(^7\). Essar had paid 1.85 billion CAD in cash for acquiring Algoma Steel in Canada. Financing is a major issue in Mergers and Acquisitions (M&A's) and when the money runs into millions and billions the management has to make sure that it gets all its strategies in place as a failure might dent the financial resources and capability for years. In cases where the deal involves share swapping and does not wholly deal in cash it is a tricky issue to determine the exchange ratio. In case of JSW and SISCOL merger it was set at 1 share of JSW for 22 shares of SISCOL while in case of IMFA and ICCR it was 1 share of IMFA for 14 shares of ICCR as discussed under the Chapter 6. Also giving away shares leads to dilution in the stake of the existing shareholders and also the infusion of new owners.
Diagram: 10 Form-wise distribution:

- Journal Articles: 92.43
- Conference Proceedings: 6.64
- Books: 0.91
operating capacity which could be exploited for achieving synergies. Pittsburgh Iron and Steel which was earlier SandY Mills Limited dealt with textiles and decided to enter the business of steel. It decided to purchase Bellary Steels but it was already a loss making enterprise and the merger did not yield much benefit or synergies. In the case of merger of IMFA with ICCR there were significant operational synergies which made the former the largest producer of Ferro-alloys. Tata’s acquisition of NatSteel and Corus made it the fifth largest producer in world and access to global markets. In the same way Algoma Steel’s acquisition gave Essar Steel access to the North American market.

Another issue in financing a deal is the change in debt structure after the merger has been affected. In case of payment in cash it leads to large cash outflows. Cash payments are generally made by taking loan and it leads to leveraging of the capital structure and making the financial structure risky with the debt burden. In cases where equity is issued it leads to dilution of stake and hence again a risk is involved. Table 10.3.1 highlights that the proportion in Debt after the merger increased in the capital structure of SAIL (after the merger with Visvesvaraya), JSW (after the merger with SISCOL), IMFA (after the merger with ICCR), NatSteel (acquired by Tata Steel), Tata Steel (acquired NatSteel) and Algoma Steel (acquired by Essar Steel). It declined for SAIL (after merger with IISCO), Pittsburgh (after merger with Bellary Steel) and for Essar Steel (after acquiring Algoma Steel).

**Table 10.3.1: Change in Debt Equity Ratio**

<table>
<thead>
<tr>
<th>Company</th>
<th>Debt Equity Ratio (DER) before the merger</th>
<th>Debt Equity Ratio (DER) after the merger</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAIL (Merger with Visvesvaraya)</td>
<td>2.36</td>
<td>3.05</td>
</tr>
<tr>
<td>SAIL (merger with IISCO)</td>
<td>0.58</td>
<td>0.35</td>
</tr>
<tr>
<td>JSW (Merger with SISCOL)</td>
<td>0.75</td>
<td>0.98</td>
</tr>
<tr>
<td>Bellary (Merger with Pittsburgh)</td>
<td>-9.98</td>
<td>-7.14</td>
</tr>
<tr>
<td>Pittsburgh (Merger with Pittsburgh)</td>
<td>-85.31</td>
<td>0.24</td>
</tr>
<tr>
<td>IMFA (Merger with ICCR)</td>
<td>1.53</td>
<td>5.17</td>
</tr>
<tr>
<td>NatSteel (Acquired by Tata Steel)</td>
<td>0.03</td>
<td>0.07</td>
</tr>
<tr>
<td>Tata Steel (Acquired NatSteel)</td>
<td>0.75</td>
<td>0.39</td>
</tr>
<tr>
<td>Tata Steel (Acquired Corus)</td>
<td>0.26</td>
<td>0.68</td>
</tr>
<tr>
<td>Algoma Steel (Acquired by Essar Steel)</td>
<td>0.009</td>
<td>1.29</td>
</tr>
<tr>
<td>Essar Steel (Acquired Algoma Steel)</td>
<td>1.99</td>
<td>1.55</td>
</tr>
</tbody>
</table>

Source: Compiled and Calculated from Tables 8.26, 8.2.7, 8.3.6, 8.3.7, 8.4.7, 8.4.8, 8.5.3, 8.5.4, 8.5.10, 8.5.11, 8.6.8, 8.6.9, 9.2.3, 9.2.4, 9.2.10, 9.2.11, 9.3.7, 9.3.8, 9.4.3, 9.4.4, 9.4.8, 9.4.9
Another important repercussion of the Mergers and Acquisitions (M&A's) is seen on the movement of the market price of the shares and how well the merger goes with the investors. The SAIL-IISCO merger in 2005-06 saw the MPS rise by 31.75 percent in 2006 while by 36.15 percent in 2007. For JSW Steel the MPS increased by 66 percent in the year following the merger while it fell by -71.70 percent in 2009 but it was greatly affected by the recessionary forces worldwide. Bellary Steel saw its MPS fall by -90.83 percent immediately after the merger in 2007. In case of NatSteel while the MPS had declined by -50.67 percent in the year prior to the merger it jumped by 136.11 and 70.59 percent after the merger in the next two years. After the NatSteel merger the market responded positively with the MPS increasing by 56.81 percent and 33.80 percent in 2005 and 2007 respectively. However the Tata-Corus deal which was regarded as expensive and ambitious led to a fall in MPS by -16.18 percent the following year.

Table 10.3.2: Change in MPS of Companies after the Merger

<table>
<thead>
<tr>
<th>Company</th>
<th>MPS for Year before the Merger</th>
<th>MPS for Year after the Merger</th>
<th>Percentage Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAIL (Merger with IISCO)</td>
<td>63</td>
<td>83</td>
<td>31.75</td>
</tr>
<tr>
<td>JSW (Merger with SISCO)</td>
<td>493.45</td>
<td>819.1</td>
<td>66</td>
</tr>
<tr>
<td>Bellary Steel (Merger with Pittsburgh)</td>
<td>6.87</td>
<td>0.63</td>
<td>-90.83</td>
</tr>
<tr>
<td>NatSteel (Deal with Tata Steel)</td>
<td>0.36</td>
<td>0.85</td>
<td>136.11</td>
</tr>
<tr>
<td>Tata Steel (Deal with NatSteel)</td>
<td>225.96</td>
<td>354.32</td>
<td>56.81</td>
</tr>
<tr>
<td>Tata Steel (Acquired Corus)</td>
<td>474.07</td>
<td>397.36</td>
<td>-16.18</td>
</tr>
</tbody>
</table>

Source: Compiled and Calculated from Appendix 5, Appendix 10, Appendix 12, Appendix 20 and Appendix 22

Also the size of the target and acquirer company should match each other for the purpose of integration. Acquiring a larger company involves greater complexities and smaller ones might not get the requisite attention. Corus was much larger than Tata but that did not deter the spirit of Tata Steel. In other cases taken up in this thesis it is seen that the merged company was the subsidiary of the merging entity and post merger the merging company attempted to achieve economies of scale.
A major issue faced in the merger is the integration of accounting standards and practices followed by the merging units. They might be following different policies and post-merger difficulties may be faced in preparing consolidated accounting and financial statements. For example the financial year ending may be different; treatment of expensing etc might not be the same. Algoma Steel maintained its accounts with financial year ending in December but after the merger in order to integrate its accounts with Essar Steel it had to change the financial year ending to March. In case of foreign acquisitions the amounts and figures would be expressed in different currencies and suitable conversion rate would have to be decided for the same. While the figures of NatSteel were in Singapore Dollars, those of Corus were in UK Pounds while that of Algoma were in Canadian Dollars. It is important to ensure that a proper audit is done of the accounts of the acquired or merged firm to avoid discrepancy. It is also a challenge to prepare a consolidated statement of accounts of the two merging entities after the merger has taken place in order to absorb all the assets and liabilities. Different accounting principles might be followed for valuation of fixed assets, depreciation and other heads and the accountants have to devise a system to integrate them.

Mergers and Acquisitions (M&A's) would also require cultural integration of the two units. In case of cross border deals, it is even a bigger challenge due to varying work culture, work environment, management styles, government policies etc. It is also generally seen that initially there is resistance by the workers for the new management team to handle. Both operating and cultural integration may pose serious hurdles for implementing the merger. The employees of the acquired company may have to face a large number of changes in the work environment which may bring about resistance. It was seen in the case of Daimler-Chrysler merger which was viewed with great expectations as a merger between equals and expected to bring huge returns for both in the form of various synergies but on the contrary it led to fall in profitability and lay-offs mainly due to non-compatibility in the cultural environment. Daimler being German and Chrysler being American had different work cultures which could not be synced effectively. Though the intent might be there it is still an issue to actually implement it. Cultural values are intangible and cannot be measured or calculated. Even asking the employees directly through a questionnaire cannot be exhaustive information for developing strategies for the same as work culture is observed and studied through a period of time to study disciplines, conditions, beliefs and other cultural traits. It requires dedication and patience and
results might take a fair amount of time to reflect. After acquiring Corus, Tata Steel chose to retain key members of Corus to ease the transition due to the existent difference in culture. Cultural integration is an issue in domestic Mergers and Acquisitions (M&A's) as well as different states in India might have different local languages and customs taking into account the diversity of Indian culture.

Another pivotal factor which is faced in the case of Mergers and Acquisitions (M&A's) relates to integration of socio-cultural issues which has not been studied extensively yet and the work done is mostly confined to theoretical aspects. It has to be planned keeping in mind whether the main focus is immediate short-term integration or long term planning.

The biggest problem involving a Mergers and Acquisitions (M&A's) is the complexity of its nature where integration of two different undertakings is required with an aim to make them functional as a single unit. It encompasses all the departments though it might be done to achieve certain specific advantages like technical, financial or human resource etc. Another aspect that must be kept in mind is that post-merger integration may involve additional costs and hence the acquirer should be prepared for it while calculating the expected returns. The cost would depend on the existing level of integration and cultural compatibility, nature of deal, nature of business etc. In the case of Pittsburgh which earlier dealt with textiles and made a deal with Bellary Steels to enter the business of steelmaking, huge restructuring was required which did go down very well with the financial results.

**Figure 10.3.1: Success Rate of Mergers and Acquisitions (M&A's)**

![Success Rate of M&A's](http://www.ostiassociates.com/stresspoints.pdf)
Figure 10.3.1 reflects the views of Peter Drucker who considers Mergers and Acquisitions (M&A's) unsuccessful. However the most vital issue was implementation of the objectives of Mergers and Acquisitions (M&A's) which is a highly complex and complicated affair. Putting all the plans, policies and strategies into practice and deriving the expected synergies is the major concern. Often it happens that the implementation of the Mergers and Acquisitions (M&A's) being a tedious and complex issue consumes a large amount of time and issue like innovativeness, integration, optimization fail to get the deserved attention. For the success of a Mergers and Acquisitions (M&A's) it is necessary to ensure positive integration of all the departments and units. It might be so that there is effective integration in some aspects while others are not able to produce the desired effects which might have a disintegrating effect on the merged unit.

It is a difficult task in developing a team for the purpose of post-merger integration. It poses numerous challenges in the form of selection of members, assigning them with responsibility, monitor their performance, provide incentives and get feedback. The team has to focus on all issues relating to integration of various facilities and it may also be necessary to provide sufficient training to the members for the same. It is often seen that the focus of the team is dedicated towards operations relating to finance and productions and issues like cultural integration are overlooked. Necessary training needs to be imparted to the employees relating to this aspect and sufficient finance and focus have to be allotted for such intercultural training programmes. At the very inception of the idea to merge, the issue relating to cultural synergy need to be recognized while evaluating the target company. Strategies to tackle with it shall also be developed at the initial stages to counter the resistance faced later to smoothen and iron out the cultural differences. It may be advisable to retain key members of management of the merged entity as was done by Tata in the case of Corus acquisition.

At the rate the Mergers and Acquisitions (M&A's) and acquisitions are growing both in the domestic and international arena; it calls for introspection on their viability and feasibility. It is necessary to examine the post-merger effect on the company and also the profitability and performance of the company. It is generally seen that there are movements in the market price around the merge announcements but these are generally based on anticipation and not actual productivity and performance. The
shareholders also watch these Mergers and Acquisitions (M&A's) and acquisitions with caution. While undertaking a deal, companies have to ensure that they have resources not only in terms of finance but also the ability to cope up with the global regulatory and economic framework, multiculturalism etc. It applies mostly to the mid-cap companies indulging in global acquisitions having limited exposure and experience on this front. Also it is most difficult to actually measure the synergies or benefits accruing from the merger. In the first few years the benefits or drawbacks of the merger or acquisition might not be visible as was seen in the case of acquisition of NatSteel and Corus by Tata and acquisition of Algoma Steel by Essar Steel.

The future of the merged enterprise to a large extent depends on the expected synergies and also the performance of the acquired unit. Financial obligations increase as a result of the merger which is expected to be cleared with the expected increase in revenues and production capacity. However it might lead to a huge financial and operational issue if the expectations do not materialise and this is the case in all kinds of mergers and acquisitions undertaken.

Haste in decision making is another major issue leading to issues later. It is often seen that the desire to put in place all plans and expecting immediate results leads to problems later. The pressure to affect a successful merger may lead to over-focus on financial issue and issue like operational, cultural, technological sync may be overlooked which might have repercussions in the longer run. The synchronization with the merged or acquired company may take time and has to be dealt with tact and vision in order to exploit the expected synergies. The focus should not be in making financial profits. In the mergers and acquisitions studies it is seen that in some cases it is the operational performance while in others it is the financial performance which is getting a boost as a result of the deal. Table 10.3.3 shows that the Profit Margin registered a greater increased in case of SAIL (merger with IISCO), IMFA (merger with ICCL), Pittsburgh (acquisition of Bellary), JSW Steel (acquired SISCO), NatSteel (acquired by Tata Steel), Algoma Steel (acquired by Essar Steel) and Essar Steel (acquisition of Algoma Steel). On the other hand the Profit Rate increased by a greater margin for SAIL (merger with VISL), Tata Steel (acquisition of NatSteel, Tata Steel (acquisition of Corus)
### Table 10.3.3: Change in Profit Margin and Profit Rate after the Merger

<table>
<thead>
<tr>
<th>Company</th>
<th>Percentage Change after the merger on Profit Margin (Financial)</th>
<th>Percentage Change after the merger on Profit Rate (Operational)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAIL (merger with VISL)</td>
<td>3.92</td>
<td>70.37</td>
</tr>
<tr>
<td>SAIL (merger with IISCO)</td>
<td>1505.96</td>
<td>189.21</td>
</tr>
<tr>
<td>IMFA (merger with ICCL)</td>
<td>120</td>
<td>66.67</td>
</tr>
<tr>
<td>Bellary (acquired by Pittsburgh)</td>
<td>-32.36</td>
<td>-72.94</td>
</tr>
<tr>
<td>Pittsburgh (acquisition of Bellary)</td>
<td>103.54</td>
<td>99</td>
</tr>
<tr>
<td>JSW Steel (acquired SISCO)</td>
<td>635</td>
<td>74.6</td>
</tr>
<tr>
<td>NatSteel (acquired by Tata Steel)</td>
<td>111.77</td>
<td>59.09</td>
</tr>
<tr>
<td>Tata Steel (acquisition of NatSteel)</td>
<td>158.54</td>
<td>491.67</td>
</tr>
<tr>
<td>Tata Steel (acquisition of Corus)</td>
<td>77.5</td>
<td>252.54</td>
</tr>
<tr>
<td>Algoma Steel (acquired by Essar Steel)</td>
<td>127.94</td>
<td>-25.23</td>
</tr>
<tr>
<td>Essar Steel (acquisition of Algoma Steel)</td>
<td>700</td>
<td>316.36</td>
</tr>
</tbody>
</table>

Source: Compiled and Calculated from Tables 8.2.10, 8.3.11, 8.4.11, 8.5.14, 8.6.13, 9.2.15, 9.3.12, 9.4.12

A Mergers and Acquisitions (M&A’s) is generally undertaken with the objective of realization of synergies. However, calculation of synergies is a critical factor. It has to be ensured that it is neither overvalued nor undervalued. An undervalued synergy may lead to underutilization of resources and facilities while an overvalued synergy may lead to integration and management problems. At the time of calculation of the value of the deal to be paid, anticipated synergies are one of the core issues determining the valuation of the company to be acquired. It is often seen that these synergies are exaggerated and before the management realises it causes financial losses. In case of foreign acquisitions the synergies are expected to be created from economies of scale and operations. Besides India being rich in iron reserves provides the foreign counterpart with cheaper access to raw materials and the Indian companies get access to foreign markets and advanced technologies of production. India is known for being low cost producers and accessing foreign technologies might not let companies like Tata and Essar Steel retain that position. Their iron ore reserves may also deplete earlier due to excess production. Hence the synergies of scale may in the longer run cause adverse effects as well. Another problem that is faced is different set of metrics and parameters used by companies for valuation of performance and efficiency. Also the different accounting systems followed is a major concern. The
accounting, financial human resource strategies might be different for different companies and it might prove difficult to develop and initiate a common model. Continuing with the model of the acquirer or acquired company may not always prove fruitful for the merged entity as it might not serve the needs in the changed circumstances. The parameters might be different in terms of units, weight, length or other dimensions and the employees might not smoothly adapt the change to a new measuring system.

Cross border Mergers and Acquisitions (M&A's) are increasing both in number and relevance and face greater challenges not only due to the different economic environment but also the regulatory environment. The policies and rules followed by different countries are different. Some may encourage such kind of foreign alliances while some may have a host of restrictions imposed. Even in India, doors were opened only after liberalization measure undertaken n 1991 but still there are restrictions on FDI and FII in certain sectors like retail. While undertaking an acquisition in Thailand or Europe, the norms of not only the home country but also that of the country where the proposed investment had to be made were required to be deeply studied by Tata Steel. Similarly Algoma Steel's acquisition required Essar Steel to do a study of the Canadian regulations.

Even in case of domestic deals it might be that different states have different tax rates applicable and these have to be kept in mind while making an inter-state acquisition so that the requirements of the states involved is satisfied. Post-merger it might be a daunting task for the management to garner the confidence of the existing customers and ensure them of the maintenance of the quality services that they were getting before the merger with the added incentive of benefitting from post-merger integration. For this purpose it is necessary to ensure that there are positive vibes about the merged entity in the market as a negative media impact may compound the problems at hand gravely. The acquiring firm might get that done by convincing reputed analysts about the expected synergistic gains and values from the merger. Also the suppliers and supply chain management has to be apprised of the change in management and have to be taken in confidence so as to avoid glitches in supplies of inputs for ensuring smooth production process. Also the fusion of technology of the acquired and acquirer firm is before the merger explored only on theoretical basis and there might be various issues and challenges while practically implementing them. When huge established companies like Tata Steel and Essar Steel make acquisitions it
adds to the prestige of the company but in case of huge acquisitions as was in the case of Corus it puts question marks on the expected financial and operating synergies. Also in case of government backed companies like SAIL which have undertook mergers with its loss making subsidiaries it is perceived as an opportunity to expand the operating capacity. The existing customers have faith in the capability of SAIL to absorb the new undertakings in its fold. The backing of the government is an added advantage.

10.4 Strategies and Implications for Dealing with the Problems

The news of a prospective Mergers and Acquisitions (M&A's) gathers a lot of attention but the fact remains that most of these fail to deliver the anticipated synergies with a large number of factors not falling in sync or the fears of the employees of the acquired company regarding their future being not addressed to duly. Figure 10.4.1 highlights the process undertaken for the purpose of fostering post-merger integration. At the initial stages which are depicted in the model as ‘Approaching’ the main focus is towards identification and detailed study about the target company. The strengths and weaknesses of the target are studied intricately with the objective of recognizing its capability. At this stage the main objective is formulating a vision as in the latter stages there will be efforts to bring into operation the vision which is envisaged at this stage. There are attempts to bring out strategic integration of various units and hence create value under the next stage depicted as ‘Engagement’ in the model. This process is depicted in the model as “Understanding and Modelling: Value Creation Mechanisms”. This stage is followed by Post Merger and Acquisition Integration. The first step is termed as ‘Honeymoon’ which involves static integration. This process involves exploring the various facets and units. The capabilities and facilities of both the units are integrated. It involves integration of the functional and operational processes. The last stage is termed as ‘Family life’ which refers to value creation. While the previous stage constitutes static integration, this involves dynamic integration. The whole process is termed in the model as “Understanding and Modelling: New Manufacturing Systems”. An appropriate feedback system is also required to be developed through which the shortcomings are identified and corrective action is taken at the value creation mechanism.
It is imperative to ensure that the merger undertaken is not lopsided and **synergies are evaluated in the right earnest objectively**. It is extremely important to ensure that an optimum balance is ensured in all areas that are financial, technological, operational, managerial and cultural. The success of merger to a large extent would depend on the **degree of balance** that is created. A major deviation is warranted in the thought process where not only quantitative but also qualitative aspects have to be introspected in utmost detail for evaluating the feasibility of undertaking a Mergers and Acquisitions (M&A’s). While undertaking foreign acquisitions the main idea for Tata Steel and Essar Steel is to benefit from the technological competence of its European and Canadian counterparts and provide low cost of labour and raw materials. While India has a developing market with enormous untapped potential the foreign markets have an established customer base where profit margins are high.
Even in the domestic Mergers and Acquisitions (M&A's) a similar balance is attempted where companies try to capitalize on skills by SAIL, IMFA and JSW Steel. A major attraction with Mergers and Acquisitions (M&A's) especially the ones associated with foreign countries is the entry into new markets which enables the undertaking to get a hold and expand its operations in foreign territories and gain a share in the world market. The major reason behind the Mergers and Acquisitions (M&A's) strategy of Tata Steel can be attributed towards this motive and strategy where it initially acquired the Singapore based NatSteel in 2005 and the Anglo-Dutch steel company Corus Steel. In 2005 Tata Steel had acquired Millennium Steel of Thailand. The acquisitions in 2005 gave Tata Steel a strong presence in the Asian market and an additional customer base of two million tons of steel. The acquisition of Corus in 2007 made it the second largest in Europe and the fifth largest in world. The highlight of the Corus acquisition was the fact that Corus was making four times more than Tata and yet Tata acquired it after a fierce rival bidding. The spread of markets for Tata and Corus before and after the merger is discussed in Table 10.4.1. Tata was initially dominant just in India with a share of 69 percent while in Asia it was 23 percent while that for the rest of the world was low at 8 percent. For Corus the market was primarily concentrated in Europe with a market share of 49 percent in Europe, 29 percent in UK, 10 percent in North America, 9 percent in Asia and 3 percent in ROW. The figures after the acquisition show how both the entities benefitted from each other’s market presence. Tata got entry in the European market while Corus got an entry into the Asian market and both together were expected to benefit from mutual synergies. The share in Europe of the merged entity was 37 percent, in Asia it was 24 percent, in UK it was 22 percent. In North America it was 8 percent while that for the rest of the world stood at 9 percent. Hence the base of the merged entity was more diversified than it was individually and both the companies could benefit from each other’s presence.

Table 10.4.1: Spread of Markets before and after the Acquisition

<table>
<thead>
<tr>
<th>Before the Acquisition</th>
<th>Corus</th>
<th>After the Acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tata</td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>69%</td>
<td>Europe</td>
</tr>
<tr>
<td>Asia (ex India)</td>
<td>23%</td>
<td>UK</td>
</tr>
<tr>
<td>Rest of the World</td>
<td>8%</td>
<td>North America</td>
</tr>
<tr>
<td>(ROW)</td>
<td></td>
<td>Asia</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ROW</td>
</tr>
<tr>
<td>Corus</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>49%</td>
<td>Asia</td>
</tr>
<tr>
<td>UK</td>
<td>29%</td>
<td>North America</td>
</tr>
<tr>
<td>Asia</td>
<td>9%</td>
<td>ROW</td>
</tr>
<tr>
<td>ROW</td>
<td>3%</td>
<td></td>
</tr>
</tbody>
</table>

Figure 10.4.2: Spread of Markets before and after the Acquisition (for acquisition of Corus by Tata)

Source: Table: 10.4.1
For the purpose of selection of the target company a deep and detailed study of the target company has to be done most intricately on the basis of financial and production statistics. Also the market performance, position, credit worthiness, future prospects would enable a company to zero in the target company which meet the needs and also decide a suitable price for the proposed deal. An original research would be required to be done dealing with all relevant aspects of the targets business relating to market share, products, customers base, production, creditors, future potential, financial position, technological competence etc. The strengths and weaknesses of the target have to be assessed in detail. While merging loss making subsidiaries SAIL had to assess the impact of their losses on its financial statements and also the benefit of greater economies of scale to be accrued. In its bid for expansion and creating greater operating capacity Indian Metals and Ferro Alloys (IMFA) took over Indian Chrome Charge Limited (ICCR) and so did JSW for SISCOL. However all didn’t go well with the Bellary and Pittsburgh iron and Steels deal. In case of international acquisitions too, the benefit and the complexities associated with the target had to be deeply studied in order to deal with the situation in future.

At the same time it is often seen that big companies acquire or merge companies which are running into losses. The decision may be strategic and might prove to be a shot in the arm for both the entities. The loss making company which has the required infrastructure gets the necessary technological, financial and managerial influx. On the other hand, the acquiring company gets a unit at comparatively low valuation and if the latter was incurring losses, it can write them off against its profits and reduce tax liability. The Board for Industrial and Financial Reconstruction (BIFR) in India looks over this aspect. The merger of SAIL and Visvesvarya is an example of this. A loss making subsidiary was merged with the parent company. The merger of IISCO with SAIL was also on similar lines where the pre-merger profitability of IISCO had a negatively correlated relation with the post merger profitability of SAIL. Table 10.4.2 gives a synoptic view of the pre and post merger Profit Rate and Profit margin for IISCO and SAIL. The Pre-merger Profit Margin for IISCO is very low at -21.925 while that for SAIL is also negative at -0.012. The Post-Merger Profit Margin is healthy at 0.165 signifying that the post-merger performance is much better as compared to that of the pre-merger. The Profit Rate of IISCO before the merger is -0.1192 while that for SAIL is -0.172. Both are negative and very low. However the
Post Merger Profit Rate of SAIL is a positive 0.153 highlighting again that the Post-Merger operations are much better than the Pre-Merger in terms of the Profit Rate as well.

Table 10.4.2: Calculation of Pre and Post Profit Rate and Profit Margin for Merger between SAIL and IISCO

<table>
<thead>
<tr>
<th></th>
<th>Net Sales</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre-merger Average</td>
<td>Post-merger</td>
</tr>
<tr>
<td>a) IISCO</td>
<td>-21.925</td>
<td>NA</td>
</tr>
<tr>
<td>b) SAIL</td>
<td>-0.01175</td>
<td>0.1652</td>
</tr>
</tbody>
</table>


It might also be advisable for the companies undertaking Mergers and Acquisitions (M&A's) to study related mergers in the same industry in the past to develop an understanding of the issue, problems and strategies to be developed for undertaking a new alliance. In the steel industry the trend of consolidation has been growing very strongly and keeping up with the global trend the industries in India have been taking a plunge. The merger of Arcelor with Mittal in 2006 created the largest steel company in the world for which they paid 40.37 Euros per share. It was followed by acquisition of Corus by Tata which made it the fifth largest producer in the world. These acquisitions and mergers are necessary to meet and sustain the competition as a merger entity is in a better position to meet the challenge.

In case of large projects it is advisable to enter into Mergers and Acquisitions (M&A's) for the purpose of diversifying the risk among the partners and also ensure complementary technological expertise especially in the case of industries relating to developing of projects involving building of aircraft, arms, computers, steel where the costs runs into billions of dollars.

It is essential to plan perfectly in order to structure and execute any business strategy. Taking into account the nature and complexity of carving out a Mergers and Acquisitions (M&A's) deal, it is extremely vital to set out the goals, targets and achievements most clearly and precisely. Instead of making a long list of goals and
targets it is necessary to make a phased list where the goals and targets to be achieved are identified in the order of priority. The long term and short-term goals should be set out for effecting a smooth transition. It would be simpler to set targets in a realistic manner as over exaggeration may lead to difficulty and eventually failure in execution of plans and policies. Also the set plans and targets have to be communicated to the concerned employees to ensure that the vision, goal and target is well understood by all which would be effective in achieving post-merger integration. The most difficult task is to set the targets according to priority. The foremost priority is to achieve integration and in the latter years benefit from the operating and financial synergy.

It is extremely necessary to make realistic and achievable targets in terms of synergies as well. It may be so that the excess estimation of operating synergy may lead to lags in quality. Realisation of cost synergies through cutting cost may lead to closure of a vital unit or linkage which hampers the operation and performance, and it may be so that the technical synergies might not be compatible. Hence the management has to ensure that maintenance of value is not sacrificed for the sake of realization of synergies. After the Corus deal it was stipulated that Tata would not remain the lowest cost producer of Steel in the world as this advantage was hugely because of its access to raw materials and reserves but the excess burden on the resources due to increase in capacity from 5.3 million tonnes to 27 million tonnes will drain the resources much earlier and adversely affect the cost advantage in the longer run as Corus had access to specialised facilities but not natural resources.

Stringent control has to be exercised over the operations and employees. For the different modes of performance measurement indicators in terms of finance, accounts, human resources etc, it might be advisable to develop a new model taking into account the needs and ground realities. The accounting policies should be so designed that it suits the needs of the new undertaking; HRM policies should be accepted and approved by the employees to avoid resistance and friction; research and development issues should be dealt with in the light of the changing environment and needs; marketing policies have to be carved keeping in mind the brand value, old customers and the image to be created in the minds of the customers. Hence it is not always advisable to stick to the old protocols followed by the acquired or the acquiring firm and a new working environment might be required to be created in the dynamic and changing environment. It might also prove effective if there has been a pre-merger agreement on the enforcement of new metrics and protocols after the
merger or takeover has been affected. At the same time it is important to give time to the plans and strategies to give results. Mergers and Acquisitions (M&A's) is a highly complicated and complex affair and the results might not be instantly felt. The integration is a long term process and there should be periodic review of the plans and strategies but they should be given a reasonable amount of time to reflect in performance and results. The maximum importance ought to be given to the integration aspect.

In the case of cross border acquisitions we see that generally the acquiring company retain key members of the acquired entity as in the case of Tata Steel and Essar Steel. It might be a good option to develop a team with the task of bringing about integration of various units post-merger. The team may include members from various units who may be offered incentives as well. A mechanism should be developed to provide coordination and address all issues at conflicts arising from the integration immediately. It should be assured that the people are the given the maximum emphasis in terms of creating value. Adequate training should be given to the employees and staff for the purpose of letting them develop proficiency in intercultural synergy mechanism and competence. They also encourage formation of teams and committees to overlook the process as was done by Tata Steel of which Ratan Tata was himself the Chairman.

The acquiring company has also to study and estimate the potential cost of the merger and also evaluate its resources as to whether it can afford the merger. It so happens in many cases that merger are undertaken which are ambitious and failure to meet the associated costs makes a hole in the acquirers pocket to such an extent that operations of the parent company are also negatively affected by it for a long period. The cost does not only involve the financial aspects but there are other related issues as well. It might be so that the parent company would have to put on hold some of its present projects or those it intended to undertake in the near future due to the merger or acquisition undertaken. Hence there would be an opportunity cost involved and that should also be counted as a notable aspect while undertaking a merger. In case of financially sound companies like SAIL, JSW steel, Essar Steel and Tata Steel also, the spate of Mergers and Acquisitions (M&A's) was observed with caution by the investors. It led to a fall in the market price due to the doubt whether it would be able to recover from the huge financial outflow.
In order to bring about cohesion of socio-economic factors acculturation has to be developed smoothly in order to bring about congruence in operations. Figure 10.4.3 gives an insight in the mode adopted for cultural integration of the units involved in the merger. The acquired firm faces a new management at the helm but it prefers to maintain its work culture and offers resistance. The firm that is acquiring has to ensure that while implementing its management and administration styles, due recognition is given to the culture of the acquired firm and the diversification is done keeping in mind the relatedness of the two firms involved. The acquiring and acquired firms both have to bring about integration, assimilation, separation and deculturation. The process would lead to congruence of the two individual management styles and culture leading to acculturative stress and eventually bring about successful implementation of the merger.

Figure 10.4.3 emphasizes people and it is necessary to recognize the value of human resource as a lubricant for effecting a smooth merger. Employees may resist a merger and there might also be various apprehensions and it is necessary to address their concerns and provide them the necessary security and assurance for creating an efficiently performing merged unit. Cultural cohesion should be accorded the same level of priority and importance as operating, production and financial synergy as it is an all pervasive function and deals with all the department and levels. It is required in dealing with the day to day affairs and business. For the purpose of avoiding conflicts and disputes and creating a mechanism of understanding and communication, integration of cultures is of paramount importance. The management should keep in mind that the success of operational and financial synergy depends on the human factor which is the intangible factor involved. It is the management’s job to bring about a conjoint leadership mechanism of the two entities that integrates of cultures and also ensure that there is retention of quality talent and skills. Research suggests that the lack of intercultural understanding accounts for 65 percent of failed mergers. In the event of a mismatch of the cultural process it leads to a communication gap leading to a negative impact on the production and operations.14
Apart from fostering cultural integration another issue at hand is employee's retention. At the time of restructuring depending on the policies formulated various employees lose their jobs to suit the new vision of the merged and resultant entity. However, it is a daunting task for the management to ensure that quality talent is not lost in the purpose. There will be certain key members who have to be retained due to their knowledge about the operations and functions of enterprise, relationships with customers, effective leadership, etc. The management has to ensure that it identifies and retains the key talent which would go a long way in making the merged entity's...
performance improve and excel. While undertaking an acquisition it might not be always necessary to overtake the management in totality too but it might be a fair idea to retain the top management if it's doing its job well. Tata retained the top management of Corus and retained its CEO in order to facilitate the integration efforts.\(^{15}\)

Mergers and Acquisitions (M&A's) are generally undertaken to fuel the need of growth and expansion but the basic rationale should not be based on unrealistic ambitions. It might happen that entrepreneur goes for the deal to satisfy ambitions and for fame though it is not feasible for him on financial and other grounds. Also it may so happen that at times of rival bidding; the company losing the bid finds itself exposed in the market which may have a negative effect to its market value. It is too early to predict whether Tata actually paid excess for Corus but so did Mittal for Arcelor as compared to what they offered initially. The company's believed that they can recover from the synergies to be created and taking into account the present financial scenario the scene looks positive for creation of huge steel empires.

For the purpose of calculating the cost or the premium to be paid for the deal the synergistic value and the net present value should be calculated in the most realistic terms possible.

For the purpose of meeting the cost of the restructuring it might be an option to consider leveraging. Employment of debt capital has various advantages. It not only increases the availability of funds but reduces the tax liability as well as interest payable is taxed as an expense. The debt employed is loaned capital and hence comes the responsibility of being repaid. Hence there is extra caution in its use and cost control measures are employed even more diligently. Timely repayment of debt determines the credit worthiness and creation of value by the firm. These factors should also be given consideration while exercising the option of injecting debt capital. However the general trend is to employ a mix of debt, equity and cash financing.

A decision of Mergers and Acquisitions (M&A's) involves a large number of people and organizations besides the two entities coming together. It might be a good option to apprise all the elated parties about the facts and ground realities relating to the merging agreement. Though the final decision and intricate details would rest with the management but it might prove beneficial to hear the concerns of the investors,
creditors, suppliers, bankers, employees, major customers and other parties concerned.

There are certain issues specific to different countries and the acquiring company has to make related adjustments. In case of domestic deals also the policies and practices followed should to be given due consideration. Labour laws in India are one such aspect. An acquiring or merging entity has to undertake the employee's liabilities relating to pensions, provident funds, medical etc. It may be required to bring about certain modifications in the same and all may not go well with the employees. Hence these should be dealt with most tactfully in order to ensure that the employee's interest and concerns are not harmed at any point of time. **Forming unions** is a common practice in India and it often leads to disturbance to the working environment in the form of strikes and lock outs. In the recent years there has been some improvement in the scenario with the increase in the level of competition and entry of MNC's in Indian market but still the issue is of considerable importance and should be dealt with utmost care.

Another major problem faced in India is the **diverse culture**. As per the 2001 Census of India 29 languages are spoken by more than one million native speakers, and 122 by more than 10,000\(^{16}\). The huge cultural diversity poses a major challenging in bringing about integration among two units which are belonging to different areas. The problem might be more compounded in case of cross border mergers.

Besides empowering and enabling the management to take strategic decisions, the present recession has highlighted the need to have a **risk management mechanism**. Integration involves various complex issue which might face various hurdles and difficulties. However there might be a major issue involving a micro or macro factor leading the whole process to be severely affected. In such cases it might be advisable to have a team of professionals dealing with risk management in such situations involving unforeseen circumstances.

Figure 10.4.4 illustrates a model to bring about Post-Merger integration of units. Mergers and Acquisitions (M&A's) might be a growth which is done through either repetitive or a single deal. The reason or scope for the deal may vary across various options. It may be done with a view of expanding business options and opportunities or increasing the value of the business. It is sometimes done for restructuring and re-engineering the businesses. It might be done for the purpose of sharing services too. Another relevant aspect is **timing**. It is very important to determine the pace at which
implementation is planned to be effected. The other available modes, options and initiatives are also explored. It is also to be determined that in what pattern the enterprise solutions have to be integrated and what will be the time factor for implementing them. The long and short term implementation strategies have also to be worked out. Another aspect highlighted in the model relates to the enterprise architecture. For the purpose of bringing about integration, various models would be required to be designed and worked out. Various interfaces would be required between the employees and there would be certain conversions required to merge the units functioning. The architectural change would involve IT department and data centres also as information and data bases would have to be integrated as well. The system strategy would have be brought together on identical technical platforms. The next aspect depicted in the model relates to cost. The foremost element relates to the cost of acquiring or ownership followed by those related to implementation. The change in the managerial staff would also entail certain cost along with the initial investment. All these constitute the Post-Mergers and Acquisitions (M&A’s) Enterprise Solutions Strategy.

**Figure 10.4.4: Post Merger Enterprise Solutions Integration Decision Model**

Diagram-11: Single Vs Multiple Authorship pattern
The recession had a serious impact on the business of the exporters and the firms seeking targets for expansions in the west. It led to a situation where strategies and policies had to be redrawn. It focused on the need to look for customers and opportunities beyond the west. The present crisis disturbed the financial and economic values of a large number of firms and it requires a new and innovative approach for the purpose of valuations of firms for the purpose of undertaking Mergers and Acquisitions (M&A's) in the wake of the present recessionary trend of the economies which had led a to significant fall in the value of assets and other strategic investments.

However in the globalized arena it might be noted that the combining of two units is no longer confined to statistical and accounting figures but it is the human aspect which is emerging to be one of the key features determining the success or failure of a merger or acquisition. The cohesion of cultural values and work culture is looming to be a vital factor.

Mergers and Acquisitions (M&A's) create opportunities in terms of growth, development and job creation and in the present era globalization is the key word where an isolated economy has limited future. The governments of states have also to realize the need for the hour and bring about flexibility in laws and policies accordingly. Agreements in the field of investment, labour, technology, labour etc have become a necessity rather than an option. Hence corporate restructuring at the national and international level is now a mode of survival, growth, expansion and development. It is imperative to understand that different industries are faced by different issues and Mergers and Acquisitions (M&A's) being a complicated issue cannot be evaluated just on the basis of averages. A case by case approach has to be adopted for which a sophisticated perspective and not a generalized approach is mandatory. While striking a deal it is not only sufficient to evaluate the present timing for the purpose of deciding if it's appropriate but also the future ahead in terms of opportunities involving growth, competition, environment, research and development etc.

In Figure 10.5.1, the emerging economies owing to their increased importance are grouped under one head that is Brazil, Russia, India and China (BRIC). Mergers and Acquisitions (M&A's) is a tool for both ambitious expansion and exploiting opportunities in emerging markets. Figure 10.5.1 laments the present scenario where acquisition is no longer a domain in the hand of the entrepreneurs of the developed
countries. The percentage of respondents from BRIC countries was the highest regarding willingness to undertake an acquisition. It is no longer an area which attracts investment but is making a stronghold in the sphere of undertaking global Mergers and Acquisitions (M&A’s). The next in the list is North America at 48 percent which has a history of undertaking acquisitions. It is followed by UK and Ireland at 40 percent and Mainland Europe at 30 percent. The percentage for the Rest of the world stands at 28 percent while the Global percentage is at 44 percent. Hence the estimated percentage for BRIC nations at 59 percent is way ahead of its counterparts highlighting the expected pattern for future growth of Mergers and Acquisitions (M&A’s) which are expected to be concentrated in these developing BRIC nations. Individual analysis of the BRIC nations reveals that China leads the pack at 67 percent followed by Brazil at 64 percent. India is lagging behind at 46 percent and Russia at 40 percent. Post-liberalization India has made an amazing process making it one of the most promising economies. It is using the tool of Mergers and Acquisitions (M&A’s) for acquiring competence, technological skills, exposure and growth but still it is lagging behind considerable as compared to China and Brazil.

Figure 10.5.1: Percentage of Respondents planning to grow through Acquisition in the next three years (Average)

10.6 Conclusion

The analysis in the above paragraphs provides a detailed discussion about the various problems that are faced during Mergers and Acquisitions (M&A's). A study about qualitative aspects especially the socio economic factors reveal that is emerging as a major factor for the high failure rate of mergers. It suggests that operational and financial aspects are not enough to assess and evaluate a merger. The problems are discussed in the light of Mergers and Acquisitions (M&A's) in general and the case studies taken up for discussion in particular. It is seen that the developing economies are making significant deals and the upward trend is expected to increase at a faster rate in the future as well. The trend of consolidation and restructuring seem to be the order of the day where striking a deal with the big players in the business has become a recipe for survival and success. The strategies suggested are particularly directed towards the problems which have been identified by the Researcher. The future prospects relating to Mergers and Acquisitions (M&A's) are also discussed briefly on the basis of various introspections, surveys and trends analysed in the thesis. The succeeding chapter is the final chapter of the thesis and it sums up the work done by the Researcher in the form of a brief summary followed by the findings and limitations of the study.

10.7 References

5 “Tatas Plan Fund Raising Mix For Corus”, The Economic Times, April 18, 2007
Chapter 11

Summary and Findings

11.1 Introduction
11.2 Summary
11.3 Findings
11.4 Suggestions and Recommendations
11.5 Contribution to the Existing Stock of Knowledge on the Subject Matter
11.5 Directions for Future Research
Diagram-13: Gender-wise Distribution
prospects related to these countries are examined in order to understand the future trend of Mergers and Acquisitions (M&A's) in various countries.

The Indian economy in its liberalised form is studied and it is traced as to how it developed and grew as an economic powerhouse after it was freed from the clutches of regulation in 1991 when the New Economic Policy was unveiled. The utility and importance of the study arise due to the host of benefits arising from the spate of Mergers and Acquisitions (M&A's). It has become a strategic tool for growth for various reasons which are creation of synergies, access into foreign markets, surviving competition, diversification, availing tax concessions etc. The Indian economy has come a long way from the time when Mergers and Acquisitions (M&A's) were restricted to big business houses and regions.

The Indian market is an attractive destination to invest mainly due to the availability of large amount of raw materials, natural resources, low cost skilled labour, untapped market potential. Also the Indian corporate sector is eyeing and finalizing major domestic and cross border deals. The development of banking and finance sector is proving to be a big shot on the arm with the facility of huge amount of deals being financed easily. The growth of Indian economy can be gauged by its position in the FDI confidence Index. It stands third in the world at 1.64 behind USA at second position at 1.67 and China at first position at 1.93.

The growth in Mergers and Acquisitions (M&A's) in India has been steady and stable with the purchase in 1991 at US$ 1 million to US$ 1877 million in 2008 and sales from US$ 35 million in 1992 to US$ 2977 million in 2007. The study also provides details of the major companies and the number of Mergers and Acquisitions (M&A's) made by them in the last few years where Hindalco Industries leads the pack. The largest ever acquisition in a foreign country was however made by Tata Steel when it acquired Corus for US$ 12.2 billion. The study provides a detailed account of sector-wise Mergers and Acquisitions (M&A's) deals in India citing the year, name of acquired and acquiring company along with value of the deal structured. Also deals done by major companies like WIPRO, Accenture and Tata group are dealt with separately.

The year 2007 witnessed one of the biggest financial crisis in the history of the world economy with stocks and valuations at an all time low due to the liquidity crisis which erupted in USA. The study highlights its impact on the level of Mergers and
Acquisitions (M&A's) in India where the number of deals fell by -41.19 percent and the value by -67.59 percent in 2009.

The global economic environment and its impact on the direction and volume of Mergers and Acquisitions (M&A's) is dealt with separately where it is seen that earlier it was USA which was leading the pack in terms of Mergers and Acquisitions (M&A's) but now it is facing stern competition from the developed economies. The growth in the number and value of deals since 1991 is discussed at length. The various motives behind Mergers and Acquisitions (M&A's) are also discussed which range from factors related to regulation, technology, economic, strategic and geographical. The study gives a detailed account of various merger and acquisition deals that have taken place in various sectors across the world in terms of year, name of acquiring and acquired company and the value of the deal. It is seen that the pharmaceutical and technology sector seemed to be involved in maximum number of Mergers and Acquisitions (M&A's) transactions. After the recession many deals were witnessed in the financial sector in order to survive in the market. The global recession made a significant impact on the volume and value of deals which saw a sharp fall. In terms of volume deals fell by -18.15 percent and in terms of value by -33.29 percent in the year 2008. However there are certain sectors which seemed to be unaffected which were pharmaceuticals, transport and construction. In terms of future the BRIC countries are expected to lead the Mergers and Acquisitions (M&A's) brigade with a maximum 59 percent of respondents planning to undertake a Mergers and Acquisitions (M&A's) deal.

The recent spate of increased Mergers and Acquisitions (M&A's) is particulary due to the opening of the economy with the introduction of the New Economic policy of 1991. Though the measures were taken under emergency situation with the balance of payment crisis it has greatly worked in favour of the Indian economy which is projected as the next big thing on the economic platform alongside China. The legal framework prevalent in India regarding Mergers and Acquisitions (M&A's) is discussed under various relevant Acts which are listed below:

1. Companies Act, 1956
2. Substantial Acquisition Of Shares And Takeover Regulation, 1997
3. The Competition Act, 2002
4. The Foreign Exchange Management Act, 1999
5. Securities Contracts (Regulation) Act, 1956
Diagram-14: Academic Staff in the Jordanian University (2005-2006)
the merger or acquisition on the pre and post merger analysis. The ratios so calculated are tested to analyse the hypotheses that have been formed. The Researcher uses correlation coefficient ($r$) to determine the direction and degree of relation, coefficient of determination ($r^2$) to explain the variation in terms of percentage, regression equations to find ten cause and effect relation. Finally the student t-test is done for testing the statistical significance. These tests are applied not only for the ratio analysis but also to test the effect of the merger on the pre and post merger EPS and MPS. The relation between the profitability and MPS is also calculated to find out the effect of the announcement of the merger and the financial performance of the merging and merged firms to study the long term effect on the market price. In the end Profit Rate and Profit Margin are calculated to find out the financial and operating efficiencies of the firms involved before and after the merger and relevant percentages are calculated to make a comparison of the same.

Before applying the research methodology so designed the Researcher gives a brief overview of the Indian Steel Industry and traces its growth and development since liberalization when the New Economic Policy was announced in 1991. The removal of restrictions and regulations has greatly facilitates its growth and development over the years and today it stands among the top ten steel industries of the world. The growth in production, consumption and imports and exports over the year can be traced through the figures provided by the Joint Planning Committee and provided by the Ministry of Steel, Government of India. The steady growth over the years is evident by the figures and the growth percentages calculated. The impact of the recession on the steel industry which caused a slump in demand and corresponding fall in demand and production is also shown. The development as pushed the Indian Steel Industry to the fifth position in the world according to the 2009-2101 Annual Report prepared by the Ministry of Steel, Government of India. The acquisition of Corus has made Tata Steel the eighth largest producer of steel in the world in the year 2008. The steady profitability of the Indian Steel Industry in recent times is also shown by the Researcher where the profitability for the year 2009 is registered at 7.02 percent. The DER, CR, ICR are also satisfactory at 1.03, 1.23 and 3.47 respectively.

The study also provides a detailed study of the major Mergers and Acquisitions (M&A's) deals that have taken place in India since 1991. The volumes of the deals have grown at a phenomenal rate in the last twenty years. Also the trend of an Indian company making a foreign deal has been hitting headlines. The deal where Tata
acquired Corus for approximately US$12.2 billion is the largest ever by an Indian corporate. Other steel companies like Jindal, JSW and Essar Steel are also making significant progress in this direction. In the public sector SAIL has been amalgamating companies with itself and boosting its operating capacity in the process.

The pre-merger analysis of Visvesvarya does not have a great picture of the financial condition of Visvesvaraya Iron and Steel Limited (VISL). There was a consistent fall in the PAT, RONW and ROCE for Visvesvaraya Iron and Steel Limited from 1994-98. The hypothesis testing shows that the profitability and CETR of Visvesvaraya had a limited impact on the post merger financials of SAIL. Visvesvaraya was a loss making unit and its merger with its parent company gave it a new lease of life. The merger made it possible for SAIL to write off its losses and get deductions on tax payments. The dismal state of affairs led to a proposal of its being taken over by the Defence Ministry as 60 percent of its products that is alloy steel were required by it. The proposal however did not materialise and its association with SAIL continued. It was in November 2004 that VISL started making profits and since then it has been a profitable concern for SAIL.

The analysis of SAIL as regards merger with Visvesvaraya shows that the profitability declines after the merger but it was due to the recession in the global and domestic steel industry. A restructuring plan was devise to bring about a turnaround in order to separate its non-core business from its main business of production and sale of steel. The Testing of Hypothesis for various financial parameters reveals that the relation between the Pre and Post merger Profitability, CETR and ICR is statistically insignificant. Only when six years of Pre merger is compared to eleven years of post merger of CETR, the relation is significant. Hence the testing of Hypothesis supports the notion that the merger did not have much impact on the financials of SAIL. The relation between the Post merger Profitability and MPS is however significant. The MPS is greatly affected by Profitability and other factors. The study of the Profit Rate and Profit Margin also highlights the limited impact of the merger on the financial performance and greater effect on the operational performance.

In case of IISCO's merger with SAIL the Hypothesis relating to the Pre merger Profitability and CETR of IISCO with the post merger statistics of SAIL shows that the both the relations are statistically insignificant. IISCO was running into losses prior to the merger and consequently had a negative impact on the profitability of
SAIL while the CETR had a positive impact on the CETR of SAIL. The correlation was of low degree but it should be kept in mind that the setting off of losses may have reduced profitability but at the same time the tax liability as well.

When we see the merger from the perspective of SAIL we see that SAIL was making profits since 2004 and the trend continued after the merger as well. However the testing of Hypothesis shows that it’s only the relation between the Pre and Post merger ICR which is statistically significant. However the degree of correlation is low. The relation between the Pre and Post merger Profitability and ICR is statistically insignificant. The Pre merger analysis of Profitability and MPS depicts that the relation between the two parameters is statistically insignificant. However post merger the relation is statistically significant and there is a high degree of positive correlation. The hypothesis testing the Pre and Post merger MPS and EPS shows that there is an effect of the merger on the two variables. For MPS the relation is moderate while for EPS it is of a low degree. It is interesting in the light that the Pre merger profitability did not have a statistically significant relation with the post merger profitability. The analysis of Profit Margin and Profit Rate show significant improvement in the financial and operating efficiency.

Hence the merger did not positively affect the financials of SAIL but there were benefits in terms of greater size and production capabilities.

For the acquisition of SISCOL by JSW, the analysis of SISCOL reveals that the losses were converted into losses with the help of core competencies of JSW and after profitability was being achieved the two undertakings were subsequently merged in 2008. The Hypothesis testing reveals that the pre merger Profitability and ICR of SISCOL did not have an impact on the post merger Profitability and ICR of SISCOL. The post merger ICR of JSW had a relation with the pre merger ICR of SISCOL when five years of pre merger and three years of post merger were undertaken. However the study of the Pre merger EPS of SISCOL and Post merger EPS of JSW Steel appear to have a relation revealing that the shareholders were affected. The degree of correlation is a high degree of positive correlation. Thus we see that the association with JSW Steel had converted a loss making unit into a profitable venture.

After running into losses for years JSW Steel finally made a turnaround in its operations in 2004 and started making profits on a consistent basis. There is no relation between the Pre and Post merger profitability on the basis of the test applied. However the benefits of merger are not expected to accrue in the first few years.
analysis of the relation between the profitability and MPS reveals that the relation between the Pre merger profitability and MPS is insignificant. The relation between the post merger Profitability and MPS is on the contrary found to be significant. The relation between the Pre merger EPS and MPS with the post merger EPS and MPS is also found to be significant. The Profit Margin for JSW Steel jumped by 635 percent while the Profit Rate increased by 74.6 percent. The losses incurred prior to 2004 are also responsible for this huge change in Profit Margin.

Bellary Steel’s historical performance was dismal with losses being incurred since 2001 and they seemed to just magnify after the merger and increased manifold over time. The study of Hypotheses reveals that the Pre merger Profitability, FATR and ICR did not have a statistically significant relation with the post merger figures. The ICR in the short run was though affected having a high degree of positive correlation. However both in the pre merger and post merger stage there is a statistically significant relation between the Profitability and MPS. Prior to the merger the degree of correlation is low while post merger it is a high degree of positive correlation. The Pre merger MPS and EPS also do not seem to have a relation with the post merger statistic.

The financials for Pittsburgh Iron and Steel Limited was in a bad state with losses being incurred at a consistent basis. The test of Hypothesis reveals that the profitability of Pittsburgh had an impact on the profitability of Bellary while there was no effect on the EPS and FATR. The Profit Margin and Profit Rate for both the entities also did not pose a satisfactory picture. To sum up the merger was not going anywhere and both the units individually as well as jointly were making no headway. The decision of promoters to foray into the business of Steel by merging with Bellary Steel was questionable with the latter suffering from losses.

The pre merger figures of Indian Chrome Charge Limited (ICCL) show that the company was running into losses since 2001 but the volume of losses had considerable come down till 2005. The test of Hypotheses reveals that the Profitability and ICR of ICCL had a relation with the post merger figures of IMFA only in the longer run. The FATR of ICCL had a statistically significant relation with the FATR of IMFA both in the shorter and longer run. The two variables had a very high degree of positive correlation. The positive effect that the merger had on the operational efficiency was obvious. Even the EPS of ICCL had statistically significant relation with that of IMFA both in the short and long run. The degree of correlation
was high. The merger seemed to fulfil its objectives of financial and operating synergy.

IMFA was a steady and profitable enterprise with the company managing to earn profits over ten years that is from 2000 to 2009 at a satisfactory rate. The Hypotheses testing reveals that there is a statistically significant relation between the Pre and post merger FATR of IMFA having a moderate degree of positive correlation. The relation between the Pre and Post Profitability, ICR and EPS is statistically insignificant. The Profit Margin after the merger shows an increase of 120 percent while the Profit Rate registered an increase of 66.67. Hence the merger appeared to have accrued financial and operating synergies after the merger.

In case of international Mergers and Acquisitions (M&A's) we see that the financials of NatSteel show that the company was running into profits prior to the merger but after the merger took place in 2005 there was a significant increase in the rate of profits indicating that the sale of its steel division was proving to be profitable for the enterprise. The testing of various Hypotheses shows that the relation between the Pre and Post merger FATR and WCTR is significant while the one between the pre and post merger profitability is insignificant. The testing of Hypothesis to determine the relation between the profitability and MPS before and after the merger is interesting. The relation between the Profitability and MPS prior to the merger is statistically insignificant while the relation between the Profitability and MPS after the merger is statistically significant. In case of EPS the relation between the Pre and post merger figures is insignificant while in case of MPS the pre and post merger data are statistically significant. However there is a negative correlation between the two at -0.57.

The acquiring company Tata Steel earned profits on a steady basis over the last decade. The merger had an impact on the profitability of the entity. The FATR and ICR were however unaffected and were statistically insignificant. The relation between the MPS and Profitability shows that both the variables had a statistically significant relation both before and after the merger. Also the Pre merger MPS and EPS had a relation with the Post merger MPS and EPS respectively. The Profit Margin for both NatSteel and Tata Steel increased significantly. The Profit Margin for Tata Steel increased significantly by 491.67 percent indicating a marked improvement in the operating efficiency.
In the case of Tata-Corus deal, from 2000 to 2003 Corus was registering losses and it was only in 2004 that Corus earned profits. However the rate of profits till 2004 to 2006 was in the range of 2 percent to 5 percent which was not very high. The test of hypothesis shows that the Profitability and FATR prior to the merger had a relation with that of the post merger Profitability and FATR respectively of Tata Steel. While Profitability had a negative correlation the FATR had a positive correlation with the post merger figures. The ICR was affected only in the longer run. Pre merger EPS had a very high degree of positive correlation with the post merger EPS indicating the benefits accrued to the shareholders.

The much hyped acquisition of Corus by Tata Steel reflected that the trend of profitability for Tata Steel continued. The merger had no effect on the figures of Profitability, FATR or ICR as depicted by the test of Hypothesis. The relation between the Pre and Post merger figures is statistically insignificant. The relation between the MPS and Profitability before and after the merger is most interesting. Prior to the merger MPS and profitability had a statistically significant relation with a high degree of positive correlation. However after the merger there is a high degree of negative correlation indicating that the merger did not go down very well with the shareholders as per the market response. The EPS was affected by the merger only in the longer run. It is further seen that the Profit Margin for Tata Steel increased by 77.5 percent while the operational efficiency got a major boost with the Profit Rate moving up by 252.4 percent.

The Profitability of Algoma Steel was impressive before the merger. Though after the merger it dropped, it was back on track in 2009 at 8.53 percent. The testing of hypotheses reveals that FATR was affected as a result of the merger both in the small and long run while the profitability was affected in the small run. The ICR was however not affected.

Despite the huge losses incurred initially in the year 2001 and 2002, Essar Steel recovered and posted profits at a steady rate from 2003 onwards. The test of various hypotheses reveals that the merger did not have an effect on any of the parameters, i.e. Profitability, FATR or ICR. For Algoma Steel the Profit margin increased while the Profit rate fell. For Essar Steel both Profit Margin and Profit Rate increased substantially.

The evaluating of problems relating to Mergers and Acquisitions (M&A's) reveals that the major problems faced related to technological obsolescence, timing of
mergers, financing of scheme, cost of deal, competitive bidding, change in the debt structure, MPS, selection and size of target company, integration of accounting standards, cultural integrations, examining post merger effect, synergy calculation, different set of metrics and parameters, regulatory environment etc.

For addressing the problems various strategies are proposed by the Researcher relating to using the Mergers and Acquisitions (M&A's) tool for expanding and entering new markets, maintain balance, evaluating the potential of target company, tax planning, diversifying risk, realistic targets, develop a professional team, emphasis on people, employee retention, premium calculation etc.

From the point of view of future prospects the Researcher feels that this tool has got enormous scope for future deals both in the domestic and international arena. It not only acts as a mode to expand and grow but also offers wide employment opportunities. Also the ongoing recession has led the valuations to fall down. Also keeping in view the growth trajectory of the developing countries we feel that the next wave of Mergers and Acquisitions (M&A's) is going to be dominated by them especially the BRIC countries that is Brazil, Russia, India and China.

11.3 Findings

The trend of Mergers and Acquisitions (M&A's) has greatly benefitted from the opening up of the economy but it is only in the recent years that prominent outbound deals are being done.

The global Mergers and Acquisitions (M&A's) increased in terms of volume from 13 in 1991 to 319 in 2007 while the value increased from US$27 billion in 1991 to US$ 70.4 billion in 2007.

The opening of the economy has certainly gave an impetus to the trend of Mergers and Acquisitions (M&A's) in India but it has been only in the last decade that significant deals are being carved out as is evident from the volume and value of deals depicted in the thesis. Also a major proportion of FDI is contributed by Mergers and Acquisitions (M&A's) deals.

The major objective for Indian corporate for effecting a merger or takeover is related to financial synergies followed by increased operational base and reach to new markets. As per various figures, surveys and projections it is the BRIC countries which are expected to lead their contemporise as regards affecting a merger and
acquisition deal. According to the 2010 Confidence Index by A.T Kearney India ranks third in the world behind only China and USA.

The ease in access and relatively cheaper rates of debt financing is facilitating a large number of Mergers and Acquisitions (M&A's) which is a major reason for the increased activity. A major factor which affected the Mergers and Acquisitions (M&A's) activity in the recent times is the global recession of 2007. In India the domestic deals fell by -46.73 percent in volume and cross border by -22.82 percent. Interestingly the value for domestic deals increased by 78.60 percent while for cross border deals it fell by -46.81 percent indicating the interest of the India Corporate Sector towards the domestic economy as a result of the recession. For the world economy the value of the deals fell by -34.71 percent in 2008 and 81.71 percent in 2009. The developing economy suffered the highest fall in deals due to recession by -96.72 percent.

For the global economy Pharmaceutical sector registered a growth of 167.82 percent and transport by 68.93 percent for the period 2008 to 2009. The sector having the most vibrant activity as regards Mergers and Acquisitions (M&A's) in India are telecommunication, Pharmaceutical and Steel. Among the companies involved in major deals in recent times are Tata, Ranbaxy Laboratories, Hindalco Industries. The acquisition of Corus by Tata Steel at US$ 12.2 is the largest ever cross border deal by an Indian Company.

Besides acquiring and merging with new firms, many steel firms are merging with their subsidiaries in a bid to consolidate and expand the production faculties. This is in sync with the global consolidation trend where companies are engaging in huge restructuring and consolidation. With fierce competition the key to survival is large scale production and benefiting from the related economies of scale. Recently major producers of steel that is Tata Steel, Essar Steel, JSW Steel, Jindal Steel, SAIL and IMFA have merged their subsidiaries to catapult as leading producers of steel.

The merger with Visvesvaraya in 1999 was beneficial for both the companies as Visvesvaraya got a lease of life given the losses it was incurring and SAIL expanded its operating capacity and also could write off its profits against the losses. However the loss making Visvesvaraya Iron and Steel Limited did not have any positive impact whatsoever on the financials for SAIL.

In case of merger of SAIL with IISCO in 2006 we see that it was again a merger of a loss making subsidiary of SAIL with itself. The strategy was again to revive the loss
making unit with the merging of its operations with a profitable unit like SAIL. In view of the global consolidation trend of consolidation in steel industry the merger was helpful as it expanded the operating capacity of SAIL besides providing it with reduced tax liability. Also it is seen that after the merger the Profitability and MPS had a statistically significant relationship. Also the merger is seen to have an effect on the MPS and EPS after the merger. The merger had a greater impact on the financial performance rather than the operating performance as is evident by the movement of the Profit Rate and Profit Margin.

The merger between IMFA and ICCL reflected positively on the operational and financial statistics of IMFA where the profitability of IMFA was affected in the longer run and the FATR of IMFA was affected both in the long and short run by the statistics of ICCL. Also the degree of correlation was high. The EPS of IMFA and ICCL also had a high positive correlation. The comparison between the pre and post merger figures of IMFA highlights that the merger did have a positive effect as regards Profitability, ICR, FATR and EPS. The Profit Margin and Profit Rate also increased leading to the conclusion that the operating efficiencies were enhanced more than the financial efficiencies due to the merger.

In case of the acquisition of Bellary Steel by Pittsburgh Iron and Steel the acquisition seemed to be going nowhere with the trend of losses continuing unabated after the merger for both the concerns involved. The Profit Margin and Profit Rate were dismal and the test of Hypothesis also reveals that the merger was proving to be a failure.

The acquisition of SISCOl by JSW steel proved to be a boon for SISCOl which benefitted from the core competencies of JSW and made a remarkable turnaround in operations and reported profits after the deal. It is seen that the post merger relation between MPS and Profitability is significant while the pre merger relation is not reflecting the positive impact the merger had on the MPS. The Profit Margin for JSW Steel jumped by 635 percent while Profit Rate increased by 74.6 percent. The losses incurred prior to 2004 are also responsible for this huge change in Profit Margin.

In case of NatSteel, after the merger took place in 2005 there was a significant increase in the rate of profits indicating that the sale of its steel division was proving to be profitable for the enterprise. Here again the profitability and MPS have significant relation before the merger and not after the merger. While as regards MPS the merger had a negative impact on it.
Tata Steel earned profits on a steady basis over the last decade. The merger had an impact on the profitability of the entity. The FATR and ICR were however unaffected and were statistically insignificant. The relation between the MPS and Profitability shows that both the variables had a statistically significant relation both before and after the merger. Also the Pre merger MPS and EPS had a relation with the Post merger MPS and EPS respectively. The Profit Margin for both NatSteel and Tata Steel increased significantly. The Profit Margin for Tata Steel increased significantly by 491.67 percent indicating a marked improvement in the operating efficiency.

From 2000 to 2003 Corus was registering losses and it was only in 2004 that Corus earned profits. However the rate of profits till 2004 to 2006 was in the range of 2 percent to 5 percent which were not very high. The test of hypothesis shows that the Profitability and FATR of Tata Steel prior to the merger had a relation the post merger figures. While Profitability had a negative correlation the FATR had a positive correlation with the post merger figures. The ICR was affected only in the longer run. Pre merger EPS had a very high degree of positive correlation with the post merger EPS indicating the benefits accrued to the shareholders.

The much hyped acquisition of Corus by Tata Steel reflected that the trend of profitability for Tata Steel continued. The merger had no effect on the figures of Profitability, FATR or ICR as depicted by the test of Hypothesis. The relation between the Pre and Post merger figures is statistically insignificant. The relation between the MPS and Profitability before and after the merger is most interesting. Prior to the merger MPS and profitability had a statistically significant relation with a high degree of positive correlation. However after the merger there is a high degree of negative correlation indicating that the merger did not go down very well with the shareholders as per the market response. The EPS was affected by the merger only in the longer run. It is further seen that the Profit Margin for Tata Steel increased by 77.5 percent while the operational efficiency got a major boost with the Profit Rate moving up by 252.4 percent.

The Profitability of Algoma Steel was impressive before the merger. Though after the merger it dropped, it was back on track in 2009 at 8.53 percent. The testing of hypotheses reveals that FATR was affected as a result of the merger both in the small and long run while the profitability was affected in the small run only. The ICR was however not affected in either case.
Despite the huge losses incurred initially in the year 2001 and 2002, Essar Steel recovered and posted profits at a steady rate from 2003 onwards. The test of various hypotheses reveals that the merger did not have an effect on any of the parameters, i.e. Profitability, FATR or ICR. For Algoma Steel the Profit margin increased while the Profit rate fell. For Essar Steel both Profit Margin and Profit Rate increased substantially.

11.4 **Suggestions and Recommendations**

### 11.4.1 Based on Findings of the Study

The selection of the target company should be done most extensively. Care should be taken to ensure that the target and acquirer should complement and supplement each other in resources. When structuring a merger or acquisition the main idea is to exploit the post-merger synergy. However it is most important to ensure that these are valued in the right earnest. Both over-valuation and undervaluation might prove detrimental to the interest of the acquiring company. The value of deals in the case of mergers and acquisitions in the recent years is running into billions. It affects the liquidity and capital structure of the company. The success of the deal has a bearing on the financial capabilities of the company. While finalizing a deal its impact on the financial position for several years to come should be considered deeply.

In the recent years there is a global trend of restructuring prevalent where Mergers and Acquisitions (M&A's) is proving to be a potent tool. However while taking a decision regarding a deal it is important to ensure that the acquisition move is not be solely based global trend but on individual assessment of the target company and other relevant details.

Besides considering the relevant details regarding the company it is also important to consider the macro environment as it has a deep and profound impact on the future of the deals. The timing of the merger or acquisition is one of the most important aspects of merger and acquisition deal. The perfect time may always not be when the market is in the state of boom. It might be profitable to target companies which have future prospects and purchase them while the valuations are low. In the case of listed companies the parameters involve the MPS of shares which to a large extent depends on market psyche and sentiment and how the investors respond to the announcement of the deal. It is important to ensure that the confidence of the investors is maintained.
for which disseminating information and not keeping them in the dark may prove to be an added advantage.

In the case of foreign acquisitions the main idea is to capture advanced technology and an entry in a new market. However the core competencies of the Indian Steel producers lie in low cost and care should be taken to ensure that the resources are not pushed beyond a certain extent which might affect the cost advantage adversely in the longer run.

In the present global scenario the BRIC economies are making a considerable impact globally with their economic prowess. Besides concentrating on international markets, the Indian Steel Industry should undertake massive development of infrastructure and expansion in the domestic arena and other developing economies. Efforts should be made to keep a hold of the untapped domestic market which appears to have great potential in the near future. Even the world’s largest steelmaker Arcelor-Mittal is looking to enter India through acquiring stake in Uttam Galva Steel. The recent trend of the Indian Steel Industry is towards consolidation and restructuring. The main idea is to increase the production capacity and gain from economies from large scale. The idea of merging or being acquired may be the hope for survival of small producers as the trend shows that there would be few big producers rather than many small producers.

The acquiring company should ensure that it does not involve or get muddled in rival bidding too deeply and end up paying more than what the acquiring company is valued. In the case of the high pitched Tata-Corus battle many industry experts feel that Tata might have ended paying a high price and the success of the acquisition is yet to be finally gauged. In the recent times the banking and financial industry has been flourishing at a remarkable pace. Their facilities in terms of loans should be judiciously used and should not be used to make unnecessary deals and create a debt burden which might be difficult to repay.

The acquiring and acquired commonly have to take care to bring about not only post merger financial and operating integration but also integration of the people involved in order to create a positive environment. Acquiring loss making subsidiaries might be a good incentive to reduce tax-liability and increase operating capacity but in a large scale industry it should be ensure that the practise does not lead to a big dent on the financial performance as maintaining balance is crucial.
11.4.2 General Suggestions and Recommendations

The most important aspect of a merger or acquisition is facilitating smooth post merger integration. For the purpose various steps need to be accorded highest level of importance. It might be advisable to do so in phases in order to facilitate the complex process. Merger and Acquisition is a potent and most useful tool to expand the global presence. With major companies worldwide engaging in it fiercely it might become a necessity rather than just an option for growth. It is necessary for big and small companies to recognize and accept this trend and adjust their business strategies accordingly.

It is necessary to maintain balance in synergies and ensure that all aspects are given due importance and it does not lead to ignoring of one aspect for another. It might be advisable to study recent Mergers and Acquisitions (M&A's) in the same or related industries to develop an understanding of the same. However it cannot be solely relied upon and requires a detailed case by case study. The management of the company should be prepared to face new challenges and transform them into opportunities. A key aspect is innovation and creativity. The management should be prepared to accept changes and employ strategies keeping in mind the changed circumstances and ground realities rather than focus on just set conventions and rules. It might be advisable to develop core strategic teams which are professionally trained to facilitate a merger and acquisition integration.

It is imperative to maintain a policy of tolerance and cultural integration as it is necessary to sort out the human resource issue in the most amicable manner for post merger integration. The policy of employees retention is a sensitive aspect and care should be taken to maintain an environment where the focus is on efficiency and productivity and the workers are ably simulated and motivated to work in a new work environment after the merger.

The management should also keep contingency measures and back up plans intact. In case the plans and strategies do not work out, risk management mechanism should be in place to address unforeseen circumstances.
11.5 Contribution to the Existing Stock of Knowledge on the Subject Matter

The Researcher has attempted to make a sincere attempt for making a worthy contribution to the existing literature regarding Mergers and Acquisitions (M&A's). The study aims to explore the effect of the merger on primarily the post-merger financial performance of the companies involved in the Merger and Acquisition (M&A's) activity. For the purpose the financials of both the acquired/merged and the acquiring/merging entities are taken into consideration. Though, Mergers and Acquisitions is a widely researched topic, the studies done on the post-merger performance are limited. The Indian Steel Sector is taken up for analysis which is experiencing vibrant activity in the past few years. Significant deals that have taken place both in the domestic and international scene are taken up for detailed analysis. The data is classified on the basis of pre-merger and post-merger activity and internal and external figures affecting the performance are accounted for. The effect of the profitability on the Market Price of Shares (MPS) and vice-versa is also explored. The study aims to study the viability of the Mergers and Acquisitions (M&A's) undertaken in the Indian Steel Industry on the basis of the post-merger financial performance.

11.6 Directions for Future Research

The Researcher suggests the following core areas for the purpose of future research related to the topic of Mergers and Acquisitions (M&A’s)

i. The impact of the merger announcements on the share prices of the rival and bidding firms can be examined.

ii. In the present era Human Resources is a vital factor in determining the success or failure of the Mergers and Acquisitions (M&A’s) and it is a qualitative aspect which is difficult to measure and quantify but has become extremely important in the present global economy where people and cultural cohesion is the key and especially in a cross border deal.
iii. Also in the wake of recent recession question marks are being raised about the valuations of deal done under depressed conditions where the target company is valued at a much lower price than it's worth.

iv. Another important aspect is the determining the rate of exchange of currencies which keeps on fluctuating until the negotiations materialize and a rise or fall may work in favour of one company while harm another in case of cross-border Mergers and Acquisitions (M&A's). There is a need to design an appropriate model or mechanism for that.