Preface

The trend of Mergers and Acquisitions (M&A's) is not very new in the developed world where consolidations and restructuring has been taking place for quite some time. However, in India its pace picked up only after the New Economic Policy (NEP) was unveiled in July 1991. The Liberalization, Privatization and Globalization (LPG) measures led to large scale de-licensing and de-regulation. It ushered in a new era for the Indian economy which was finally an open economy amidst fears and apprehensions that the domestic industrialists would not be able to survive the foreign onslaught. Contrary to the fears the Indian Economy has today made its presence felt globally and is no longer a soft target for foreign acquirers. In fact, major cross border deals are being affected by Indian business houses in different parts of the world.

Mergers and Acquisitions (M&A's) have become a popular and significant tool in the hands of business houses for corporate restructuring. In the last decade there has been a trend of consolidation where even big business houses are looking for an alliance in order to expand, kill competition, acquire technological competence, and gain entry in newer markets or for other strategic reasons. Deals worth billions are being announced now and then and making news. It appears that a Mergers and Acquisitions (M&A's) deal is structured for sure shot success. However there is more than what meets the eye. The companies which go in for this strategy have a wide range of complex issues to address before and after the merger in order to ensure that all the aspects fall in place and the expected synergies are realised. It is a daunting task to select a target company and formalize the entire process of merger or acquisition but the bigger challenge is to ensure successful implementation of the strategy and integration of the units merged or acquired.

The Steel Industry of India was de-licensed and de-regulated in 1991 and 1992 respectively. Since then, it has come a long way to become the eighth largest steel producer in the world. There has been a steady increase in the demand for steel from both domestic and international quarters and this is expected to grow with the growing focus on investment in infrastructure all over the world. There has been a remarkable rise in the export of steel also while shortages in the domestic market were sufficed by timely imports. Keeping in tune with the global trend of consolidation, the
Indian Steel Industry has also structured major Mergers and Acquisitions (M&A's) both in the domestic and international sector.

Steel Authority of India Limited (SAIL), a government owned undertaking has been merging its loss making subsidiaries and expanding its production capabilities. Other major players like JSW Steel, Indian Metals and Ferro Alloys (IMFA) and Essar Steel have also been involved in major restructuring. It is worthwhile to mention that Tata Steel is on a global acquisition spree where it acquired Thailand based Millennium Steel and Singapore based NatSteel. However the biggest acquisition was its acquisition of the Europe based Corus for approximately US$ 12.2 billion which was the largest ever cross border deal by an Indian Corporate.

It is necessary to examine and study these deals in depth in order to develop an understanding of the financial viability of these deals and also to examine as to what are the effects of the merger or acquisition on the performance of the company. For the purpose, the Researcher has taken up five domestic and three cross border deals in the Indian Steel Industry and has analysed various financial issues related to them. Various accounting and statistical measures have been employed to analyse the post merger performance of the companies involved for calculating the impact of the merger on the financial and operating performance. Problems faced in structuring Mergers and Acquisitions (M&A's) and strategies to counter them are also critically studied with illustrative examples. An honest attempt has been made by the Researcher to study the consolidation trend of Indian Steel Industry and to find out whether the post-merger results are creating the expected synergies in terms of financial and operating performance or not.

The present study is a novel effort which goes into the thread-bare details as regards Mergers and Acquisitions in Indian perspective. This would certainly contribute to the existing stock of knowledge on the subject matter.

**Preview of the Thesis**

The study entails a detailed study of worldwide mergers and acquisitions taking place in various sectors. An attempt has been made to cover all significant deals which have taken in various important sectors both in the domestic and international scene. Also the various issues relating to mergers and acquisitions are being investigated in detail. A separate section is devoted to study the impact of mergers and acquisitions
(M&A's) in the Steel sector predominantly. The study forays into the financial analysis to study the synergies and values that are created as a result of the merger. Various measures are employed for that purpose to discuss the financial and operating performance of the entities involved before and after the merger. The main idea is to assess the impact of the merger in terms of performance of the companies and find out if the effect has been positive or negative.

The main objectives this thesis deals with are enlisted as below:

i. Study the major Mergers and Acquisitions (M&A's) deals that have taken place globally and in India. Analysis of success of Mergers and Acquisitions (M&A's) as a tool of investment, expansion and growth.

ii. Sector-wise study of global and domestic Mergers and Acquisitions (M&A's) in terms of value of deals.

iii. Study the growth and development of Indian Steel Sector since 1991 and evaluate its financial performance in the last few years.

iv. Examine the Pre and Post merger financial reports to examine whether the Mergers and Acquisitions (M&A's) led to a profitable situation for the merging and the merged firms. For the purpose various accounting and statistical measures are used.

v. Investigate the reaction of the market to Mergers and Acquisitions (M&A's) by making a comparison of the movement of Market Price per Share (MPS) and Earning per Share (EPS) both before and after the deal.

vi. Analyze the relation between the movement of the Profitability and MPS before and after the merger to explore the reaction of the investors to a merger announcement.

vii. Calculate the effect of merger on financial and operating performance before and after the merger.

viii. Detailed introspection of the motives and success rate of major Mergers and Acquisitions (M&A's) deals that have taken place in the Steel Sector as a part of corporate structuring both globally and at the domestic level. In the thesis a detailed analysis is made of the same to analyze the motives and success of these Mergers and Acquisitions (M&A's).
The Hypotheses investigated in the study are listed below

1. Testing the relationship between Pre and Post Merger Profitability
   \( H_0 \) (Null Hypothesis) = There is no relation between the Pre and Post-merger Profitability
   \( H_a \) (Alternative Hypothesis) = There is a relation between the Pre and Post-merger Profitability

2. Testing the relationship between Pre and Post Merger Capital Employed Turnover Ratio (CETR) or Fixed Asset Turnover Ratio (FATR)
   \( H_0 \) (Null Hypothesis) = There is no relation between the Pre and Post-merger CETR or FATR
   \( H_a \) (Alternative Hypothesis) = There is a relation between the Pre and Post-merger CETR or FATR

3. Testing the relationship between Pre and Post Merger Interest Coverage Ratio (ICR)
   \( H_0 \) (Null Hypothesis) = There is no relation between the Pre and Post-merger ICR
   \( H_a \) (Alternative Hypothesis) = There is a relation between the Pre and Post-merger ICR

4. Testing the relationship between Pre Merger Profitability and Pre Merger Market Price per Share (MPS)
   \( H_0 \) (Null Hypothesis) = There is no relation between the Pre-merger Profitability and MPS
   \( H_a \) (Alternative Hypothesis) = There is a relation between the Pre-merger Profitability and MPS

5. Testing the relationship between Post Merger Profitability and Market Price per Share (MPS)
   \( H_0 \) (Null Hypothesis) = There is no relation between the Post-merger Profitability and MPS
   \( H_a \) (Alternative Hypothesis) = There is a relation between the Post-merger Profitability and MPS

6. Testing the relation between Pre Merger Market Price per Share (MPS) and Post Merger Market Price per Share (MPS)
   \( H_0 \) (Null Hypothesis) = There is no relation between the Pre Merger MPS and Post-merger MPS
   \( H_a \) (Alternative Hypothesis) = There is a relation between the Pre Merger MPS and Post-merger MPS
7. Testing the relationship between Pre Merger Earnings per Share (EPS) and Post Merger Earnings per Share (EPS)
   \[H_0 \text{ (Null Hypothesis)} = \text{There is no relation between the Pre Merger EPS and Post-merger EPS}\]
   \[H_a \text{ (Alternative Hypothesis)} = \text{There is a relation between the Pre Merger EPS and Post-merger EPS}\]

8. Testing the relationship between the Pre and Post Merger Profit Margin
   \[H_0 \text{ (Null Hypothesis)} = \text{There is no effect of Merger on the Pre Merger and Post-merger Profit Margin}\]
   \[H_a \text{ (Alternative Hypothesis)} = \text{There is an effect of Merger on the Pre Merger and Post-merger Profit Margin}\]

9. Testing the relationship between the Pre and Post Merger Profit Rate
   \[H_0 \text{ (Null Hypothesis)} = \text{There is no effect of Merger on the Pre Merger and Post-merger Profit Rate}\]
   \[H_a \text{ (Alternative Hypothesis)} = \text{There is an effect of Merger on the Pre Merger and Post-merger Profit Rate}\]

The First Chapter provides a synoptic view of the Mergers and Acquisitions (M＆A's) and gives a brief perspective and sheds light on the concepts related to the same. It gives a brief introduction of the global and domestic scenario relating to Mergers and Acquisitions (M＆A's). It discusses the statement of the problem and issues and goes on to highlight the utility and importance of the study. It also mentions the limitations related to the study.

The Second Chapter discusses the legal perspective relating to Mergers and Acquisitions (M＆A's) in India and is followed by a detailed discussion of the relevant provisions of various Acts applicable to the same in India. It is followed by a bird's eye view of the procedure generally followed for effecting a Mergers and Acquisitions (M＆A's) in India.

The Third Chapter gives a purview of the motivation for mergers and acquisitions in India and discusses the environment for the same in India since 1991. The growth of Indian economy as an investment destination and as an acquirer in Mergers and Acquisitions (M＆A's) is further elucidated. It is followed by an elaborate discussion of the Mergers and Acquisitions (M＆A's) in various sectors in India. The impact of recession on the activity of deals if also highlighted.
The Fourth Chapter provides an insight into the Global Mergers and Acquisitions (M&A's) and also outlines the motivations for affecting a cross border deal. It is followed by a sector-wide description of major Mergers and Acquisitions (M&A's) that have taken place across various sectors. The impact of recession on the scenario of global merger and acquisitions is further discussed. A brief description of future global prospects as relating to Mergers and Acquisitions (M&A's) are also highlighted.

The Fifth chapter reviews a wide and extensive literature relating to Mergers and Acquisitions (M&A's) and provides a critical review of the same in chronological order. The research gap as traced by the research scholar in the process is outlined as well.

The Sixth chapter deals with the Research Design and Methodology and entails a description of the scope of the study. A brief discussion on the sample size and period of study is followed by a discussion of the objectives and hypotheses formulated for the study. An insight to various statistical and accounting methods used for evaluation of data is provided. The limitations involving the same are also discussed.

The Seventh Chapter deals with the Indian Steel Industry and traces its growth and development and provides an overview of the same. It is followed by a discussion of the major Mergers and Acquisitions (M&A's) in the Indian Steel Industry.

The Eighth Chapter involves an in-depth analysis of five major domestic Mergers and Acquisitions (M&A's) in the Indian Steel Industry which involve the merger of SAIL with Visvesvaraya Iron and Steel. The merger of SAIL with IISCO is analyzed next. It is followed by the study of the merger of Indian Chrome Charge Limited and Indian Metals and Ferro Alloys. The two takeovers analyzed involve the takeover by Bellary Steel by Pittsburgh and SISCO by JSW Steel.

The Ninth Chapter analyses three major cross border takeovers which involve the takeover by Tata Steel of NatSteel and Corus and Algoma Steel by Essar Steel.

The Tenth chapter gives a brief overview of the present Mergers and Acquisitions (M&A's). It then enlists the various problems faced in fostering and planning a deal. It further discusses the strategies offered to counter the problems and in the end discusses the future prospects for Mergers and Acquisitions (M&A's).

The last and final Chapter provides the findings and sums up the work. In the end the Researcher suggests directions for future research.