The term combination finds its origin from the word 'COMBINE' which is usually referred to an association of two or more industrial units. Such an association can be both formal as well as informal. Similarly, the combination can be for production of similar or dissimilar products. In the industrial field, such combinations are not at all new and can be traced even to the days of industrial revolution. Industrialists from the early days thought of combining together to avoid competitions and have effective control over output. Thus they could think of earning more profits.

The basic idea behind a combination seems to be elimination of unwanted competition and gaining increased economies of large scale production. Though industrialists may feel tempted to have industrial combination, yet it is being felt that such a concentration of economic power in the hands of a few persons is bound to do more harm than good to the society.

Generally, monopolies are the result of combinations. Monopolies have their own advantages as well as disadvantages. These days, there is an increasing demand that monopolies should be checked and controlled. Developing nations are taking particular steps for their control, so that the consumers are not exploited and welfare of the people is not ignored.
Lewis H Hendy, the economist has broadly classified forms of combinations as simple combination and compound combination. His idea of different forms of combination is given below:

**FORMS OF COMBINATIONS**

<table>
<thead>
<tr>
<th>SIMPLE COMBINATIONS</th>
<th>COMPOUND COMBINATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>(PARTNERSHIP FIRMS AND JOINT STOCK COMPANIES)</td>
<td></td>
</tr>
<tr>
<td>ASSOCIATIONS</td>
<td>FEDERATIONS (POOLS &amp; CARTELS)</td>
</tr>
<tr>
<td>INFORMAL OR FORMAL AGREEMENTS</td>
<td></td>
</tr>
<tr>
<td>(TRADE UNIONS AND CHAMBERS OF COMMERCE)</td>
<td></td>
</tr>
<tr>
<td>PARTIAL CONSOLIDATION (TRUSTS AND HOLDING COMPANIES)</td>
<td>COMPLETE CONSOLIDATION (MERGER OR AMALGAMATION)</td>
</tr>
</tbody>
</table>

This research work is confined to combinations related to holding company and mergers.

The inference derived from the earlier paragraphs is that the growth of combination movement leads to the concentration of control in Industries, irrespective of the criterion that is adopted for measuring the level of concentration. The slow rate of growth of combination in our country when compared to that in the USA and the UK was mainly due to the existence of the managing agency system. The managing agency system was
responsible for development of many industries in India. The management of a number of companies under one single control was possible under the managing agency system. This way the managing agents enjoyed the benefits of combination. This system dominated the Indian corporate world over half a century. The abolition of managing agency system became inevitable in the late sixties as it gave rise to the evils resulting from combination.

In mid fifties and early sixties there was an impression that industrialists in the private sector were exploiting consumers and creating artificial scarcity. So there was a strong demand from consumers that important industries should be under the control of the government. Keeping in view of this situation, the government of India followed the policy of nationalising the industries, wherever the public interests have been effected.

Before nationalisation of banks it was strongly advocated that many commercial banks played an important role in concentration of wealth in the hands of a few influential industrialists who controlled the management of banks.

Industrial Licencing Policy clearly demarcates the category of industries as Core Industries, Large scale industries, Medium and small scale industries. Further it mentions who are entitled to start these industries. By this way of reservation, the monopoly will be discouraged.
Monopolies and Restrictive Trade Practices Act was passed with the main object of ensuring that economic gains of the nation do not get concentrated in a few hands. Another aim of the act is to control such monopolies and restrictive trade policies which are injurious to the public welfare.

Of late, there has been much news about mergers and takeovers in the corporate world. Mergers and takeovers are one form of combination which may lead to monopoly.

It may be surprising to note why this type of combination is becoming popular, when the government has made efforts to curb monopolistic tendency through many legislations.

This recent phenomenon in the corporate sector has kindled my interest to do research on "Corporate Mergers in India".

I thank the University of Poona for admitting me to the Ph.D degree Course, considering my interest in scholastic pursuits. I am indebted to Dr. A. P. Kansl who has given his valuable guidance in my research work. I am thankful to Prof. S. Arriksamy, Editor of "Kothari Industrial Guide" for lending me the directories. I have given the list of books and articles referred to in my research work in the Chapter titled "Bibliography".
OBJECTIVES OF THE STUDY

It is aimed to find out from this study the following:

1. Horizontal Integration:
   Does Horizontal Integration motivate Indian Corporate companies to merge?

2. Diversification:
   Whether Indian industrial enterprises are merged to achieve diversification?

3. Corporate Companies:
   Association of Corporate companies with merged companies prior to merger.

4. Shareholders Interests:
   Whether shareholders interests are affected by mergers.

5. Statutory Requirements:
   Do the laws like Companies Act, MRTP Act and Income-tax Act hinder or help corporate mergers?

6. Financial Institutions:
   How financial institutions and financial consultants are involved in mergers?

SCOPE OF THE STUDY

This research study is confined to 51 corporate companies in India which have achieved merger through takeover and merging of two corporate companies. This study concentrates on the history and quantitative analysis of the companies.
The data required for the study is already available. Further, this study will make quantitative analysis from the point of companies and shareholders. With the introduction of Section 72-A in the Income-tax Act, a sick company can merge with a healthy company and there are tax benefits to the latter. These tax benefits provide incentives for merger. How far these benefits are taken advantage by corporate companies? The quantitative analysis mainly covers the profit performance, ratios and funds flow statements of the corporate companies.

RESEARCH METHODOLOGY
The methodology adopted in this research study is mentioned below:

1. Analysing trends regarding mergers and takeovers in other countries.
2. Analysing the historical background of corporate management and mergers in India.
3. Studying the financial performance of the corporate companies selected for the study.
4. Analysing the activities of the corporate companies involved in the mergers.
5. Analysing the interests of shareholders in the mergers.
6. Reviewing the laws pertaining to mergers.
7. Interviews of the principal executives of financial institutions and financial consultants.
SOURCES OF DATA

The data required for the study has been collected from the following sources:

1. Published Annual Reports of the corporate companies involved in mergers.
2. Kothari Industrial Guide.
3. Kothari Trade Directory
5. Bombay Stock Exchange Directory
7. Newspaper clippings for the news pertaining to corporate mergers.

SAMPLE SIZE

A sample size of fifty one corporate companies involved in mergers and achieving merger through takeover has been chosen. The companies also include closely held, widely held and multinationals. The sample also includes companies belonging to a wide spectrum of enterprises engaged in different type of industries. Since the research involved an extensive study of each corporate company, a sample size of fifty one is deemed appropriate. In fact, more than fifty one would make the study rather elaborate and unwidely.

ARRANGEMENT OF CHAPTERS

Chapter II introduces the topic of research study.

Chapter III talks about trends regarding mergers and takeovers in other countries.

Chapter IV describes the historical background of corporate management and mergers in India.
Chapter V gives the list of companies selected for the research study and definitions of the terms used in the merger.

Chapter VI goes into the brief history and financial working of the selected corporate companies.

Chapter VII concentrates on effects of interests of the shareholders.

Chapter VIII deals with the impact of Companies Act, Income Tax Act and MRTP act with reference to mergers.

Chapter IX explains the listing agreements of stock exchange.

Chapter X covers the involvement of financial consultants and financial institutions in merger.

Chapter XI reviews the conclusions of the research study.

Chapter XII gives the lists of articles and books referred to in this research.