INTRODUCTION AND DESIGN
OF THE STUDY
CHAPTER I

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INTRODUCTION

The private corporate sector in India has witnessed take-over wave during 1992-96. Takeover is a popular strategy to attain growth and diversification to enjoy operational synergy and to conquer a new market. A take over may take place through direct share purchases of the target company. But there could be other ways of taking over a company in India where control is exercised through a web of holding and investment companies. Take over is also defined by another parameter i.e. change of management. In popular imagination, a take over has come to mean a bloody duel between two groups for control of a company. The reality has far more been pedestrian; most takeovers have been closer to handovers and have meant costly deals between the men in charge of a company and the men who desire control over it. Occasionally, the powerful financial institutions too have cut in on such deals. The only ones who have been denied their share of the spoils through the years are the ubiquitous fellows owning a few hundred shares each and who, collectively, invariably control the bulk of the target company's equity.

There is little doubt that takeovers are qualitatively different now; the deals are far more transparent now. Several disparate buy outs helped bring into sharper focus the rapidly changing profile of mergers and acquisitions game in this country. Besides with the promulgation of the new ordinance on share depositories, entrenched managements will find it harder to block take over attempts by merely refusing to transfer their shares.

Marriages may be made in heaven, but mergers are made on firm ground-the corporate boardroom. One plus one equals 11, not two; this is not
weird mathematics, but corporate quantifications. As globalization forces them to concentrate on their core areas and enhance inherent strengths Indian companies too are looking at merger and acquisition with renewed interest.

The Government seems keen to help the process, going by the tax initiatives that the Union Finance Minister Yashwant Sinha announced in his budget. Industrial organizations are enthused but prefer to reserve their comment until details are available. “The Finance Minister has stated that the anomalies will be resolved and detailed guidelines issued. We don’t want to react prematurely,” said a member of the confederation of Indian Industry.

Companies are increasingly shunning nationalistic notions and embracing those very firms that were their ‘bitter enemies’ until not so long ago. Prosperity, they are beginning to believe, lies in being huge rather than being large. And in choosing partners they do not go for the one that is merely available, but for the one that fits well.

A recent global merger has been that of Exxon and Mobil. The one billion dollar union between the two top US oil giants will help the new corporate entity overtake General Motors as the world’s largest company in terms of assets. Though many consider the Exxon-Mobil merger a sign of weakness rather than consolidation, it’s a union that may have set many Indian companies thinking.

In the pre-liberalization years the Monopolies and Restrictive Trade Practices Act, the Industrial Development Regulation Act and the foreign Exchange Regulation Act did not allow for corporate honeymoons. The economic regime was against the monopoly of the private sector in a particular product or service.

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1 "The Week" dated April 11, 1999, p.50
2 Ibid.
“Industrial houses couldn’t expand in the same field of activity, so diversification was the route for development”, said Virender Ganda, president, Institute of Company Secretaries of India (ICSI). Once the monopoly limit was reached a company would branch out.

Thus industrial houses invested in areas where they lacked core competence. For instance, the Thapars of Ballarpur Industries went into shoe manufacturing and publishing! “There were no consolidated core competent companies, only conglomerates”, said Tekan G.Keswani, secretary, banking and finance of the Associated Chambers of Commerce and Industry of India (ASSOCHAM).

When the inconvenient laws were done away with the industries began restructuring, though not everybody would agree that the laws were restrictive. “Only Schedule A of Industrial Development Regulation Act was restrictive”, said K.S. Chalapati Rao, Associate Professor, Institute for Studies in Industrial Development (ISID). But FERA and MRTP companies had all the freedom to expand.

The liberalization drive of the early 90s resuscitated India’s industrial libido. The changes in the MRTP Act made sense for companies to restructure, merge, acquire, hive and consolidate. Merger and acquisition saved costs and was an efficient way to expand and develop.

The advantage: The acquiring company gets the existing infrastructure, a pool of technical expertise and inputs. Joint ventures help access the latest technology and fend off tough global competition. The acquirer also learns from the mistakes of its new partner. Mergers make sense for the sellers, too.

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3 Ibid.
4 Ibid.
5 Ibid.
because they allow them to exit from undesirables businesses. For the shareholder, of course, the merger improves bottom lines.

‘It made sense to come under one umbrella and hastened the process of consolidation and exit’, said Ganda. For instance, the Tatas handed over their beauty products divisions, Lakme and Ponds to Hindustan Lever, Exide took charge of standard batteries and Proctor & Gamble concentrated consumer durables business amputating its Ayurveda unit.

Though corporate fusing in India started off with consumer products companies (The Hindustan Lever–Lakme–Ponds merger gave the multinational a 45 per cent market share in colour cosmetics and 30 per cent in skin care products) a few heavy industries also have taken a liking to it. The Aditya Birla Group (ABG), Led by its young chief Kumar Mangalam Birla, has acquired Digvijay Cements from S.K.Bangur for Rs. 182.40 crore.

To give a boost to this focus on core activities, the finance minister announced in the budget that in case of amalgamation of companies, the existing requirement of routing the proposal through the Board for Industrial and Financial Reconstruction was being removed.

“Yet, the age-old practice of getting courts to approve mergers and demergers under the Companies Act continues,” said Dushyant Tyagi, former chairman of Northern India Regional Council of the Institute of Chartered Accountants of India.

It is proposed to relax the existing stringent conditions for the carry forward and set off of accumulated losses and unabsorbed depreciation so that such benefits would be available to the amalgamated company if 75 per cent in

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6 Ibid. P. 51.
7 Ibid.
8 Ibid.
value of the assets are retained by the amalgamated company for at least five years. Further, the amalgamated company should carry on the business of the amalgamating company for at least five years from the date of amalgamation.

The court, whose approval is needed for amalgamation, directs that the assets (items of machinery for instance) should be sold because they are economically unviable. “If the court orders that fixed assets should be sold to retire the debts to the creditors then it will contravene the provisions suggested by the finance minister”, said Tyagi.9

Also, it is felt that finance minister could have gone further instead of the five-year restriction proviso. For instance, if Company A manufacturing hand woven cloth is amalgamated to Company B which is automated the five-year restriction will make the merger economically unviable. “The rationale for A’s merger with B could range from capacity expansion to replacing fixed asset. But under the current provisions B would be stuck with A’s outdated machine for five-years”, said Tyagi.10

The restructuring excises before liberalization were hindered by the securities contract Act. “It limited the promoter’s equity to 25 per cent and wanted 75 per cent as public issue in the event of restructuring. Besides, there was no buyback or non-voting shares”, said Keswani.11 All this stalled the consolidation of equity by the promoters.

In the days of Industrial Development Regulation Act companies set up different companies manufacturing the same products to expand. A classic example is the Goenkas who put up three different companies to manufacture cables.

9 Ibid. P52
10 Ibid.
11 Ibid.
The process of merger acquisition is still in its infancy in India because of a few stifling laws. Indian industry does not have access to funds for acquisition purposes and buyback of shares. “The SEBI take over code is good on paper, but not enough to compete with Multinationals (MNCs) for two reasons – lack of resources and the denial of loan funding by Banks and financial institutions for acquisition”, said Ganda.12

The takeover code was promulgated in 1994 and the buyback ordinance in October 1998. “Both these policies should have been introduced simultaneously,” said Ganda. The buyback policy is there to mitigate the threat of takeovers.

Indian industrialists often feel disadvantaged when they face transnational companies (TNCs) listed on Indian stock exchanges as many of them are either subsidiaries of their foreign parent or have substantial shareholdings in them. “Moreover, SEBI has no machinery to check whether takeovers are happening according to the code,” said Ganda.

Since the immediate use of buyback is to shield against hostile takeovers, it goes against the very logic of stock market discipline. Take over threat is one major characteristic of the stock market which force managements to act in the overall interest of shareholders instead of taking decisions purely on personal profit motives. But buy packs blunt that. The recent measures-inter corporate investments, enhancing the limits for substantial acquisitions are all aimed at enabling managements to consolidate their control.

There are, of course, half-baked attempts and do not facilitate merger. For instance, the Income Tax Act allows exemption of capital gains tax in case of merger while it doesn’t in the case of break-ups. Also, the reversal of the Securities Contract Act, which now allows the promoters to hold 75 per cent of

12 Ibid.
the equity, leaving the rest for the public, handicaps the promoters who lack the resources to shore up their equity base.

But big is bountiful. The spin-offs from mergers and acquisitions benefit the consumers since the products become competitive in quality and price. However, there is a fear of multinationals coming together and denting competition in the host countries. "It synergises their efforts so that the competitive ability of the domestic players is eroded or wiped out," said Keswani. Hence the MNCs instead of competing with each other are meeting through mergers in international markets to dictate consumer preferences and the market." Since the world economy is not growing the only way the MNCs could grow is through mergers and acquisitions," said Chalapati Rao.

Thus sluggish markets can be captured only by pocketing the existing entities. "Takeovers are important means of eliminating competition and acquiring control over the existing distribution channels. Worldwide the boom in foreign direct investment is fuelled by mergers and acquisitions, that is, substituting local ownership," said Rao and M.R.Murthy of ISID in a paper presented by them. Hence, will the Indian companies take a cue from their foreign counterparts to merge and make merry out of the wedlock?

**STATEMENT OF THE PROBLEM**

Hindustan Lever Limited has been picking up companies almost as effortlessly as a housewife buys soap, ice cream and ketch up at a super market. First was the take over of the UB group’s Kissan and Dippy’s food business in 1993, the same year HLL gobbled up the Tata group’s loss making soaps and detergent company Tomco within months. Group Company Brooke Bond Lipton India Ltd (BBLIL) slurped up another dollop; Cadbury’s ice cream

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13 Ibid.
14 Ibid.
15 Ibid.
business. Along the way, Kothari General Food’s instant coffee unit was picked up. In 1995 the pace has quickened. BBLIL worked out a couple of alliance with two ice cream majors- Kwality and Milk food. Then, BBLIL also bought out Pepsi’s tomato paste plant in Punjab.

Yet, this has not satisfied Lever’s appetite for acquisitions. Ponds, Lakme etc. and the list goes on. The policy climate today allows such takeovers. Hence HLL is going full speed ahead. The thought of HLL as a “take-over titan” is a novel one to latter day observers since the company, has in recent decades, focused on setting up green field projects and expanding its existing factories. HLL has given a new edge to the take over strategy in India. Unilever in India and abroad has a long and probably unrivalled history of acquiring existing business and incorporating then into its own.

Thus there is a strong case to study the strategy of HLL in taking over a spate of companies in India.

**SCOPE OF THE STUDY**

The present study has attempted to analyse the Corporate takeovers in India in general and with reference to Hindustan Lever Limited in particular. The study is covers only 10 years.

Hindustan Lever Ltd. in fact built the empire through take over. The fast seven years have created unprecedented excitement in respect of take over. Lever group companies appear to have unleashed their hidden energies, pulling off coup after cough. The study proposes to cover the take over of such companies as Pepsi plant, Dollops, Kissan by the group companies. The operating synergy, financial synergy, acquisition cheaper than creation, market power, quick entry and diversification are the areas to be analyzed in the study.
NEED FOR THE STUDY

One reason, why merger activity is concentrated in periods of high business activity may be that firms are not motivated to make large investment outlays when business prospects are not favourable, only when future benefits occurring to a business endeavor exceed its cost is the action warranted. When such favourable business prospects are joined with changes in competitive conditions directly motivating a new business strategy merger activities will be stimulated.

The merger normally lead to economic gain which are shared between the shareholders of two companies. Sometimes, merger may also lead to economic loss, meaning wastage of resources when the two or more units are united, and such loss is also shared between the shareholders of the companies. The economic effect of merger proposals and how they are shared between the shareholders are important economic events which will throw some light on the efficiency of the market.

The merger will enable the capturing of all synergies, to ensure that the resultant benefits as stand alone companies. In a takeover bid the interests of all shareholders should be protected without a prejudice to genuine takeovers. It would be unfair if the same high price is not offered to all the shareholders of prospective acquired company. The large shareholders (including financial institutions, banks and individuals) may get most of the benefits because of their accessibility to the brokers and the take-over deal makers. Before the small shareholders know about the proposal, it may be too late for them. The Companies Act provides that a purchaser can force the minority shareholder to sell their shares if.

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i. The offer has been made to the shareholders of the company;

ii. The offer has been approved by at least 90 per cent of the shareholders whose transfer is involved, within 4 months of making the offer, and

iii. The minority shareholders have been intimated within 2 months from the expiry of 4 months referred above.

If the purchaser is already in possession of more than 90 per cent of the aggregate value of all the shares of the company, the transfer of the shares of minority shareholders is possible if:

➢ The purchaser offers the same terms to all shareholders and

➢ The tenders who approve the transfer, besides holding at least 90 per cent of the value of shares, should also form at least 75 per cent of the total holders of shares.

**REVIEW OF PREVIOUS STUDIES**

This research is the first and its kind an attempts to analysis the pre-merger and post-merger period of HLL takeover companies. There are many studies on the subject of research the methodology and findings of those works have been quite useful.

N. Subbaramaiah Gupta, in 1996 studied “Evaluation of mergers” as a case study to arrive at its determinants. He has shown that, horizontal mergers provide economics of scale, vertical mergers internalize transactions to achieve cost efficiencies. Conglomerate mergers have the potential for improved resource allocation in financial conglomerates.17

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17 Subbaramaniah Gupta N. Evaluation of Merger 1996 P.64
Jay Light (1989) estimated that industrials have sold 38 per cent of their direct stock holdings over a five year period accelerating a down trend in force and he estimates that the last share of publicly traded common stock owned by individuals will be sold in the year 2003. if the current trend persists.¹⁸

**OBJECTIVES OF THE STUDY**

i. To study the rationale behind the take over strategy of Hindustan Lever Ltd.

ii. To ascertain the prices paid and the means of payment chosen in the take over cases.

iii. To analyse the input of Hindustan Lever Limited after take over.

iv. To study the effectiveness of the take over to attain the objectives of take over.

v. To examine the compliance with the take-over code by Hindustan Lever Ltd.

vi. To find out the effectiveness of take over to averse business risk.

**METHODOLOGY**

The study is a case study based on the secondary data. The secondary data have been collected from the Hindustan Lever Limited and other taking over company. Information relating to financial aspects such as various ratios and other parameters were collected through informal interview with maintenance officer, published annual accounts, reports, records, return, statements etc to know the strategy for corporate take over.

In this study the actual years have been coded as Y0,Y1, Y4 and so on. The year of takeover has been labeled as Y0, the years prior to the takeover are

taken as Y-4,Y-3, Y-2,Y-1 and the years after the takeover are identified as Y1,Y2,Y3,Y4, and so on. In addition to this, the latest year for which accounting information was available (i.e. mostly 1999) has been indicated with Yn in specifying the general sequence.

HYPOTHESES

The present study has formulated the following two hypotheses:

i. When a company is taken over for turnaround, it achieves better liquidity, better solvency and improved profitability after the takeover.

ii. When a company is taken over, the taken over company with the support of the taking over company expands or modernizes its business activities in the process of turning around.

TESTING OF HYPOTHESIS- I

In order to test the validity of the first hypothesis, the following parameters have been selected and compared between the years Yo and Yn.

LIQUIDITY PARAMETERS

Under this section, liquidity of the seven sample companies is measured and compared with parameters like that of current and quick ratios, networking capital and diversion of funds.

a) CURRENT RATIO

This type of ratio normally indicates the ability of the business to meet the maturing or current debts, the efficiency of the management in utilizing the working capital, and the progress attained the current financial position.
Current Ratio shows the relationship between total current assets and total current liabilities.

b) **QUICK RATIO**

This is the ratio of current assets minus inventories, and prepaid expenses to current liabilities.

c) **NET WORKING CAPITAL**

This ratio relates to current assets minus current liabilities i.e net assets.

d) **DIVERSION OF SHORT TERM FUNDS**

The diversion of funds is undertaken from short-term sources to long-term uses; All the merged companies had not diverted its funds from short-term sources to long-term during the period between years Yo and Yn.

**LEVERAGE PARAMETERS**

In this section, leverage of the sample units are tested with the parameters like total debt and equity to total assets, total borrowings and equity to earning before interest, taxes and depreciation (EBITD) and interest coverage ratio, in order to verify the validity or otherwise the proposition.

a) **TOTAL DEBT AND EQUITY TO TOTAL ASSETS**

This ratio indicates the extent of assets coverage of total debt and equity. Normally the total assets should be more than the total debt and equity, as a result of reserves and surpluses and, hence, this ratio should be less than 1 time.
b) **TOTAL BORROWING AND EQUITY TO EBITD**

This ratio is a relationship between the earnings available before interest, taxes and depreciation to the repaying obligations of the company.

C) **INTEREST COVERAGE RATIO**

This ratio is a relationship between EBIT and interest charges. This ratio indicates by how many times the EBIT is able to cover the interest obligation of the companies. Higher the ratio, the better the company position.

**PROFIT AND OTHER PARAMETERS**

In this section a comparison is made amongst the units with the help of operating profit and net profit and certain other parameters like Net worth and ROI for the years Yo and Yn.

a) **NET WORTH**

The net worth which relates the share capital plus reserve and surplus.

b) **RETURN ON INVESTMENT**

It indicates the percentage of return on investment in the business and it can be used to show the efficiency of the business as a whole.

**TESTING OF HYPOTHESIS – II**

The present study has used the second hypothesis is tested with the help of the following two parameters;
i. Capital Formation and
ii. Increase in the Investment in plant & machinery

CAPITAL FORMATION

In this section the change in the capital i.e., formation total of changes in the net fixed assets and the inventory, is compared between the years Yo and Yn. This comparison reveals the fact whether the units have increased their capital formation from the year of takeover to the year for which latest financial data are available.

PLANT AND INVESTMENT

Another parameter which used to measure this hypothesis is the increase in the investment in plant and machinery. An increase in the investment of this is a proof of the expansion or modernization.

SAMPLE DESIGN

The present study covers the following seven companies which have been taken over by HLL namely

1. Tata Oil Mills Company (TOMCO)
2. Brooke Bond Lipton India Ltd (BBLIL)
3. Pond’s (India) Ltd (PIL)
4. Lakme Lever Ltd (LLL)
5. Kwality Ice-Cream (Madras) Ltd (KICM)
6. Industrial Perfumes Limited (IPL)
7. Modern Food Industries (India) Limited (MFIL)
PERIOD OF THE STUDY

The study covers a period of ten years from 1990 to 1999.

DATA PROCESSING

After the collection of the secondary data, a thorough check up of the data was made. The missing details were identified and later collected. For processing the data, a master table were prepared for the information used in the analysis.

The separate tables were prepared manually for further analysis and interpretation.

FRAMEWORK OF ANALYSIS

An in depth analysis has been made in respects of the financial statement so of the companies using the ratio analysis percentage analysis, index number average rate of annual growth, Karl Pearson correlation coefficient, student “t” test and method of least squares.

PROFITABILITY RATIOS RELATING TO SALES

The researcher has used the profitability ratios relating to sales of HLL and other taken over companies.

GROSS PROFIT RATIO

Gross profit ratio is the ratio of gross profit to net sales expressed as a percentage. It express the relationship between gross profit margin and sales.
Gross profit ratio may indicate to what extent the selling prices of goods per unit may be reduced without incurring losses on operation.

**NET PROFIT RATIO**

This is the ratio of net income or profit after taxes to net sales. This is used as a measure of overall profitability and is useful to the owners.

**OPERATING PROFIT RATIO**

This is the ratio of earnings before interest and taxes to net sales.

**PROFITABILITY RATIOS RELATING TO INVESTMENTS**

The present study has used the following profitability ratios relating to investments:

a) **RETURN ON TOTAL ASSETS**

This is the ratio of earnings after taxes plus interest to total assets expressed as a percentage.

b) **RETURN ON CAPITAL EMPLOYED**

It indicates the percentage of return on the capital employed in the business and it can be used to show the efficiency of the HLL as a whole.

c) **RETURN ON EQUITY FUND**

This ratio establishes the profitability from the shareholders of HL.
EARNINGS AND DIVIDEND RATIOS

The researcher has used the earnings and dividend ratios of HLL and other takeover companies.

a) EARNING PER SHARE

This is the ratio of earnings after taxes to number of ordinary shares outstanding.

b) DIVIDED PER SHARE

This is the ratio of dividend paid to number of ordinary shares outstanding.

c) DIVIDEND PAYOUT RATIO

This is the ratio of dividend per share (DPS) to earning per share (EPS).

EXPENSES RATIOS

The researcher has used the important expenses ratio of HLL and other takeover companies.

a) ADMINISTRATIVE EXPENSES RATIO

This is the ratio of administrative expenses to net sales expressed as a percentage.
b) **SELLING EXPENSES RATIO**

This is the ratio of selling expenses to net sales expressed as a percentage.

c) **OPERATING EXPENSES RATIO**

This is the ratio of administrative plus selling expenses to net sales expressed as a percentage.

**PERCENTAGE ANALYSIS**

The percentage analysis has been used to analyse the various information regarding shareholders of HLL, segment wise sales of HLL, and quarterly share price of HLL.

**INDEX NUMBER**

The Index number has been worked out pertaining to 1999 with the figures of 1993 which has been taken as the base year.

**AVERAGE RATE OF ANNUAL GROWTH**

The average rate of annual growth is calculated for the shareholders of HLL, segment wise sales of HLL and quarterly share price of HLL. Let, the base year was 1999.
CORRELATION CO-EFFICIENT

The correlation co-efficient has been calculated for testing the hypotheses of the study namely that “there is significant correlation between the income and expenditure.”

TESTING THE SIGNIFICANCE OF AN OBSERVED CORRELATION CO-EFFICIENT

With the help of correlation co-efficient the student ‘t’ test has been applied.

To evaluate the following formula has been used;

\[ t = \frac{r}{\sqrt{\frac{n-2}{1-r^2}}} \]

where,

- \( r \) stands for Co-efficient of correlation
- \( n \) stands for Number of Observations
- here \( t \) is based on \( (n-2) \) degrees of freedom.

LEAST SQUARE METHOD

This method is most widely used in practice. It is a mathematical method and with its help a trend line is fitted to the data.

This method of least square may be used to fit a straight line trend.

The straight line trend is represented by the equation.

\[ Y_c = a + bx \]

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Where,

\[ Y_e \] is used to designate the trend values to distinguish them from the actual \( Y \) values, \('a'\) is the 'Y' interpret or the computed trend figure of the \( Y \) variable when \( X = 0 \).

'\( b'\) represents the slope of the trend line or the amount of change in 'Y' variable that is associated with a change of one unit in 'X' variable.

'\( X'\) variable in time series analysis represents time.

**LIMITATION OF THE STUDY**

The present study is based on the secondary data and hence the findings, to that extent rest on the accuracy of the figures found in various secondary data.

**SCHEME OF THE REPORT**

The report of the study is coordinated in seven chapters.

The first chapter deals with the introduction and design of the study. It includes introduction, statement of the problem, need for the study, scope of the study, review of previous study, objective of the study, methodology, sample design, period of the study, hypothesis, data processing, framework of analysis, limitation of the study, and scheme of the report.

The second chapter deals with the corporate takeovers in India and it includes, introduction; nature of merger, mergers and industry life cycle, valuation methods, takeovers in India, takeovers of profit making companies,
tax aspects of mergers and amalgamations, unabsorbed depreciation becomes a capital loss, amortisation of other capital expenses, exemption to shareholders in respect of capital gains tax, allowance of development rebate and investment amalgamation of sick industrial companies.

The third chapter deals with legal procedure for merger and takeovers and it includes introduction, formulation of scheme, articles of association, intimation of SEBI and stock exchange and notification, director’s approval, application to the court, petition for confirmation of amalgamation order of the court, stock exchange guidelines on corporate takeovers, SEBI guidelines on substantial acquisition of shares in listed companies and corporate takeovers, procedures for negotiated purchases and open market, SEBI panel to review takeover code, open offer must for management changes in new takeover code, advisory cell for takeover cases, take over code, steps to takeover, comparison of previous and draft take-over code, final report of Bhagwati committee, approval of takeover by SEBI, evaluation of takeover code by SEBI and recent trends in corporate takeover code.

The fourth chapter deals with profile of Hindustan Lever Limited and it includes history and growth of the company, merger and takeovers, production performance in home personal care, foods and beverages, industrial and agricultural, sales details, export performance, consumer connectivity, awards on achievements, quality certificates, future plans, management of the organization and area of operation.

The fifth chapter deals with takeovers strategy of Hindustan Lever Limited and it includes introduction, amalgamation of the Tata oil mills company limited (TOMCO), amalgamation of Tata oil mills with HLL resulting in industrial perfumes limited (IPL), becoming a subsidiary company, amalgamation of Brooke Bond Lipton India limited (BBLIL), with HLL, amalgamation of pond’s (India) limited with HLL, acquisition of approximately
50% shareholding of Lakme lever limited (LLL), acquisition of Kwality ice cream (Madras) by HLL, amalgamation of industrial perfumes limited (IPL) by HLL, acquisition of 74% stake in modern food industrial (India)limited (MFIL).

The sixth chapter deals with effectiveness of takeovers and it includes introduction, analysis of takeover companies with HLL, profitability ratios relating to sales and investment before and after take over companies, earnings and dividend of HLL before and after take over companies, expenses ratios of HLL before and after takeover companies, comparison of liquidity, leverage and profitability and other parameters, comparison of capital formation and investment in plant and machinery of HLL before and after takeover companies.

The last chapter deals with the summary of findings suggestions and conclusion of the study.