SUMMARY OF FINDINGS,
SUGGESTIONS AND CONCLUSION
CHAPTER VII

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INTRODUCTION

Business combinations, which may take forms of mergers, acquisitions, amalgamation and take-overs are important features of corporate structural changes. They have played an important role in the external growth of a number of leading companies the world over. In the United States, the first merger wave occurred between 1890 and 1904 and the second began at the end of the World War I and continued through the 1920s. The third merger wave commenced in the later part of World War II and continues to the present day. About two-thirds of the large public corporations in the USA have had mergers and amalgamations in their history. In India, about 1180 proposals for amalgamation of corporate bodies involving about 2,400 companies were filed with the High Courts during 1976-1986. These formed 6 per cent of the 40,600 companies at work at the beginning of 1976. Mergers and acquisitions, the way in which they are understood in the Western countries, have started taking place in India in recent years. A number of mega mergers and hostile takeovers could be witnessed in India now.

There is a great deal of confusion and disagreement regarding the precise meaning of terms relating to the business combination, viz, merger, acquisition, takeover, amalgamation and consolidation. Sometime these terms are used in a broad sense, encompassing most dimensions of business combination while sometime they are defined in a restricted legal sense. The study defines these terms keeping in mind the relevant legal framework in India.
The present study entitled “CORPORATE TAKE OVERS IN INDIA – A STUDY WITH REFERENCE TO HINDUSTAN LEVER LIMITED” has been undertaken to analyse the profitability and wealth of shareholders of the companies taken over by HLL in the pre and post takeover period.

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 quantification. 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 comments until details are available. The Finance Minister has stated that the anomalies will be resolved and detailed guidelines issued. The CII does not want to react prematurely.

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 with 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.

"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).

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 endeavour 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 leads 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:

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.
STATEMENT OF THE PROBLEM

Hindustan Lever Ltd. has been picking up companies almost as effortlessly as a housewife buys soap, ice cream and ketchup at a supermarket. 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 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 them into its own.

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

METHODOLOGY

The study is a case study based on secondary data. Which have been collected from the Hindustan Lever Limited and other ‘taken over companies.’ Information relating to financial aspects such as ratios and other parameters
were collected through informal interview with maintenance officers, published annual accounts, reports, records, returns, 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 as Yn in specifying the general sequence.

**SAMPLE DESIGN**

The present study has been undertaken in respect of the following seven companies 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)

**SUMMARY OF FINDINGS**

The major findings of the present study are summarized below.
CORPORATE TAKE-OVERS IN INDIA

A merger is the combination of two or more firms through direct acquisition of assets by one of other or others. Merger could be horizontal, vertical or conglomerate. Horizontal merger is the combination of two or more firms in the same stage of production/distribution/area of business. Vertical integration is the combination of two or more firms involved in different stages of production or distribution. Conglomerate merger is the combination of firm's engaged in unrelated lines of business. Acquisition (or) take-over means a combination in which the acquiring company acquires all or part of assets (shares) of the target company. In acquisition, the willingness of the management of the target company to be acquired has to be obtained while this may not be so in a take-over.

A merger results into an economic benefit when the combined firms are worth more together than apart. Merger benefits may result from economies of scale, economies of vertical integration, increased efficiency, tax shields, or shared resources.

Merger and acquisition activities are regulated under various laws in India. The objectives of laws as well as the stock exchange requirements is to make merger deals transparent and protect the interest of shareholders.

Guidelines for Takeovers

The listing agreements of the stock exchanges contain the guidelines for takeovers. The guidelines have been strengthened recently to protect the interests of the shareholders until 1959; unwritten code of conduct was used by the merchant bankers in the U.K. for the regulation of mergers and take-overs. The code was found to be futile in protecting the interests of investors. The Bank of England evolved a code, popularly called the “London City Code,” of
conduct for takeovers. This code, revised several times, is not enforceable at law. But it has to be followed by the parties involved in takeovers if they want to operate through the securities market. The objective of the code is to ensure a fair deal to all the shareholders involved in a take-over.

The objectives of Companies Act and the guidelines for takeover are to ensure full disclosure about the mergers and takeovers and to protect the interests of the shareholders, particularly the small shareholders. The main thrust is that public authorities should be notified within two days.

In a nutshell, an individual or company can continue to purchase the shares without making an offer to other shareholders until the shareholding exceeds 10 percent. Once the offer is made to other shareholders, the offer price should not be less than the highest price paid in the past 6 months or the negotiated price.

**LEGAL PROCEDURE FOR MERGER AND TAKEOVER**

The following is the summary of legal procedures for the merger or acquisition laid down in the Companies Act, 1956:

**Permission for Merger.** Two or more companies can amalgamate only when amalgamation is permitted under their Memorandum of Association. Also the acquiring company should have the permission in its object clause to carry on the business of the acquired company. In the absence of these provisions in the Memorandum of Association, it is necessary to seek permission of the shareholders, board of directors and the Company Law Board before effecting the merger.
**Information to the Stock Exchange.** The acquiring and the acquired companies should inform the stock exchanges where they are listed about the merger.

**Approval of Board of Directors.** The boards of the directors of the individual companies should approve the draft proposal for amalgamation and authorize the managements of companies to further pursue the proposal.

**Application to The High Court.** An application for approving the draft amalgamation proposal duly approved by the boards of directors of the individual companies should be made to the High Court. The High Court would convene a meeting of the shareholders and creditors to approve the amalgamation proposal. The notice of meeting should be sent to them at least 21 days in advance.

**Shareholders ‘And Creditors’ Meetings.** The individual companies should hold separate meetings of their shareholders and creditors for approving the amalgamation scheme. At least, 75 per cent of shareholders and creditors in separate meetings, voting in a person or by proxy, must accord their approval to the scheme.

**Sanction By the High Court.** After the approval of shareholders and creditors, on the petitions of the companies, the High Court will pass order sanctioning the amalgamation scheme after it is satisfied that the scheme is fair and reasonable. If it deems so, it can modify the scheme. The date of the court’s hearing will be published in two newspapers, and also, the Regional Director of the Company Law Board will be intimated.

**Filing the Court Order.** After the Court order, its certified true copies will be filed with the Registrar of Companies.
Transfer of Assets and Liabilities. The assets and liabilities of the acquired company will be transferred to the acquiring company in accordance with the approved scheme, with effect from the specified date.

Payment by Cash or Securities. As per the proposal, the acquiring company will exchange shares and debentures and/or pay cash for the shares and debentures of the acquired company. These securities will be listed on the stock exchange.

TAKE-OVER STRATEGY OF HINDUSTAN LEVER LIMITED

When a company is taken over by another, the taking over company has two options: (1) to merge both the companies into one and operate as a single entity, and (2) to operate the taken over company as an independent company, may be with management and changed policies. The first option is known as "Merger" and the second as "Takeover".

Further, Takeovers are of different forms, some of them involve straight takeover of one company by the other through acquisition of shares and deciding to operate the company as an independent entity. In some other cases takeovers may be to the extent of capturing the controlling ownership in a company. A third type is the takeover of sick companies for their revival. In other words, this study attempts to analyse the successfulness or otherwise of the takeover strategy of Hindustan Lever Limited. Further, the study analyses the implications of takeovers from the financial point of view and hence quantitative in nature.
AMALGAMATION OF TOMCO WITH HLL

The scheme of amalgamation also contemplated a preferential allotment of 29,84,347 equity shares of Rs.10/- each to Unilever PLC to restore to them 51% shareholding post amalgamation of TOMCO. The Company had applied to the Reserve Bank of India (RBI) for seeking its “automatic approval” on 16th November, 1993 for this preferential allotment in terms of and fully conforming to the stipulations contained in the scheme announced by the Government of India for this purpose.

The directors of HLL had fixed 22nd February, 1995 as the record date on which the shareholders of the erstwhile TOMCO were to be entitled to the shares of HLL in the approved exchange ratio of 2 shares of HLL for 15 shares of TOMCO. HLL Board had, in its discretion, decided in the past that since the appointed date for the scheme of amalgamation was 1st April, 1993, those TOMCO shareholders who would become the shareholders of HLL subsequent to the allotment of shares under the scheme of amalgamation should, on equitable principles be entitled to the dividend for the 1993 on pro-rata basis for 9 months i.e. at 42% for the nine month period commencing from 1st April, 1993 as also the interim dividend at 37% paid by HLL to its shareholders for the year 1994 and the final dividend as may be approved by the members at the Annual General Meeting for the year 1994. On 28th December 1994, the Board of Directors allotted 28,67,314 new equity shares as aforesaid for the benefit of such TOMCO shareholders, in favour of Mr. S.M.Daffa and Mr.K.B.Dadiseth, Directors of HLL Company to be held by them in trust for appropriation to those shareholders of TOMCO whose names would appear on the Register of Members on 22nd February, 1995. Such allotment was made to enable the TOMCO shareholders to be legally eligible for the dividend for the year 1994 that were declared by HLL company since these shares will rank pari passu with the existing shares of HLL company.
Based on the holding as on 2ND February, 1995, the record date fixed by the Board, these 28,67,314 shares have been appropriated for the benefit of the shareholders of TOMCO on 5th April, 1995 and individual intimations have been dispatched to such members for surrendering their TOMCO share certificates in exchange for share certificates of the company. These members have also been paid the pro-rata dividend for the 9-month period for the year 1993 at Rs.4.20 per share and the interim dividend for the year eligible and the final dividend as may be approved by the members at the Annual General Meeting.

**AMALAGAMATION OF BBLIL WITH HLL**

The merger of BBLIL with HLL was announced on 19th April, 1996. The meetings of the shareholders of BBLIL and HLL held on 26th June, 1996 and 28th June, 1996 respectively, approved the merger proposal by an overwhelming majority of over 99.9%. The two companies received favourable orders on the petitions for confirmation of the merger, filed before the Bombay High Court and the Calcutta High Court on 23rd August, 1996 and 9th December, 1996 respectively.

In consultation with the Bombay stock Exchange and the Calcutta stock Exchange, the Company fixed 3rd May, 1997 as the record date, by reference to which the members of the erstwhile BBLIL received 9 shares of HLL for every 20 shares of BBLIL. At its meeting, held on 16th May 1997, the Board allotted 5,33,28,713 equity shares of the company as fully paid up to the members of the erstwhile BBLIL. Share certificates were ready, for exchange, by end of June 1997 and the share exchange commenced in July 1997.

As provided in the Scheme of Amalgamation, 19,74,927 shares of BBLIL held by HLL and Indexport Limited, its wholly owned subsidiary, as on 3rd May 1997, were cancelled. Thus, no shares of the company were to be
allocated in exchange for these shares. HLL company would not only maintain but also improve the level of service to the enlarged family of over 4,18,000 share holders.

**AMALGAMATION OF PIL WITH HLL**

The joint valuers have recommended to the Boards of the two companies a share exchange ratio of three (3) fully paid equity shares of Rs.10/- each of Hindustan Lever Limited for every four (4) shares of Pond's (India) Limited. The Valuation report has been reviewed by ICICI Securities and Finance Company Limited. The Board has, based on and relying on the aforesaid expert advices and on the basis of its independent evaluation and judgement has come to the conclusion that the exchange ratio was fair and reasonable and, hence recommended the same for members' approval.

The share exchange ratio could lead to creation of odd lots in certain cases. This was unavoidable if the share exchange ratio has to be fair and equitable to shareholders of both the companies. However, Hindustan Lever Limited has setup a trust in the name of "Hindlever Odd Lot Shares Trust" which provided an on-going basis, the facility of sale/purchase of odd lots at ruling market value. This facility was available to members of Pond's (India) Limited post amalgamation as and when it takes place to convert their shareholding into marketable lots, if they so desire, or to dispose of any odd lot shares without having to suffer a discount on the market price. The entire administrative cost of this facility was absorbed by Hindustan Lever Limited.

**ACQUISITION OF LAKME LEVER LIMITED**

Lakme Lever Limited has become a subsidiary of HLL on and from January 29, 1998 since HLL held one share more than 50% of the issued and subscribed capital of the Company, following a rights issue.
HLL acquired from Lakme Group the balance shareholding in Lakme Lever Limited, and the Lakme trade marks and manufacturing undertakings at Deoner and at Kandla, (the latter owned by Lakme Exports Limited) together with the employees of these undertakings, with continuity of service and full protection of their existing terms and conditions, subject to necessary corporate and legal approvals. The transaction valued at approx. Rs. 200 crores (excluding the manufacturing undertakings) was expected to be completed before June, 1998. The lakme group in lakme brands limited was subscribed by the Company: thus, the effective net cash outflow for HLL was approx. Rs.139 crores.

**ACQUISITION OF KWALITY ICE-CRÈAM (MADRAS) LIMITED**

The four Kwality factions were the Ghais in the west, the Wigs in the east, the Lambas in the north and Khannas in the south. In the past years, many of them have been restructuring their business shutting down unviable plants. For example, the Ghais have already shut down their Mumbai plant. Most of their production is concentrated in Pune. The equity share capital in crores of Rupees is 5.84, profit earned Rs. 149.89, lakhs, Dividend ratio is 0.59, Earning per share Rs. 2.56 and dividend per share Rs. 3.61.

**AMALGAMATION OF IPL WITH HLL**

Pursuant to Clause 1.5 of the Scheme, the amalgamation of IPL with the HLL became effective from February 9, 2000 with retrospective effect from January 1, 1999, this being the appointed date under the scheme of amalgamation. Procedural and other formalities such as the issue of shares consequent to amalgamation were duly completed.
Acquisition Of MFIL With HLL

On 25th January, 2000 the Government of India sold 74% of the equity in the state-owned Modern Food Industries (India) Ltd. (MFIL) to HLL. The basis for accepting HLL proposal for purchase of Government equity, despite competition from several leading international and local players, was that HLL was superior in technical and financial bid.

Modern food is the market leader in the highly fragmented bread market in India with a sale of Rs.125 Crores (Including franchisees) a value share of 11% of the organised market. Modern bread is one of the well known household brands in India. It has dispersed manufacturing and distribution arrangements covering the entire country.

Effectiveness of Take Overs

In the present study, the performance of Companies has been analysed over a period of three years before merger and three years after merger.

The study has brought to limelight that the net profit ratio of TOMCO has increased from 6.42% in 1993 to 10.22% in 1999. The average net profit has shown a modest growth from 5.90% in the pre-merger period to 7.85% in the post-merger period.

The study reveals that the average return on total assets of TOMCO has zoomed from 13.76% in the pre-merger period to 36.50% in the post-merger period. The average return on capital employed also has galloped from 25.22% in the pre-merger period to 55.35% in the post-merger period. The shareholders of TOMCO were sufficiently benefited by the increase in return on equity fund (ROEF) from 33.95% in 1993 to 50.87% in 1999. The average
return on equity fund has risen from 35.15% in the pre-merger period to 43.52% in the post-merger period.

The study has brought to limelight the increase in Earning per share which has gone up from Rs.9.35 in 1993 to Rs.12.38 in 1994. The average earning per share also has increased from Rs.7.49 in the pre-merger period to Rs.28.39 in the post-merger period. The average dividend per share of TOMCO has recorded a considerable increase from Rs.4.46 in the pre-merger period to Rs.17.67 in the post-merger period. The dividend payout ratio of TOMCO has marginally risen from 0.6 in 1993 to 0.63 in 1994.

An important finding of the study is that there has been a considerable increase in administrative expenses of TOMCO from 10.53% in 1993 to 20.92 in 1995. The average administrative expenses ratio has risen from 4.50% in the pre-merger period to 14.87 in the post-merger period. The selling expenses ratio of TOMCO has decreased from 86.89% in 1990 to 83.41% in 1991. The average selling expenses ratio also has declined from 82.68% in the pre-merger period to 73.74% in the post-merger period. The operating expenses ratio of TOMCO has marginally increased from 86.47% in 1993 to 87.57% in 1994.

The study has brought to sharp focus that the net profit ratio of BBLIL has surged up from 6.25% in 1996 to 10.22% in 1999. Average net profit has shown a modest increase from 5.82% in the pre-merger period to 8.69 in the post-merger period.

An important finding of the study is that the average return on total assets of BBLIL has gone up from 18.63% in pre-merger period to 44.71% in post-merger period. The return on capital employed (ROCE) has moved up from 29.7% in 1993 to 31.1% in 1994. The shareholders of BBLIL were benefited by the increase in return on equity fund from 25.1% in 1993 to 28.1
% in 1994. The average return on equity fund has risen from 31.38% in the pre-merger period to 48.58% in the post-merger period.

The study has brought to limelight that the average earning per share of BBLIL has increased from Rs.11.51 in the pre-merger period to Rs.37.82 in the post-merger period. The dividend per share of BBLIL has risen from Rs.4.40 in 1993 to Rs.5.00 in 1994. The average dividend per share has also galloped from Rs.6.85 in the pre-merger period to Rs.22.67 in the post-merger period.

The study reveals that there has been a marginal fall in administrative expenses ratio of BBLIL from 21.65% 1993 to 20.66% in 1994. The selling expenses ratio of BBLIL has dipped from 11.20% in 1993 to 10.28% in 1994, but has suddenly gone up in 1995 and 1996. The average selling expenses ratio has surged up from 24.91% in the pre-merger period to 78.62% in post-merger period. The operating expenses ratio has declined from 32.85% in 1993 to 30.94% in 1994, but the trend has reversed from 32.23% in 1995 to 89.22% in 1996. The average operating expenses ratio of BBLIL has also zoomed from 46.31% in the pre-merger period to 89.20% in the post-merger period.

The study has brought to sharp focus that net profit ratio of Pond’s (India) Ltd., has increased from 11.84% in 1995 to 11.87% in 1996. The average net profit ratio has slipped from 11.30% in the pre-merger period to 10.22% in the post-merger period.

An important finding of the study is that the return on total assets (ROTA) of PIL has increased from 40.77% in 1995 to 45.60% in 1996. The average return on total assets has risen from 41.06% in the pre-merger period to 47.89% in the post-merger period. The average return on capital employed has registered a growth from 41.25% in the pre-merger period to 61.84% in the post-merger period. The shareholders of Pond’s (India) Ltd., were benefited by the increase in Return on Equity fund from 36.25% in 1995 to 39.89% in 1996.
The study disclosed that there has been a very significant increase in earning per share (EPS) of PIL from pre-merger to post-merger period. It has gone up from an average of Rs.34.92 to Rs.48.62. The average dividend per share of PIL has also increased from Rs.20.25 in the pre-merger period. The dividend payout ratio has risen up from 0.55% in 1995 to 0.59% in 1996. The average dividend payout ratio of PIL has increased marginally from 0.57% in the pre-merger period to 0.59% in the post-merger period.

The study has brought to limelight that the administrative expenses ratio of PIL has shown a rising trend from 8.96% in 1995 to 9.20% in 1996 and 10.48% in 1998. The average selling expenses ratio has increased marginally from 75.66% in the pre-merger period to 77.59% in the post-merger period. The operating expenses ratio of PIL has also increased marginally from 84.27% in 1995 to 84.43% in 1996. The average operating expenses ratio posted a marginal rise from 85.35% in the pre-merger period to 87.97% in the post-merger period.

It has been found out from the study that the gross profit ratio of Lakme Lever Ltd has increased from 6.52% in 1995 to 10.72% in 1998. The average net profit has shown a rise from 5.62% in the pre-merger period to 10.22% in the post-merger period.

An important finding of the study is that the average return on total assets of LLL has zoomed from 17% in the pre-merger period to 47.89% in the post-merger period. The return on capital employed (ROCE) has registered a substantial increase from 15.15% in 1995 to 58.65% in 1998. The average return on capital employed also has hiked from 28.68% in the pre-merger period to 61.84% in the post-merger period. The average return on capital employed also has hiked from 28.68% in the pre-merger period to 61.84% in the post-merger period. The share holders of Lakme Lever Limited were
sufficiently benefited by increase in Return On Equity Fund (ROEF) from 8.16% in 1995 to 48.89% in 1998. The average return on equity fund of LLL has risen from 19.20% in the pre-merger period to 50.87% in the post-merger period.

The study has divulged that Earning Per Share of LLL has gone up from Rs. 25.14 in 1995 to Rs. 36.70 in 1998. The dividend per share (DPS) has shown a rising trend from Rs. 15.17 in 1995 to Rs. 29 in 1999. The average Dividend Payout ratio of LLL has increased marginally from 0.59 in the pre-merger period to 0.60 in the Post-Merger period. Average selling expenses ratio was higher in the post-merger period than in the pre-merger period. However, average operating expenses ratio of LLL has increased marginally from 87.48% in the pre-merger period to 87.97% in the post-merger period.

The study has shown that there has been an increase in net profit margin of Kwality ice-cream (Madras) Ltd. It went up from 8.60% in 1998 to 10.22% in 1999 while the average net profit increased from 5.86% in the merger period to 10.22% in post-merger period.

The study reveals that the return on total assets (ROTA) of KICM has marginally risen from 52.65% in 1996 to 53.24% in 1997. The return on capital employment (ROCE) has registered a substantial increase from 13.6% in 1997 to 58.65% in 1998. The average return on capital employed has risen from 31.18% in the pre-merger period to 61.84% in the post-merger period. After merger, the shareholders of KICM (Madras) Ltd., were sufficiently benefited by the increase in return on equity fund (ROEF) from 48.89% in 1998 to 50.87% in 1999. The average return on equity fund ratio declined from 65.97% in pre-merger period to 50.87% in post-merger.
An important finding of the study is that the Earning per share of KICM has gone up from Rs.29.13 in 1995 to Rs.32.15 in 1996. The average dividend per share also has recorded a considerable increase from Rs.20.54 in the pre-merger period to Rs.29 in the post-merger period. The dividend payout ratio of KICM has increased from 0.55% in 1995 to 0.60% in 1996.

The study has divulged that the average administrative expenses ratio of KICM has increased from 8.23% in pre-merger period to 10.37% in the post-merger period. The selling expenses ratio of KICM has shown a rising trend from 6.63% in 1995 to 77.6% in 1999. The average selling expenses has galloped from 25.02% in the pre-merger period to 77.60% in the post-merger period. Similarly, the operating expenses ratio has risen up from 12.96% in 1995 to 87.97% in 1999. The average operating expenses ratio has zoomed from 33.25% in the pre-merger period to 87.97 in the post-merger period.

The study reveals that the net profit ratio of Industrial Perfumes Ltd. has increased from 11% in 1996 to 41.09% in 1997.

The study has brought to limelight that there has been a steep increase in return on total assets (ROTA) of IPL from 3.88% in 1996 to 28.19% 1997. The average return on total assets was 24.56% in the pre-merger period and the average return on capital employed was 35.5% in the pre-merger period. The return on equity fund (ROEF) has increased from 2.38% in 1996 to 28.08% in 1997.

An important finding of the study is that the Earning per share (EPS) of IPL has increased substantially from Rs.2.03 in 1996 to Rs.31.96 in 1997. The average earning per share was Rs.23.96 and the average dividend per share was Rs.1.99 in the pre-merger period. The dividend Payout ratio has slipped from 0.62% in 1996 to 0.09% in 1997. The average dividend payout ratio was 0.22% in the pre-merger period.
The study reveals that there has been a considerable increase in administrative expenses of IPL from 10.90% in 1996 to 13.36% in 1998. The average selling expenses were 74.20% and the average operating expenses were 84.60% in the pre-merger period.

The study has brought to lime light that the net profit ratio of Modern Food Industries (India) Ltd., has increased from 6.23% in 1977 to 8.14% in 1998. The average net profit was 6.59% in the pre-merger period.

An important finding of the study is that there has been a steep increase in return on total assets (ROTA) of MFIL from 8.52% in 1997 to 13.65% in 1999. The average return on total assets was 10.76% in the pre-merger period. The average return on capital employed was 14.57% in the pre-merger period. The shareholders of Modern foods industries (India) Ltd., were sufficiently benefited by the increase in return on equity fund (ROEF) from 15.18% in 1997 to 20.62% in 1999. The average return on equity fund is 18.02% in the pre-merger period.

The study brought to limelight that there was a very significant increase in earning per share (EPS) of MFIL from Rs.5.12 in 1997 to Rs.10.65 in 1999. The average earning per share is Rs.7.76 in the pre-merger period. The dividend per share (DPS) of MFIL has also made substantial increase from Rs.3.10 in 1997 to Rs.6.12 in 1999. The average dividend pay out ratio of pre-merger period was 0.57%.

The study reveals that there has been a considerable increase in administrative expenses of MFIL from 15.647% in the pre-merger period. The selling expenses have increased from 70.45% in 1997 to 75% in 1998. The average selling expenses were 71.39% in the pre-merger period. The operating
expenses have shown a rising trend from 86.25% in 1997 to 89.15% in 1999. The average operating expenses were 87.86% in the pre-merger period.

RESULTS OF HYPOTHESES TESTING

The study started with a hypothesis that there should be an improvement in the liquidity, leverage and profitability position of the sample units after takeover. The hypothesis has been verified with the help of certain parameters. The findings against the stated hypothesis are as follows:

All the companies had better current ratios in the post-takeover period. In almost all the cases, current ratio has been more than 1:1 in the post-takeover period. In some cases the ratio has been as high as 2.18:1. Ideally, the companies should maintain a ratio of assured 2:1. In the present study, most of the companies were not able to reach the general standard of 2:1 even in the post-takeover period.

The study discloses that so far as quick ratio is concerned, the sample companies are showing three types and trends.

1. Companies with increasing quick ratio after takeover.
2. Companies with declining quick ratio.
3. Companies with a mixed trend i.e sometime increasing and sometime decreasing quick ratio in the post-takeover period.

Generally most of the companies have a better quick ratio in the post-takeover period. However TOMCO had a declining and low quick ratio till the year Y4 and KICM also had a low but increasing quick ratio in the post-takeover period. On the whole, 4 out of the 5 companies had an ideal quick ratio of 1:1 at least in one or more years of the study period.
The study has disclosed that the net working capital has been on the increasing trend for many years during the post-takeover period.

The study reveals that there was no diversion of short term funds to long term uses, in all the sample companies, but long term funds has been used for short term purposes after the take over.

The study has shown that the total debt and equity to total asset have registered increases in the post-takeover period in respect of five sample companies namely TOMCO, BBLIL, PIL, LLL and KICM. This shows that the solvency position of five companies has improved.

The study has disclosed that the total debt and equity to earnings before interest taxes and depreciation have registered decreases in the post-takeover period in respect of five sample companies namely TOMCO, BBLIL, PIL, LLL and KICM. This shows that the solvency position of the five companies has not been satisfactory.

The study divulges that with regard to interest coverage ratios of these companies, data have been available in this regard only in respect of five companies out of the seven sample companies. Since there have been better interest coverage ratios, in these companies after take over, (except LLL) it may observed that these companies have turnaround.

An important finding of the study is that the operating profits in the post-takeover period, have improved in respect of the sample companies, namely, TOMCO, BBLIL, PIL, LLL and KICM.

The net profits and operating profits of five companies, have improved after the takeover. The companies obviously had turned around with the help of substantial amounts of operating income.
The study has brought to limelight that the returns on investments have registered increases in case of five sample companies namely TOMCO, BBLIL, PIL, LLL and KICM. This shows that the overall profitability position of five companies has progressed.

An important finding of the study is that the net worth in the post-takeover period has hiked in respect of the sample companies namely, TOMCO, BBLIL, PIL, LLL and KICM.

On verifying second hypothesis it is found that both the parameters, capital formation and investment in plant and machinery, have increased in a majority of the units. This validates the hypothesis that the companies after the take over tend to expand, modernize with the help of taken over company and turnaround.

SUGGESTIONS

i) The short term solvency position of two companies viz TOMCO and PIL has been low as the current ratios have been low in the post merger period. The net working capital of TOMCO has increased at a slower pace. It is suggested that steps are taken by HLL to improve the situation.

ii) The returns on investments have been low in respect of two companies viz PIL and LLL. Though there have been increases in the ROI in the post takeover period, the increase has not been significant when compared to other taken over companies. It is suggested that the ROI is enhanced in order to win over the shareholders.
iii) The increase in net worth has been low in case of LLL in comparison to other taken over companies. To enhance the shareholders' wealth, it is suggested that the net worth of the company is augmented.

iv) The interest coverage ratio of LLL has slipped in the post take over period which implies that the position of the company is not satisfactory so far as the relation between interest and EBIT is concerned. It is suggested that HLL has takes necessary steps to improve the situation.

v) The leverage position of BBLIL has crossed 1 time in the post takeover period. This means the total debt and equity have exceeded the total assets. It is suggested that the assets are increased more inorder to bring down the leverage ratio.

CONCLUSION

From the study entitled the “Corporate take-overs in India with reference to Hindustan Lever Limited”, it is evident that both the hypotheses set for validation are proved. The conclusion emerging from this is that takeover can be successfully useful to turnaround a sick company. One observation which is worth mentioning is that the units which have turned around after takeover are taken over by reputed management groups. Hence, it may be concluded that a sick company is taken over by a good management and serious attempts are possible to turn around successfully.