CHAPTER VIII

CONCLUSIONS AND SUGGESTIONS

CONCLUSIONS:

Merger and Acquisition are a century old phenomenon in the corporate history. To meet the challenges of global economy and to face increased global competition, Companies are changing their strategic focus and re-orienting their operations through merger and acquisition processes. In U.S.A., the process of merger and acquisition started in twentieth century. After that merger and acquisition continued to occur in cycle. These cycles of merger and acquisition, took place in U.S.A. in 1929, in the half of 1960s, in the first half of 1980s and again in the last half of 1990s. The most significant merger of U.S.A. took place in the last half of 1990s. The reason of this was that, the stock market was quite strong in U.S. in that period and this strong stock market supported the high incidence of merger and acquisition. History of merger and acquisition in U.K. has evolved in five merger waves. The first merger wave commenced from 1897 to 1904. During this period merger occurred between companies, which enjoyed monopoly over their lines of production like railroads, electricity etc. The first merger wave that occurred during the aforesaid time period was mostly horizontal merger that took place between heavy manufacturing industries. The second merger wave that took place from 1916 to 1929 focused on the merger between oligopolies, rather than monopolies. The economic boom that followed the post world war gave rise to these types of merger. Technological development like the development of railroads and transportation by motor vehicles provided the necessary infrastructure for such merger or acquisition to take place. The government policy encouraged companies to work in unison. This policy was implemented in the 1920s. The third merger wave took place during the period of 1965 to 1969, which were mainly conglomerate merger. Merger was inspired by high stock prices, interest rates and enforcement of antitrust laws. The bidder companies in the third merger wave were smaller than the target company.
Merger was financed from equities; the investment banks no longer played an important role. The fourth merger wave that started from 1981 and ended by 1989 was characterized by acquisition targets that were much larger in size as compared to the third wave merger. Merger took place between the oil and gas industries, pharmaceuticals industries, banking and airline industries. Foreign takeovers became common with most of them being hostile takeovers. The fourth merger wave ended with anti takeover laws, financial institution reform and the gulf war. The fifth merger wave during the period of 1992 to 2000 was inspired by globalization, stock market boom and deregulation. This merger wave took place mainly in the banking and telecommunications industries. They were mostly equity financed rather than debt financed. The merger were driven long term rather than short term profit motives. This merger wave ended with the burst in the stock market bubble.

In India, the concept of merger and acquisition was not popular, till the year of 1988. During the period a very small percentage of businesses in the country used to come together, mostly into a friendly acquisition with a negotiable deal. The key factor contributing a fewer companies involved in the merger is the regulation and prohibition provisions of the Monopolies and Restrictive Trade Practice Act, 1969. According to the provisions of this Act, a company has to follow a pressurized and burdensome procedure to get approval for merger and acquisition. The year 1988 witnessed one of the oldest business acquisition or company merger in India.

Merger and acquisition activity taking place in India is not limited to corporate merger alone as there are number of other activity like takeover, spin-off, management buyouts, demerger, etc. In fact, in the global corporate market, the term merger and acquisition are now using to cover all transactions relating to sale and purchase of subsidiaries, division, brands, assets and entire company.

Merger and acquisition are accepted effective routes to enhance corporate efficiency and shareholder wealth. Merger and acquisition have been a part of the business world for centuries. In today’s dynamic economic
environment, companies are often faced with decisions concerning these actions. The said terms to a layman may seem alike but in legal and corporate terminology, they can be distinguished from each other.

In Indian perspective, a merger may be regarded as the fusion or absorption of one thing or right into another. A merger has been defined as an arrangement whereby the assets, liabilities and businesses of two or more companies become vested in, or under the control of one company, which has as its shareholders, all or substantially all the shareholders of the two companies. In merger, one of the two existing companies merger its identity into another existing company or one or more existing companies may form a new company and merge their identities into the new company by transferring their business and undertakings including all other assets and liabilities to the new company.

Thus, a merger happens when companies decide to join forces in their respective fields of business. They may be identical, similar or totally different. Both their shareholders and management agree on surrendering their shares and revaluing and re-registering them under the new company.

Besides, the term ‘merger’, ‘acquisition’, in general sense, is acquiring the ownership in the property. In the context of business combinations, an acquisition in the purchase by one company of a controlling interest in the share capital of another existing company. An acquisition may be defined as an act of acquiring effective control by one company over assets or management of another company without any combination of companies. In an acquisition, two or more companies may remain independent, separate legal entity, but there may be change in the control of companies. Thus, an acquisition happens when one of the companies, known as the target company, display hostility towards the acquiring company. In acquisition, the acquiring company buys over the target company’s shares. Management also changes, and more often than not, favours the members of the acquiring company.

Thus, merger and acquisition are the processes through which one company acquire and assimilates another company. The assets and liabilities of
acquired company get transferred to the acquiring company. The difference between these two methods is that, in case of merger, the merging company loses its identity, and generally forms a new company. Sometimes, it is the merged company which loses its identity, while the merging company maintains it. In case of acquisition, however acquired company maintain its identity, only a change in ownership takes place, unless the acquisition is followed by a merger as well. Both these methods have been traditionally used for business consolidations, increasing market power and diversification of risk through diversification of operations.

From the perception of business organizations, there is whole host of different merger. However, from the economic point of view i.e. based on the relationship between the two merging companies, and also based on the offerors’ objectives profile, merger is classified into Horizontal merger, Vertical merger, Conglomerate merger, Circular merger, Product-extension merger, and Market-extension merger.

Horizontal merger is a merger of two competing companies which are at the same stage of industrial process. The acquiring company belongs to the same industry as the target company. The main purpose of such mergers is to obtain economies of scale in production by eliminating duplication of facilities and the operations and broadening the product line, reduction in investment in working capital, elimination in competition concentration in product, reduction in advertising costs, increase in market segments and exercise better control on market.

In vertical merger, a company would like to take over another company or seek its merger with that company to expand espousing backward integration to assimilate the resources of supply and forward integration towards market outlets. The acquiring company through merger of another unit attempts on reduction of inventories of raw material and finished goods, implements its production plans as per the objectives and economizes on working capital investments. In other words, in vertical merger, the merging
undertaking would be either a supplier or a buyer using its products as intermediary material for final production.

Conglomerate merger take place between companies from different industries. The businesses of the merging companies obviously lack commonality in their end products or services and functional economic relationships. A company may achieve inorganic growth through diversification by acquiring companies from different industries. A conglomerate merger is a complex process that requires adequate understanding of industry dynamics across diverse businesses vis-à-vis the merger motives of the merging entities. In circular merger, companies producing distinct products seek amalgamation to share common distribution and research facilities to obtain economies by elimination of cost on duplication and promoting market enlargement. The acquiring company obtain benefits in the form of economies of resource sharing and diversification. Product extension merger is conglomerate merger which involves companies selling different but related products in the same market or sell non-competing products and use same marketing channels of production process. Market extension merger is conglomerate merger wherein the companies that sell the same products in different markets. It can be concluded that horizontal merger eliminate sellers and hence reshape the market structure i.e. they have direct impact on seller concentration whereas vertical merger and conglomerate merger do not affect market structure e.g. seller concentration directly. They do not have anti-competitive consequences.

The circumstances and reasons for every merger are different. However, the success of merge depends on how well the deal makers can integrate two companies while maintaining day-to-day operations. Each deal has its own flips which are influenced by various extraneous factors such as human capital component and the leadership. Much of it depends on the company’s leadership and the ability to retain people who are key to the companies’ ongoing success. It is important, that both the parties should be clear in their minds as to the motives of such acquisition i.e. there should be census-ad-idiom. Profits,
intellectual property, customer base are peripheral or central to the acquiring company, the motive will determine the risk profile of such merger and acquisition. Generally, before the onset of the deal, due diligence is conducted so as to gauze the risks involved, the quantum of assets and liabilities that are acquired etc.

The basic law related to merger and acquisition is codified in the Indian Companies Act, 1956 which works in tandem with various regulatory policies. The general law relating to merger, amalgamation and reconstruction is embodied in sections 391 to 396 of the Companies Act, 1956 which jointly deal with the compromise and arrangement with creditors and members of a company needed for a merger. Section 391 gives power to the Tribunal, to sanction a compromise or arrangement between a company and its creditors or members subject to certain conditions. Section 392 gives power to the Tribunal to enforce and/or supervise such compromises or arrangements with creditors and members. Section 393 provides for the availability of the information required by the creditors and members of the concerned company when acceding to such an arrangement. Section 394 makes provisions for facilitating reconstruction and amalgamation of companies, by making an appropriate application to the Tribunal. Section 395 gives power and duty to acquire the shares of shareholders, dissenting from the scheme or contract, which is approved by the majority. And finally, Section 396 deals with the power of the central government to provide for an amalgamation of companies in the national interest. In any scheme of amalgamation, both the amalgamating company or companies and the amalgamated company should comply with the requirements specified in sections 391 to 394 and submit details of all the formalities for consideration of the Tribunal. It is not enough that one of the companies alone fulfils the necessary formalities. Sections 394, 394A of the Companies Act deal with the procedures and the requirements to be followed in order to effect amalgamations of companies coupled with the provisions relating to the power the Tribunal and the central government in the matter of bringing about amalgamations of companies. After the application is filed, the
Tribunal would pass orders with regards to the fixation of the dates of the hearing, and the provision of a copy of the application to the Registrar of Companies and the Regional Director of the Company Law Board in accordance with section 394A and to the Official Liquidator for the report confirming that the affairs of the company have not been conducted in a manner prejudicial to the interest of the shareholders or the public. Before sanctioning the scheme of amalgamation, the Tribunal has also to give notice of every application made to it under section 391 to 394 to the central government and the Tribunal should take into consideration the representations, if any, made to it by the government before passing any order granting or rejecting the scheme of amalgamation. Thus the central government is provided with an opportunity to have a say in the matter of amalgamations of companies before the scheme of amalgamation is approved or rejected by the Tribunal.

The powers and functions of the central government in this regard are exercised by the Company Law Board through its Regional Directors. While hearing the petitions of the companies in connection with the scheme of amalgamation, the Tribunal would give the petitioner company an opportunity to meet all the objections which may be raised by shareholders, creditors, the government and others. It is, therefore, necessary for the company to keep itself ready to face the various arguments and challenges. Thus by the order of the Tribunal, the properties or liabilities of the amalgamating company get transferred to the amalgamated company. Under section 394, the Tribunal has been specifically empowered to make specific provisions in its order sanctioning an amalgamation for the transfer to the amalgamated company of the whole or any parts of the properties, liabilities, etc. of the amalgamated company. The rights and liabilities of the employees of the amalgamating company would stand transferred to the amalgamated company only in those cases where the Tribunal specifically directs so in its order.

The assets and liabilities of the amalgamating company automatically get vested in the amalgamated company by virtue of the order of the Tribunal granting a scheme of amalgamation. The Tribunal also make provisions for the
means of payment to the shareholders of the transferor companies, continuation by or against the transferee company of any legal proceedings pending by or against any transferor company. The provision can be made for any person who dissents from the compromise or arrangement, and any other incidental consequential and supplementary matters to secure the amalgamation process if it is necessary. The order of the Tribunal granting sanction to the scheme of amalgamation must be submitted by every company to which the order applies (i.e., the amalgamating company and the amalgamated company) to the Registrar of Companies for registration within the period of thirty days.


The Industries (Development and Regulation) Act, 1951, provides for the development and regulation of certain industries. It also contains the provisions for reconstruction of such companies where management or control of the industrial undertaking is taken-over as per direction of the central government. Section 2(1B) of Income Tax Act, 1961 defines ‘amalgamation’ in relation to other companies as “merger of the one or more companies with another company or merger of two or more companies to form one company. Section 72A of the Income Tax Act, 1961; deal with tax benefits on amalgamation.

Monopolies and Restrictive Trade Practice Act, 1969 provides for that the operation of economic system does not result in the concentration of economic power to the common detriment, for the control of monopolies, for the prohibition of monopolistic and restrictive trade practice and for matters connected therewith or incidental thereto.
Foreign Exchange Regulation Act, 1973, provide to consolidate and amend laws regulating certain payments, dealings in foreign exchange and securities, transactions indirectly affecting for foreign exchange and import and export currency, for the contravention of foreign exchange resources of the country and proper utilization thereof in the interest of economic development of the country. Section 14 of the Act, contains provisions regulating export and transfer of securities.

The Sick Industrial Companies (Special Provision) Act, 1985, make in public interest, special provision with a view to securing the timely detection of sick and potentially sick companies owning industrial undertakings, the speedy determination by board of experts of preventive, ameliorator, remedial and other measures which need to be taken with respect to such companies and the expeditious enforcement of the measures so determined and for matters connected therewith or incidental thereto. The companies (Second Amendment) Act, 2002 incorporates provisions relating to revival and rehabilitation of Sick Industrial Companies in the Companies Act. Part VIA, consisting section 424A-424L have been inserted in the Companies Act which allows for reference to the Tribunal by a Sick Industrial undertaking for its revival or rehabilitation as per the scheme submitted by it to the Tribunal.

The Competition Act, 2002 contains the provisions for the establishment of a commission to prevent practices having adverse effect on competition, to promote and sustain competition in markets, to protect the interest of consumers and to ensure freedom of trade carried on by any other participants in markets, in India, and for matter connected therewith of incidental thereto. The Act, primarily, deals with regulation of combinations in order to prevent anti-competitive practices or the abuse of dominant position of an enterprise which affects free competition. It contains a prohibition against a combination, which causes or is likely to cause an appreciable adverse affect on competition and also has provisions requiring pro-notification of combinations formed through acquisition, merger or amalgamation. Thus, all these provisions are termed as ‘legal aspects of merger and acquisition’.
Besides these legal aspects, economic aspects, valuation aspects, taxation aspects, stamp duty aspects, human aspects are considered essentials for the merger and acquisition processes. In economic aspects, shareholder wealth, synergy, market share, core competence, diversification, increased market debt capacity, customer pull are the key economic consideration in the merger and acquisition processes.

In valuation aspects of merger and acquisition, valuation is the central focus in the fundamental analysis, wherein the underlying theme is that the true value of the company can be related to its financial characteristic, viz. its growth prospects, risk profile and cash flows. In a business valuation exercise, the worth of an enterprise, which is a subject to merger or acquisition, is assessed for quantification of the purchase consideration or the transaction price. Generally the value of the target from the bidder’s point of view is the pre-bid standalone value of the target. On the other hand, the target companies may be unduly optimistic in estimating value, especially in case of hostile takeovers, as their objective is to convince the shareholders that the offer price is too low. Since valuation of the target depends on expectations of the timing of realization as well as the magnitude of anticipated benefits, the bidder is exposed to valuation risk. The degree of risk depends upon whether the target is a private or public company, whether the bid is hostile or friendly and the due-diligence performed on the target.

In the taxation aspects of merger and acquisition, the provisions of income tax Act, 1961 governs to carry forward and set off of accumulated business loss and unabsorbed depreciation allowance in certain cases of amalgamation and de-merger. Further, in the aspects of stamp duty, stamp duty is payable on the value of immovable property transferred by the demerged/amalgamating/transferor company or value of shared issued/consideration paid by the resulting/amalgamated/transferee company. In addition to these aspects, the top executives involved in implementation of merger often overlook the human aspect of mergers by neglecting the culture shocks facing
the merger. Understanding different cultures and where and how to integrate them properly is vital to the success of merger and acquisition.

Besides these aspects, in merger and acquisition processes, strategy plays an integral role when it comes to merger and acquisition. A sound strategic decision and procedure is very important to ensure success and fulfil of the expected desires. Every company has different cultures and follows different strategies to define their merger. Some take experience from the past associations, some take lessons from the associations of their known businesses, and some hear their own voice and move ahead without wise evaluation and examination.

In the strategies of merger and acquisition processes, firstly the foremost thing is to determine business plan drivers. It is very important to convert business strategies to set of drivers or a source of motivation to help the merger succeed in all possible ways. There should be a strong understanding of the intended business market, market share, and the technological requirement and geographic location of the business. The company should also understand and evaluate all the risks involved and the relative impact on the business. Then there is an important need to assess the market by deciding the growth factors through future market opportunities, recent trends, and customer’s feedback. The integration process should be taken in line with the consent of management from both the companies venturing into the merger. Restructuring plans and future parameters should be decided with exchange of information and knowledge from both ends. This involves considering the work culture, employee selection, and the working environment as well. At the end, ensure that all those involved in the merger including management of the merger companies, stakeholders, board members, and investors agree on the defined strategies. Once approved, the merger can be taken forward to finalizing a deal.

Besides, this strategies planning, there should be a clear motive for concluding the merger and acquisition deal. Mostly, economies of scale, increased revenue/increased market share, cross selling, corporate synergy, taxes, geographical diversification, resource transfer and improved market
reach and industry visibility, etc. are considered as the basic motives for every merger and acquisition process.

The economies of scale refer to a method in which the average cost per unit is decreased through increased production, since fixed costs are shared over an increased number of goods. This is possible only when the companies’ merge or acquired, as the same can often obliterate duplicate departments or operations, thereby lowering the cost of the company relative to theoretically the same revenue stream, thus increased profit. It also provides varied pool of resources of both the combining companies along with a larger share in the market, wherein the resources can be exercised.

Increased market share assumes that the company will be absorbing the major competitor and thus increase its power by capturing increased market share to set prices. The importance of motive cross-selling can be finding out by the example that a bank buying a stock broker could then sell its banking products to the stock brokers’ customers, while the broker can sign up the bank’s customers for brokerage account. Or, a manufacturer can acquire and sell complimentary products.

Corporate synergy is a better use of complimentary resources. It may take the form of revenue enhancement to generate more revenue than its two predecessor standalone companies would be able to generate and cost savings to reduce or eliminate expenses associated with running a business. In the motive of taxes, a profitable can buy a loss maker to use the target’s tax right i.e. wherein a sick company is bought by giants.

The motive ‘geographical or other diversification’ is designed to smooth the earning results of a company, which over the long term smoothness the stock price of the company giving conservative investors more confidence in investing in the company. However, this does not always deliver value to shareholders. In the motive of resource transfer, resources are unevenly distributed across companies and interaction of target and acquiring company resources can create value through either overcoming information asymmetry or by combining scare resources. In improved market reach and industry
visibility, companies buy companies to reach new markets and grow revenues and earnings. A merger may expand two companies’ marketing and distribution, giving them new sales opportunities.

With the effect of these merger and acquisition motives and strategic approaches, merger and acquisition has become prominent process in the corporate world. The key factor contributing to the explosion of this innovative form of merger/acquisition/restructuring is the massive number of advantages, which are offers to the business world. The very first advantage of merger and acquisition in synergy that offers a surplus power that enables enhanced performance and cost efficiency. When two or more companies get together and are supported by each other, the resulting business is sure to gain tremendous profit in terms of financial gains and work performance. Cost efficiency is another beneficial aspect of merger and acquisition. This is because any kind of merger actually improves the purchasing power as there is more negotiation with bulk orders.

Apart from that staff reduction also helps a great deal in cutting cost and increasing profit margins of the company. Apart from this, increase in volume of production results in reduced cost of production per unit that eventually leads to raised economies of scale. With a merger it is easy to maintain the competitive edge because there are many issues and strategies that can be well understood and acquired by combining the resources and talents of two or more companies. A combination of two companies or two businesses certainly enhances and strengthens the business network by improving market reach. This offers new sales opportunities and new areas to explore the possibility of their business. With all these benefits, a merger and acquisition deal increases the market power of the company which in turn limits the severity of the tough market competitor.

Finally, it can be concluded that in order to sustain in the business world it is essential to run a business efficiently with the ground work because it is essential for the success of merger and acquisition of companies. Besides this
ground work, single window system and low technical system should be made for the success of merge and acquisition of the companies.

**SUGGESTIONS:**

Merger and acquisition process is the most challenging and most critical one when it comes to corporate restructuring. One wrong decision or one wrong move can actually reverse the effects in an unimaginable manner. It should certainly be followed in a way that a company can gain maximum benefits with the deal. The following given aspects should be considered to ensure if a proposed company is right or not for a successful merger and acquisition process.

1. **Business valuation or assessment:** Business valuation or assessment is the first and essential aspect for the success of merger and acquisition. It is a process of determining the economic value of a business or company. It can be used to determine the fair value of a business. The common approaches to business valuation include review of financial statements, discounting cash flow models, and similar company comparisons. This process also includes examination and evaluation of both the present and future market value of the target company. So a throughout research is to be done on the history of the company with regards to capital gains, organisational structure, market share, distribution channel, corporate culture, specific business strengths, and credibility in the market.

2. **Proposal Phase, Planning with internal communication and Innovative strategy:** Proposal phase is an essential aspect of merger and acquisition of companies. It is a phase in which the company sends a proposal for a merger or an acquisition with the complete details of the deal including the strategies, amount and the commitments. So proposal phase is to be sent in a proper, legally, and due diligence manner. Besides this proposal phase, Planning is very essential when a company decides to merge or sell its operations. Merger and acquisition planning must take care of internal communication aspects very carefully.
Further, when a company decides for merger or acquisition, then after the process of merger decision and planning exit, the company has to take initiatives for marketing and create innovative strategies to enhance business and its credibility.

3. **Evaluation of financial issues, Object Clause, Strategic goals & Integration** : After the process of planning exit, evaluation of all financial and other business issues like taking a decision of full sale or partial sale along with evaluation of various options of reinvestments, should be taken into account by the management of the company. In addition, the object clause of the transferor and transferee companies to be checked with regard to the power of merger and acquisition. In addition, in case of the transferee company there must be power to carry on the business of Transferor Company’s. If either of these clause do not exist steps must be initiated for amendment of the object clause. For the better result of merger and acquisition of companies, the strategic goals of the companies should be clear. For the achievement of these strategic goals, there should be clearly defined and determined approach of integration. And the integration should be related with the due diligence analyses in the financial and human capital related areas.

4. **Special Tribunal under Companies Act, 1956 and Amendment in the Competition Act, 2002**: The present companies Act, 1956 provides the provision regarding merger and acquisition. According to the provisions of this Act, high court approval is required for the merger and acquisition. But that cannot be held as a proper way, because judges of the high court are not too technically expert in the field of companies’ merger and acquisition process. So to reduce this lacuna, there should be a special Tribunal for the approval of merger and acquisition. In addition to the establishment of special Tribunal, further there is a need of amendment in the competition Act, 2002. As in the Competition Act, 2002, it appears that conglomerate mergers, which are relevant only in the context of concentration of economic power, have been occurred.
This aspect was covered under section 23 of Monopolies and Restrictive Trade Practice Act, 1969 which was deleted by the government in 1991 to speed up productivity and industrial growth. If this Act seeks to cover two or more domestic companies involved in acquisition, it will tantamount to taking away of freedom allowed by Parliament in 1991. If it seeks to cover merger of domestic enterprises by multinationals, the Competition Act does not seem to be the proper place for providing the required regulatory framework. There is, therefore, need for a separate enactment to deal with such concerns.

5. Establishment of Special Integrated Cell: Like the establishment of Tribunal, there is need to establish a special integrated cell, which in addition to the aspects of company law, also view culture aspect, human aspect, taxation aspect and economic aspects, etc. and the approval should be given at the single window for the scheme of merger and acquisition. That scheme may be successful as it is less time consuming and less technical for the companies going for the merger and acquisition.

6. Human, Labour and Workmen Aspects: In the whole process of merger and acquisition, the management of the companies only considers the economic, taxation and legal aspect. But due to the corporate social responsibility, it is clear that there is a need to understand about the human, labour and workmen Aspects for the success of merger and acquisition. But in merger and acquisition process, this aspect always left by the concerned management. So this aspect should be touched at the times, when other aspects are considering. In addition to this, the constitution of India, Article 43A also gives direction to the state that the adequate representation should be given to the labourer and workmen, in the management of the company.

7. Rights of Minority Shareholders, Management due diligence and Creditors meeting: In case of merger and acquisition, the rights of
minority shareholders, who dissenting from the policy of merger and acquisition, should be protected and adequate representation should be given to them. Besides these rights, there is a need that the management should be given proper practical training that they could use their ability at the time of merger and acquisition. Finally, Power should be given to the Company Law Tribunal to call the meeting of creditors or class of creditors or the members or the class of member as the case may be, for the approval and getting the opinion for the purpose of merger and acquisition.

8. **Formulation of Sociological Approaches:** All laws ultimately based on the public opinion and suggestions. Laws and society are related to each other. Nothing can explain without any of them. Society has no effect, value or importance without law. Likewise, law also needs to be changed according to changes of the society faces, because without the necessary changes law can not keep pace with the society. So there is a need of harmonious relationship between the law and society. According to this jurisprudential approach, it is clear that as business approaches or pattern of business are changing, there is need of consequently change in the business laws. As our main concern is with regard to the merger and acquisition, there is a need to insert the recommendations of J. J. Irani (annexed as A-1) in the existing company law, because such amendments make the existing company law more valuable and effective especially in the matter of companies’ merger and acquisition process. On the basis of J. J. Irani report Company law Bill, 2011 was drafted which annexed herewith as (A-2). So there is a great need to make this Company Bill, 2011 in the form of Company Act, 2012. As in India, all the legislative processes are very wide. The legislative process goes into three stages through which a bill has to pass in one house of the parliament. The procedure is similar for the State Assemblies. In the first reading also called introduction stage any member or member-in-charge of the bill seeks the leave of the house to introduce a bill. If the
bill is an important one, the minister may make a brief speech, stating its main features. After the bill has been introduced, the first reading is deemed to be over. Therefore, in the first stage, only the principles and provisions of the bills are discussed. The second reading also called discussion stage concerns the consideration of the bill and its provisions and is further divide into three stages. At first stage, on a date fixed for taking up consideration of the bill, there takes place a general discussion when only the principles are taken up for discussion. At this stage, three options are open to the house. The bill may be straightway taken into consideration or it may be referred to any of the standing committee or it may be circulated for the purpose of eliciting general opinion thereon. After this first stage, second stage consists of a clause-by-clause consideration of the bill as reported by the committee. When all the clauses have been put to vote and disposed of, the second reading of the bill is over. Finally, at third stage, Changes or amendments to the bill can be made only in this stage. Amendments become a part of a bill if they are accepted by a majority of the members present and voting. Lastly, on third reading also called voting stage confined only to arguments either in support of the bill or for its rejection, without referring to its details. After the bill is passed, it is sent to the other house. After a bill, other than a money bill, is transmitted to the Rajya Sabha, it goes through all the stages in that house as that in the first house. But if the bill passed by one house is amended by the other house, it goes back to the originating house. If the originating house does not agree with the amendments, it shall be that the two houses have disagreed. In case of a deadlock between the two houses or in a case where more than six months lapse in the other house, the President may summon a joint session of the two houses which is presided over by the Speaker of Lok Sabha and the deadlock is resolved by simple majority. Further, when a bill has been passed, it is sent to the President for his/her approval. The President can assent or withhold his/her assent to a
bill or he/she can return a bill, other than a money bill which is recommended by president himself to the houses, with his/her recommendations. If the President gives his/her assent, the bill becomes an Act from the date of his/her assent. If he/she withholds his assent, the bill is dropped, which is known as pocket veto. In order to meet the immediate need of the business market, the legislatures should take cognizance of the mergers and acquisitions need and should come forward for the enactment of revised Company Act, 2012.

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