

A case study on the major acquisitions on different sectors

¹ Dr. Mrs. Lakshmi .G, ² Akshayaa .B .R, ³ Jothipriya .P, ⁴ Kanishgaa .I

¹ Assistant Professor, ²Student, ³Student, ⁴Student

¹ B. Com (PA),

¹ PSGR Krishnammal College for Women, Coimbatore, India.

Abstract: Observation of major acquisitions on different sectors have been studied in this paper. The time period of the cases chosen is five years (2013 – 2018). The purpose of this paper is to study the concept of acquisition in detail with the help of the cases given below: 1) Microsoft versus Nokia, 2) Zomato versus Urban spoon, 3) Ranbaxy versus Sun pharmaceuticals. The areas covered in this study are the purchase consideration, position of the companies before and after acquisition, the achievements of the company after acquisition, ownership structure, risks faced by the companies, etc., for any kind of external restructuring market plays a very important role. Any company acquires other companies to develop their company and to have a financial growth. Every acquisition cannot be a successful one. There are cultural clashes which makes the acquisition a failure. Acquisitions aim at expanding their business in many areas. Acquisitions have both advantages and disadvantages, and it is studied in the paper.

Index Terms - Acquisition, Zomato, Urbanspoon, purchase consideration, case study.

I INTRODUCTION

An acquisition is a situation whereby one company purchases most or all of another company's shares in order to take control. An acquisition occurs when a buying company obtain more than 50% ownership in a target company. As part of the exchange, the acquiring company often purchases the target company's stock and other assets, which allows the acquiring company to make decisions regarding the newly acquired assets without the approval of the target company's shareholders. When a target company is acquired by another company, the target company ceases to exist in a legal sense and becomes part of the purchasing company.

Acquisitions often become a part of a company's growth strategy when it is more beneficial to acquire an existing firm's operations than it is to expand its own. Sometimes expanding compromises efficiency. Whether because the company is becoming too bureaucratic or it runs into physical or logistical resource constraints, eventually its marginal productivity peaks. To find higher growth and new profits, the large firm may look for promising young companies to acquire and incorporate into its revenue stream. When an industry attracts too many competitor firms or when the supply from existing firm's ramps up too much, companies may look to acquisitions to reduce excess capacity, eliminate the competition or focus on the most productive providers. If a new technology emerges that could increase productivity, a company may decide that it is more cost-efficient to purchase a company that has successfully implemented the technology rather than spending on internal research and development, which can often be too costly and time-consuming.

TYPES OF ACQUISITION

There are two types of acquisitions,

Single business acquisition and split and sell

Generally a single acquisition is one company buying the assets and operations of another company and absorbing what is needed while simply discarding duplicated or unnecessary pieces of the acquired business. "Split and sell" acquisitions involve buying an entire business in order to gain one or two pieces of the business. The acquiring business may wish to retain the customer list and a product line, while moving manufacturing and other production related duties to an existing line. In this case the excess is often sold off to recapture some of the acquisition cost.

Affiliate acquisitions

Businesses that use affiliates to sell and market their products may find themselves in the position of losing control of the marketing portion. This presents a danger as the entire business cycle is dependent on the sales cycle, which is now external to the business. In this scenario the acquiring business may be forced into paying a premium to the affiliate, to regain control of the process without upsetting the current customers and cash flow. In rare instances the affiliate will gain so much influence that it can purchase the parent company. **BUSINESS CAN BE ACQUIRED IN TWO WAYS**

Friendly and hostile acquisitions

Acquisitions can be either friendly or hostile. Friendly acquisitions often work towards a mutual benefit for both the acquiring and target companies. The companies develop strategies to ensure that the acquiring company purchases the appropriate assets including the review of financial statements and other valuations and that the purchase accounts for any obligations that may come with the assets. Once both parties agree to the terms and meet any legal stipulations, the purchase proceeds.

Unfriendly acquisitions, commonly referred to as hostile takeovers, occur when the target company does not consent to the acquisition. In this case, the acquiring company must gather a majority stake to force acquisition. To acquire the necessary stake, the acquiring company can produce a tender offer designed to encourage the stake holders to sell their holdings in exchange for an above market value price. A 30-day acquisition must be filled with the Securities and Exchange Commission with a copy directed to the target company's board of directors.

OBJECTIVES

- To gain knowledge about acquisitions.
- To find out the new products or services brought in out of acquisition.
- To know about major acquisition in the last 6 years.

II REVIEW OF LITERATURE

Ms. Astha Dewan (2007)¹ focussed on the post-merger financial performance of the acquirer companies in India and performance of firms going through mergers in Indian industry. The results of the analysis reveal that there is significant difference between the financial performance of the companies before and after the merger. Further, it has been found that the type of industry does seem to make a difference to the post-merger operating performance of acquiring firms.

Mital Menapara (2006)² evaluated the impact of mergers and acquisitions on financial Performance of Indian Corporate Sectors and examined the impact of merger and acquisitions on Return on Investment, Profitability and Liquidity position of selected companies. The authors concluded that emerging from the point of view financial evaluation is that the merging Companies were taken over by companies with reputed and good management. And therefore, it was possible for the merged firms to turnaround successfully in due course.

III CASES STUDIED

- Microsoft versus Nokia - Acquisition
- Zomato versus urban spoon- Acquisition
- Ranbaxy versus Sun pharmaceuticals – Acquisition

IV CASE STUDY**Microsoft vs. Nokia**

Nature: Acquisition.

Profile of Microsoft:

Microsoft Corporation, incorporated on September 22, 1993, is a technology company. The Company develops, licenses, and supports a range of software products, services and devices. Its Office Commercial is designed to manage personal, team, and organizational productivity through a range of products and services. The Company's Productivity and Business Processes segment consists of products and services in its portfolio of productivity, communication, and information services, spanning a variety of devices and platforms. This segment primarily comprises Office Commercial, including volume licensing and subscriptions to Office 365 commercial for products and services, such as Office, Exchange, SharePoint, and Skype for Business and related Client Access Licenses (CALs).

Profile of Nokia:

Nokia Corporation is a Finnish multinational telecommunications, information technology, and consumer electronics company, founded in 1865. In 2017, Nokia employed approximately 102,000 people across over 100 countries, did business in more than 130 countries. Nokia is a public limited company. It is a telecommunication equipment networking industry. The company has had various industries in over 150 years.

Year of acquisition: September, 2013.

Purchase consideration: ₹4, 40,82,86,45,572.8 (Indian Rupees)

Position of Microsoft before acquisition:

Before acquiring Nokia, which was a telecommunication industry Microsoft was dealing with software developments. It also develops, manufactures, licenses, supports and sells computer software, consumer electronics, personal computers, and related services. Its best known software products are the Microsoft Windows line of operating systems, the Microsoft Office suite, and the Internet Explorer and Edge web browsers. Its flagship hardware products are the Xbox video game consoles and the Microsoft Surface line up of touchscreen personal computers.

Position of Nokia before acquisition:

While Nokia's resultant Lumia range had the largest market share out of all windows phone vendors, Nokia's overall market share was falling rapidly due to competition from other major vendors, resulting in a very low financial position. It had announced that it would cut more than 3500 jobs worldwide after having cut as many as 7000 in the previous year. Nokia's CEO had admitted the company's inability to foresee rapid changes in the mobile phone industry. This was one of the major problems. Prior to their acquisition, Microsoft's involvement in the cell phone industry was limited to software. Windows 8, Microsoft's operating system, had been featured on various mobile phones including Nokia's Lumia device.

Operations after acquisition:

Microsoft has taken over Nokia's Devices and Services business, which includes both Smart Devices and Mobile Devices. In other words: The Lumia, Asha and X series are now all under Microsoft's control. Design teams, supply chain, accessories, employees, developer relations and most of Nokia's manufacturing plants and testing facilities are also on Microsoft's side, as are most of the company's services like MixRadio, Store and more. A true Microsoft phone probably wasn't seen for at least 10 months, since it usually takes a long time to push a device through the development process. Stephen Elop, who served as Nokia's president and CEO, is now executive VP of Microsoft's Devices Group and will report directly to CEO Satya Nadella. In this role, he oversees the company's entire hardware line up: phones, tablets, Surface, Xbox, Perceptive Pixel products (PPI) and even accessories. It was his strategy to turn Microsoft into a devices and services company. Nokia's deal is the biggest deal in Microsoft's history. Around 25,000 Nokia employees are to be transferred over to Microsoft additionally. By bringing Nokia into the fold, Microsoft can now work on both firmware and hardware from day one, theoretically making the process of developing, manufacturing and distributing a new phone or tablet much more efficient. Additionally, Microsoft claims that with a greater understanding of how hardware and software work together, it will be able to apply that knowledge to its relationships with existing partners, developers and

operators. This was a huge risk for Microsoft as it was entering into an entirely new field of making its own hardware. Nokia's phones came out with Microsoft's operating system.

Reason for acquisition:

One of the main reasons for Microsoft acquiring Nokia was to unify hardware and software. Microsoft was always involved only in software so another reason for the acquisition was to increase the interest of Microsoft in cell phone industry and serve worldwide. By using Microsoft's operating system Nokia will be able to cope up with the competition in telecommunication industry and also to manage its company financially.

Zomato vs. Urbanspoon

Nature: Acquisition

Profile of Zomato

Zomato is a restaurant search and discovery app and website, providing in-depth information for over 1.4 million restaurants across 23 countries. Zomato is used by consumers globally to discover, rate and review restaurants, as well as create their own personal network of foodies for trusted recommendations. The restaurant search and discovery platform began its operations under the name, Foodiebay. In November 2010, the brand was renamed as Zomato.

In addition to restaurant search and discovery, Zomato has expanded its offering to include Online Ordering, Table Reservations, a Whitelabel Platform and a Point-of-Sale system, creating cutting-edge technology to connect restaurant businesses and customers in ways that will revolutionise the restaurant industry. As a start up after several years of funding Zomato has acquired nearly 13 companies.

Profile of Urbanspoon

Urbanspoon, now a part of Zomato, is a restaurant information and recommendation service that operates in Australia, Canada, New Zealand, Ireland, the United Kingdom and the United States. It developed a popular software application for mobile operating systems such as ios (iPhone, iPod Touch), Android and Windows Phone. Urbanspoon was a restaurant information and recommendation service founded in 2006 by former Jobster employees that offered its services in North America and parts of English-speaking Australasia and Europe.

Urbanspoon offers the ability to filter restaurant searches by neighbourhood, type of food, special features (gluten-free friendly, kid friendly, etc.), price, and locations nearby (movie theatres, sports venues, etc.).

Year of Acquisition: January 2015.

Purchase Consideration: ₹ 3 739 314 390 (\$52.5 million).

Position of Zomato before acquisition

Zomato is an Indian restaurant search and discovery service provider which started providing its services in 2011 in few cities of India. In September 2012, Zomato expanded overseas to the United Arab Emirates, Sri Lanka, Qatar, the United Kingdom, the Philippines, and South Africa. In 2013, the company launched in New Zealand, Turkey, Brazil and Indonesia with its website and apps available in Turkish, Brazilian Portuguese, Indonesian and English. In April 2014, Zomato launched its services in Portugal, followed by launches in Canada, Lebanon and Ireland the same year. Zomato had an average visits of 35 million plus per month. It served only 150 cities. It had only 300000 partner restaurants. It had only 400000 reviewers. It had only 4.8 million ratings and 5 million app downloads.

Zomato has acquired 12 start-ups globally. In July 2014, Zomato made its first acquisition by buying Menu-mania for an undisclosed sum. The company pursued other acquisitions such as lunchtime.cz and obedovat.sk for a combined US\$3.25 million. In September 2014, Zomato acquired Poland-based restaurant search service Gastronauci for an undisclosed sum. Three months later, it acquired Italian restaurant search service Cibando.

Position of Urbanspoon before acquisition

Urbanspoon was a restaurant information and recommendation service founded in 2006 by former Jobster employees that offered its services in North America and parts of English-speaking Australasia and Europe.

It was a restaurant information and recommendation service that operated in the United States, Canada, Australia, and New Zealand, and in the United Kingdom and Ireland. It offered services via its website and standard apps for mobile operating systems. In its evolution from an initial and popular iPhone application, Urbanspoon adapted its appearance and capabilities, including to the Android market. In these and other efforts to develop the product, the results were apps that were aware and competitive with alternative businesses Yelp and Where.

Operations after acquisition

On June 1, 2015 Zomato discontinued the Urbanspoon website, redirecting Urbanspoon traffic to Zomato website servers; at the same time, a new Zomato logo incorporated the earlier logo of Urbanspoon.

Symbol of Urbanspoon after acquisition



After acquisition, it puts the company in direct competition with Foursquare, yelp Inc. and other similar service providers in the industry. The deal also establishes Zomato's presence in Australia and Canada and enhances its position in the UK and New Zealand, countries where Urbanspoon had a presence. Zomato plans to invest 50 million dollars in U.S to stay in the game and expects to overtake yelp within 12 months.

The visits per month rapidly went to 80 million plus per month. Zomato was made available in more than 500 plus cities. Its restaurant coverage increased to one million, reviewers to 1.4 million, ratings to 43 million and downloads to 31 million.

Reason for Acquisition

As a growing concern, Zomato started extending its services in many countries by acquiring small scale and medium scale businesses of their industry in different countries. Before this acquisition, Zomato already acquired five other companies of different countries. The main reason for these acquisitions is to expand the business in more than 50 countries.

This acquisition is the major and the biggest acquisition Zomato has done and this has great impacts in the future. With that insight Zomato has taken this step in order to enter U.S, Canada and Australia to leverage local insights, experience and to expand their business in seeing the future goal and objective. Zomato's long term vision is to expand themselves across the globe as a leading service provider. In this case when this opportunity raised, Zomato didn't fail to seize it.

Sun Pharmaceutical vs. Ranbaxy

Nature: Acquisition.

Profile of sun Pharmaceutical

Sun Pharmaceuticals was established by Mr. Dilip Shanghvi in 1983 in Vapi, Gujarat with five products to treat psychiatry ailments. Cardiology products were introduced in 1987 followed by gastroenterology products in 1989. Today, it is the largest chronic prescription company in India and a market leader in psychiatry, neurology, cardiology, orthopaedics, ophthalmology, gastroenterology and nephrology.

Profile of Ranbaxy

It was an Indian pharmaceutical company that was incorporated in India in 1961. The company went public in 1973 and Japanese pharmaceutical company Daiichi Sankyo acquired a controlling share in 2008.

Year of acquisition: April, 2014.

Purchase consideration: US \$4 billion (₹ 2, 84,82,00,00,000.00 Indian Rupees)

Position of sun Pharmaceutical before acquisition

Sun Pharma has complemented growth with select acquisitions over the last two decades. In 1996, Sun purchased a bulk drug manufacturing plant at Ahmednagar from Knoll Pharmaceuticals and MJ Pharma's dosage plant at Halol that are both U.S. FDA approved today. In 1997, Sun acquired Tamil Nadu Dadha Pharmaceuticals Limited (TDPL) based in Chennai, mainly for their extensive gynaecology and oncology brands. Also in 1997, Sun Pharma initiated their first foray into the lucrative US market with the acquisition of Caraco Pharmaceuticals, based in Detroit.

Position of Ranbaxy before acquisition

Ranbaxy has had ground operations in 43 countries and 21 manufacturing facilities located in 8 countries, and its impressive portfolio of products was sold in over 150 countries. Although the company met its sales target for the latest financial year, it has been incurring a net loss and suffering a decline in net worth since 2011, which can be attributed to a few key circumstances. These include the settlement amount of US\$ 515 million paid to the US Department of Justice in May 2013 after civil and criminal charges were brought against it for misrepresentation of data and irregularities found in two of its facilities in India, diminution in the value of its investments and a loss on foreign currencies data derivatives. Thus, the acquisition of the company by Sun Pharma comes at a crucial time when Ranbaxy is struggling to improve its financial position.

Operations after acquisition

While Sun Pharma is a major global specialty pharma company with expertise in complex and niche therapy areas and a proven record of turning around its acquisitions, Ranbaxy has a strong global footprint and presence in the generic segment. The combined entity's manufacturing footprint covers five continents, with products sold in over 150 countries. Sun Pharma estimates \$250 million of synergies accruing from the merger in three years. The combined entity will have operations in 65 countries, 47 manufacturing facilities across 5 continents and a significant platform of specialty and generic products marketed globally, including 629 ANDAs. After the acquisition the new entity will be the fifth largest specialty-generic pharma company. This acquisition will make Sun Pharmaceutical the largest pharma company in India with proforma revenues US \$ 1.1 billion for the year 2013. Ranbaxy's shares, patents, trademarks and laboratories were fully taken over by sun pharma so eventually Ranbaxy's products were produced under the name of sun pharma.



Reasons for acquisition

One of the strongest reasons for sun Pharmaceutical to acquire Ranbaxy was because Ranbaxy was also a leading pharmaceutical company but the company started incurring net losses at a certain period. At that crucial time sun Pharmaceutical helped Ranbaxy to improve the company financially. By acquiring Ranbaxy, sun Pharmaceutical also expanded its expertise and efficiency both functionally and geographically.

V FINDINGS

Microsoft vs. Nokia

- This acquisition was a great risk for Microsoft as it was entering a totally different and a new field.
- The biggest acquisition.
- By using Microsoft's operating system, in Nokia's cell phones, Nokia was able to cope up with the telecommunication industry.
- Microsoft unified software with hardware.

Zomato vs. Urbanspoon

- Zomato acquired urban spoon to expand its service in other countries. Before acquiring urban spoon, it had acquired many other small companies for the same reason, and it is working towards it.
- Acquisition of urban spoon was the biggest acquisition in Zomato's history.
- The restaurant coverage increased to one million.
- Visits on the app and website increased more than eighty million per month.

Sun Pharmaceutical vs. Ranbaxy

- The acquisition made Sun Pharmaceutical the fifth largest specialty-generic pharma company.
- Ranbaxy's shares, trademark, patents and trademarks were fully taken over by Sun Pharmaceutical and its products were produced under the name of Sun Pharmaceutical.
- By acquiring Ranbaxy, Sun Pharmaceutical expanded its expertise and efficiency both functionally and geographically.
- The combined entity will have operations in 65 countries, 47 manufacturing facilities across five continents.

VI CONCLUSION

From the above studied cases, we can say that most companies feel the best way to expand their market is through acquisition. Acquisitions come in many shapes and sizes, so the investors need to consider the complex issues involved in it. It is clear that acquisition always involves one company purchasing another.

There are always two sides of the same coin. In the case of acquisition, the main disadvantage is that the culture and values of the other company might clash with the existing company, there are chances for employees to duplicate their work, the objectives of both companies might be conflicting, like in the case of merger even in acquisition the choice of products for consumers is reduced, etc., On the other hand, the advantages of acquisition is that it's the most time efficient growth strategy, they catch hold of the market power, the company gets many new resources, increase of production by reducing production costs, fresh ideas and perspectives, access to capital and more knowledge, etc.,

VII BIBLIOGRAPHY

- 1) Astha Dewan (2007) - Effect of Mergers and Acquisitions on Operating Performance: A Study of Acquiring Firms in India
- 2) Mital Menpara A Study On Financial Performance Of Selected Companies During Pre-Post Merger And Acquisition- Abhinav- Volume No.1, Issue No.11 ISSN 2277-1166,pg no 192-198
- 3) <https://www.crunchbase.com/organization/zomato>
- 4) <https://www.crunchbase.com/organization/urbanspoon>
- 5) https://en.wikipedia.org/wiki/Sun_Pharmaceutical
- 6) https://en.wikipedia.org/wiki/Ranbaxy_Laboratories
- 7) <https://www.crunchbase.com/organization/nokia>
- 8) <https://en.wikipedia.org/wiki/Microsoft>