Mergers & Acquisitions: Analysis of Indian Markets

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ABSTRACT: In today's world of corporate sector, the procedure related to the merger and acquisition has achieved a substantial and great amount of value or importance. Such types of corporate actions and policies laid down under the same, basically deals with the restructuring or reshaping of an organisation or a company, helping them to achieve great heights globally through expanding and growing in the sector of business, profession or occupation. Initially, the paper discusses the terms "mergers & acquisitions" and states the difference between the two terms. "Mergers" is the amalgamation of two different companies having similar or identical goods or services, which finally results in the formation of one new single company. On the other hand, "Acquisitions" is the taking over the control of a company by altogether a different company, creating more value to it, by giving a new identity. The paper concludes while recommending some suggestions and feedbacks required, for improving the current laws or procedures of such corporate actions for better reach and performance in the business sector.

KEYWORDS: Acquisitions, Companies, Expansion, Mergers.

INTRODUCTION

The major aspects and key players in today's world of corporate finance, is Mergers and Acquisitions. Such sort of corporate actions has become a modern trend in today's era of corporate sector. The term 'Mergers' on one hand can be described as combination or amalgamation of two different companies having similar or identical goods or services, which finally results in the formation of one new single company. On the other hand, "Acquisitions" is the taking over the control of a company by altogether a different company, creating more value to it, by giving a new identity[1].

The root cause or the reason, mainly held responsible for the existence of such corporate actions, is the value or image attached to the whole process related to it. Major companies opt for "mergers and acquisitions", because of the expansion, maximisation and performance of the company to a larger extent, with respect to the wealth, market shares or stocks etc. But every expansion or maximisation comes with different challenges and risks, which are faced by various different companies, such as retaining employees, working culture and system of the company, communication process of the company etc. Such challenges or barriers creates a negative impact on the image of the company leading to the gap between its market growth[1].

Various economic and non-economic factors lead to the prevalence and spread or growth of the corporate actions such as, mergers and acquisitions in today's corporate world. Economic factors or motivations such as, gain or increase of efficiency rate; minimisation of risk altogether after the process of diversification or amalgamation and increase in the rate of gains acquired through short term financial investments etc. surely leads to the process of divergence and growth within the business sector[2].

On the other hand, various non-economic factors behind such corporate actions also results in the growth of the companies in the corporate world. Factors such as, goodwill or prestige of the company in the market; dominance or power of the company, surely creates an impact in-front of the different competitors in the market producing, manufacturing or dealing with the similar or identical goods or services[2].

Adoption of such corporate actions such as mergers and acquisitions, by various different companies is a great strategy or the mind-set of winning. As such actions surely provides positive end results, because it assists and helps an entity facing major downfall or going through various sort of difficulties, while creating its existence in the market, into joining his hands with already in existence company, having great dominance and power in the market, in order to safeguard its prevalence globally. The process of Mergers and Acquisitions, or in other terms referred to as M&A, includes delivering or transferring of Assets & Liabilities, by one company to other company, which is being done deliberately and willingly, without any compulsions or coercion[3].

Research Question

- What is the meaning and difference behind the term “mergers and acquisitions”?
- What are the merits and demerits of such corporate actions, and how does it impact the current corporate world?

DISCUSSION

Different economic and non-economic factors lead to the prevalence and spread or growth of the corporate actions such as, mergers and acquisitions in today’s corporate world. Economic factors or motivations such as, gain or increase of efficiency rate; minimisation of risk altogether after the process of diversification or amalgamation and increase in the rate of gains acquired through short term financial investments etc. surely leads to the process of divergence and growth within the business sector[4].

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1. *Policy Recommendation*

A country's economic development is driven not only by its financial system but also by a constitutional, legal, and democratic infrastructure. In the transition from a regulated to an open-economic system, both principles play a key role. Legal changes are the way to make social progress peacefully easier for policymakers. Likewise, the peacefully provoking social transformation is once again the sustainable growth of a single organisation. Likewise, sustainable foreign sector growth is very likely to rely only on prepared judiciary, so the government will pledge childhood too. Similarly, coordination of the judicial system of the delegated economy is important in the longer term, so that the government can grant privately owned rights to prospective investors. Taxation and deterrence are important revenue sources for a particular economy when they contribute to implementing various monetary strategies to promote economic development, but must comply with current laws so that fiscal and legal mechanisms can be fairly clear. In fact, strong and weak national or global government assistance maximization necessitates a cross-border cash-flow tax regime. We duties in a safe encourage the important reason that it is acceptable to have an extra-ter.

As a result, the legislature and policymakers must act quickly to reconstruct and clarify the words that have been left in different actions. In order to do this, a strong high-level regulatory committee, consisting again of RBI, SEBI, CCI and indeed the Registrateur des Entreprises as well as other functional areas, should in fact be formed. Emeritus law makers in advanced markets (e.g. United States, Canada and Germany) and some senior academics in the global, finance, planning and governance fields are often hired to enhance legislative conformity by helping the council. We also advise both legislators and the public.

While showing a strong role in financial market process globalisation which stimulates complete involvement in foreign assets in FDI trade balance, FDI inflows and outflows, and investment banks, India's rulemaking and efficient lending practises are positive policy processes. Overall, the reforms would create a favourable climate for financial growth while also improving social living standards. There might be more cooperation and control between relevant ministries and account managers while developing policy plans for a specific period of time. Importantly, 'general populace power and influence' should also not be frozen for personal gain.

2. *Suggestions for economic system*

In the second step, structural and economic changes should improve the economy and financial sector and plan for internationalisation a variety of local businesses. Primary reforms should therefore concentrate on foreign investment (both domestically and outside the country), private equity legislation, fusion finance investment banking, rural banking to improve household savings, Overseas agricultural and livestock investment for food security and so on. In particular, India may include these direct incentives for the attraction of technologically evolved MNCs to sophisticated R&D facilities to reduce tariffs, quantitative constraints, tax benefits and investment subsidies. Moreover, theoretical factor in the elimination (control) of the system of graft and corruption would be democratic leadership by the imposition of sanctions and rewards. All in all, the country's economic independence and global competition will be improved and other countries would definitely make investments in developing economies, including education, retail and other sectors that are dependent on products.

Furthermore, if RBI allows more investment banking activities, the banks might, on the one hand, boost deposits, on the other, increase investments in major macroeconomic and strategic projects (e.g., infrastructure development). Therefore, it is widely believed that bank fusions (horizontal and vertical) would meet these objectives if the current fusion guidelines were modified by the RBI, CCI and SEBI. SEBI and CCI propose that in subsequent revisions to financial, accounting and capital markets rules on the assessment and disclosure of transactions, regulatory process frameworks be included. Most importantly, if RBI provides a separate bench for CCI, SEBI and esteemed service ministry fusions both abroad and local could lead to sovereign revenue.

Because leadership depends on definable planning and not policymaking, developed countries should consider issues related to public administration, such as skill development. In general, banking and financial service commodities must enter every part of the internet in order to encourage more savings and investments, allowing a country to thrive on its own financial foundation rather than relying on foreign debt. Subsequently, the community will see a gradual expansion of capital markets, which will benefit both internal and external companies.

3. *Prospects for business and society*

International mergers and acquisitions have been found to have an impact on the host country's human rights, especially for developing countries, for motives such as personal rights, prosperity, workers' rights, and women's economic rights. The amount and inward investment in a given time determines the degree of impact on human rights. In consequence, foreign firms are able to invest in sectors which have low financial performance, such as higher education, hospital equipment, rural emergency visits and agricultural equipment, with the aim of increasing the competitiveness of these industries. In the same way, in local businesses to overcome problems, In addition to saving existing employment, the government would also permit a certain percentage of the FDI by acquisition or partnering, which would boost the output of these factories and thus have an increased involvement in the economic performance of the country, to resolve the challenges in small industries and generate new jobs. To conclude, all companies and society must be supported by policy or legal guidelines in terms of easy industry, job creation and social welfare and thereby promote entrepreneurial activity in the given economy.

4. *IP Due Diligence in Mergers and Acquisition*

As intellectual property activities become more visible, speed and significant, legal and financial practitioners and IP owners alike have to be well aware of the measurement and evaluation of these properties and how they play a leading role in the industrial revolution.

An intellectual property commodity's comprehensive assessment has become an immensely critical aspect of any commercial transaction. Due diligence will be to decide who owns, who has the right to use and who can prevent someone from selling or merging intellectual property (IP) rights. The scope and concentration of the investigation is determined by the content of the deal and the rights currently gained.

"Due Diligence" will help develop plan, where in IP for valuation:

- The maximisation plans will be addressed where intellectual property assets became underplayed.
- Recovery can be considered if the trademark is maximised to the extent that it has lost its cachet in the marketplace.
- If the mark is generalised and becomes standardised, the mark should be taken into account from sliding to generic status.
- Many incidents, similar to how a fire can quickly ruin real estate, can undermine intellectual property assets. These unexpected IP incidents may include negative publicity or severe injury as a result of a product. The effect of goods and company-related incidents on assets is an important part of its extensive research and evaluation process, and patient information uncovered during careful research can be used by administration.
- Due diligence should point out that the contingent risk does not only result from intellectual property law but is significantly affecting the liability of products, contract law and other non-intellectual property areas. Hence, due diligence and evaluation of intellectual property should be linked to the overall due diligence, to ensure the proper conclusion of the asset presented.

5. *Guiding principle by SEBI*

The Indian Securities Exchange Council (SEBI) issued only takeover guidance. The instructions have notable characteristics:

- If the voting interest of an entity or a corporation is acquired at least 5 percent, Target Company and the stock exchange concerned shall be promptly informed.
- There is a maximum of ten percent of voting capital in purchasing shares of another corporation without offering any other shareholders.
- If the ownership of the purchasing corporation approaches 10% the other owners shall be given a public announcement to buy, at least, a twenty% of the stock.
- Where a bid is made to shareholders for the periods preceding a date of announcement, the minimum offer price shall not be less than the average weekly high and low closing rates. The offer should include the precise terms and conditions of the deal, the identity of the offeror, details of the current interests in the offers firm, etc., and all buyers should be given this information simultaneously and in the same way.

The primary purpose of the Company Laws and the SEBI takeovers guidance is to ensure that the fusion and takeovers are fully disclosed and to safeguard shareholders' interests in particular, small shareholders.

The reason for fusions and acquisitions in reality is that the two firms are more valuable, more profitable than independent businesses. The equity valuation is also higher than the number of both enterprises and the shareholder value is also higher than the sum of both companies. M&A remains a significant instrument for a company's development through unfavourable research and opposition from economists. Because of this, internal extension, no drain on working capital to make use of inventories trade, is not restricted by internal resources, is desirable and, above all, can strengthen the industry-increased market power of the company.

Acquisitions, and alliances in India are being more liberalised with FDI policies and are increasingly rising in cadence. They are no longer confined to a certain kind of market. The list of fusions that have been and are expected spans all industry sizes and varieties, with small businesses purchased by large firms being provided more outlets across the industry.

The fundamental explanation for the acquisitions is that companies combine into one company to make economies of size, to expand their portfolios, to develop strategic capabilities and to obtain comparative advantage. In basic terminology, combinations are used by firms as an effective method for increasing their activities and income, which depend on the kind of businesses that are combined in the facade.

Indian markets have seen an emerging trend of mergers, leading to the restructuring of businesses by major industrial houses, sector expansion by multinationals operating in India, increased competition against imports and procurement operations. It is also high time for companies and companies to watch and catch the Indian market.

CONCLUSION & IMPLICATION

Various non-economic factors behind such corporate actions results in the growth of the companies in the corporate world. Factors such as, goodwill or prestige of the company in the market; dominance or power of the company, surely creates an impact in-front of the different competitors in the market producing, manufacturing or dealing with the similar or identical goods or services. In today’s world of corporate sector, the procedure related to the merger and acquisition has achieved a substantial and great amount of value or importance. Such types of corporate actions and policies laid down under the same, basically deals with the restructuring or reshaping of an organisation or a company, helping them to achieve great heights globally through expanding and growing in the sector of business, profession or occupation.

Mergers and Acquisitions are significant aspects and main players in today's field of corporate finance. Such corporate activities seem to be a modern trend in the corporate sector today. Upon its one hand, the word "mergers" can be considered a component or amalgamation of two or more companies with roughly similar products or services, resulting in the creation of a single new entity. In the other hand, "acquisitions" refers to a business being taken over by a completely different organization, which then adds value to it by giving it a new name.

Adoption of corporate activities such as acquisitions by a variety of businesses is a solid strategy or winning mindset. As a result of such behavior, an organization facing significant downfall or going under various types of problems, while establishing its presence in the market, is aided and assisted in forming partnerships with an already existing corporation, which has great supremacy and power mostly in market, in order to secure its global presence.

The value or image associated with the whole process is the root cause or reason, which is primarily held responsible for the nature of such corporate activities. Because of the company's growth, maximisation, and success to a greater degree, in terms of wealth, market shares, or stocks, major companies choose "mergers and acquisitions." However, any expansion or maximisation comes with its own set of challenges and risks, which different businesses face, such as maintaining staff, the employees ’ working culture and system, the company's communication mechanism, and so on. Such obstacles or problems have a negative effect on the company's reputation, such obstacles or difficulties have a negative effect on the company's reputation, resulting in a market growth gap.

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