IJCSE International Journal of Computer Sciences and Engineering Open Access
Research Paper Vol.6, Special Issue.9, Nov 2018 E-ISSN: 2347-2693

Merger And Acquisition: An Exploratory Search on Survival and Diversification of Newly Built or Small scale Industries in Current Economy

M. H. Bohra[1*], I. Chhabra[2], T. Kapoor [3], D. Rathore[4]

[1]Dept. of Management, Aryabhatta College of Management, Rajasthan Technical University, Kota, India
[2] Dept. of Management, Aryabhatta College of Management, Rajasthan Technical University, Kota, India
[3]Dept. of Computer Science, MB Khalsa College, DAVV, Indore, India
[4] Dept. of Management, Aryabhatta College of Management, Rajasthan Technical University, Kota, India

[*]*Corresponding Author hussain8079089239@gmail.com, Tel.: 8079089239*

Available online at: www.ijcseonline.org

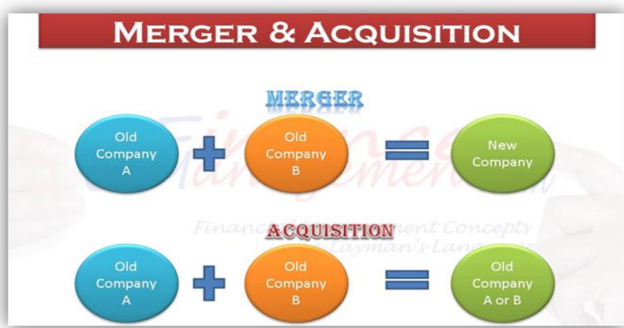
Abstract—Merger and Acquisition are a common strategy for growing a business. It defines as a consolidation of companies. A merger occurs when two companies combine to form one entity, while an acquisition results from one business taking over and absorbing another.

The purpose of this study is to analysis the impact of Merger and Acquisition on Small Scale Industries. Merger and Acquisition are common and in some cases necessary for a business to survive in the current economy. There are several purposes of mergers and acquisitions. But the general purpose of merger and acquisitions are to generate more profit for the newly built companies or small scale companies and also to diversify their operation geographically.

Keywords- This study is broadly based on secondary data

Implication: The merger and acquisition concept solute the problem, which today's business environment faces globally is – diversification their operations geographically or we can say globally, survival in current economy, generating profit in today's competitive market. These all problems are generally facing by newly built companies or small scale industries. So, after saw these problems the concept of merger and acquisition has become the need of today's business environment to reach at the final goal i.e... Profit generating in a competitive world and diversifying the operations globally.

I. Introduction



Merger and acquisitions (M&A) are transactions in which the ownership of companies, other business organizations, or their operating units are transferred or consolidated with other entities. Merger and acquisitions can allow enterprises to grow or downsize, and change the nature of their business or competitive position.

From a legal view, a merger is a legal consolidation of two entities into one entity, whereas an acquisition occurs when one entity takes ownership of another entity's stock, equity interest or assets. Both types of transactions generally result in the consolidation of asset and liabilities under one entity, and the distinction between a "merger" and an "acquisition" is less clear. A transaction legally structured as an acquisition may have effect of placing one party's business under the indirect ownership of other party's shareholders, while a transaction legally structured as a merger may give each

party's shareholders partial ownership and control of the combined enterprise. A deal may be called a merger of equals if both CEOs agree that joining together is in the best interest of both of their companies, while when the deal is unfriendly it may be regarded as an "acquisition".

In acquisition, the acquiring company obtains the majority stake in the acquired firm, which does not change its name or legal structure. An example of this transaction is Manulife Financial Corporation's 2004 acquisition of John Hancock Financial Services, where both companies preserved their names and organizational structures. Whereas in merger, the board of directors for two companies approve the combination and seek shareholders' approval. After the merger, the acquired company ceases to exist and becomes part of the acquiring company. For example, in 2007 a merger deal occurred between Digital Computers and Compaq whereby Compaq absorbed Digital Computers.

In acquisition, there are 3 types to takeover generally;
Friendly takeover:- This occurs when one business makes a bid to buy the other business, and the other business gladly accepts. The shareholders of the acquired company can receive cash, but more commonly they receive certain number of shares in the acquiring company.

Hostile takeover:- This is when one company moves to acquire a target company even if the target does not want to be bought out. This strategic can only be accomplished through public businesses, because essentially what happens is that the acquiring company buys a controlling amount of shares of stock in the target company.

Reverse takeover:- There are a few ways to conduct a reverse takeover. One way would be for smaller company buy out a bigger company. Another way would be for a private company to buy a public company. Whereas

In merger, there are 5 types:

Horizontal Merger:- When two or more concerns dealing in same product or services join together, it is known as a horizontal merger. The idea behind this type of merger is to avoid competition between the units. For example: merger of Tata Industrial Finance Ltd. with Tata Finance Ltd.,

Vertical Merger:- A vertical merger represents a merger of firms engaged at different stages of production or distribution of the same product or service. In this case two or more companies dealing in the same product but at different stages may to carry out the whole process itself. For example: merger of Reliance Petroleum Ltd. with Reliance Industries Ltd.

Conglomerate Merger:- When two concerns dealing in totally different activities join hands, it will be a case of conglomerate merger. The merging concerns are neither horizontally nor vertically related to each other. For example: a manufacturing company may merger with an insurance company.

Types of conglomerate merger:-

i. Product extension merger:- A product extension merger occurs when firms merge who sell non-competing products but use related marketing channels or production process.
ii. Market extension merger:- A market extension merger is the joining of two firms selling the same product but in separate geographic markets, and
iii. Pure merger:- There is the 'pure' category of conglomerate mergers between firms with no relationship between them.

Congeneric Merger:- It occurs where two merging firms are in the same general industry, but they no mutual buyer/customer or supplier relationship, such as a merger between a bank and a leasing company. For example: Prudential's acquisition of Bache & company.

Reverse Merger:- A unique type of merger called a reverse merger. In case of ordinary merger, a profit making company takes over another company which may or may not be making a profit. The goal is to diversify the business. Whereas in case of reverse merger, a healthy company merges into a financially weak company and the former company is dissolved.

Motives Behind Merger:

The Merger and Acquisition activities are primarily the result of following factors and strategies, which are classified under three heads:

- Strategic
- Financial
- Organization

Why Mergers & Acquisition Needed?

Mergers and acquisitions take place for many strategic business reasons, but the most common reasons for any business combination are economic at their core. Following are some of the various economic reasons:

Increasing capabilities: Increased capabilities may come from expanded research and development opportunities or more manufacturing operations. Similarly, companies may want to combine to leverage costly manufacturing operations (as was the hoped case in the acquisition of Volvo by ford).

Capability may not just be a particular department; the capability may come from acquiring a unique technology platform rather than trying to build it.
Biopharmaceutical companies are a hotbed for merger and acquisition activities due to the extreme investment necessary for successful R&D in the market. In 2011 alone, the four biggest mergers or acquisitions in the biopharmaceutical industry were valued at over US $75 billion.

Gaining a competitive advantage or larger market share**:** Companies may decide to merger into order to gain a better distribution or marketing network. A company may want to

expand into different markets where a similar company is already operating rather than start from ground zero, and so the company may just merge with other company.
The distribution or marketing network gives both companies a wider customer base practically overnight.

One such acquisition was Japan-based-Takeda pharmaceutical company's purchase of Nycomed, a Switzerland-based pharmaceutical company, in order to speed market growth in Europe. (That deal was valued at about US $13.6 billion, if you're counting.)
Diversifying product or services: Another reason for merging companies is to complement a current product or service. Two firms may be able to combine their product or services to gain a competitive edge over others in the marketplace. For example, in 2008, HP bought EDS to strengthen the services side of their technology offerings (this deal was valued at about US $ 13.9 billion).
Replacing leadership: In a private company may need to merge or be acquired if the current owners can't identify someone within the company to succeed them. The owners may also wish to cash out to invest their money in something else, such as retirement.
Cutting costs: When two companies have similar products and services, combining can create a large opportunity to reduce costs. When companies merge, frequently they have an opportunity to combine locations or reduce operating costs by integrating and streamlining support functions.
This economic strategy has to do with economies of scale: When the total cost of production of services or products is lowered as the volume increases, the company therefore maximizes total profits.
Surviving: It's never easy for a company to willingly give up its identity to another company, but sometimes it is only option in order for the company to survive. A number of companies used mergers and acquisitions to grow and survive during the global financial crisis from 2008 to 2012.
During the financial crisis, many banks merged in order to deleverage failing balance sheets that otherwise may have put them out of business
Merger and acquisitions occur for other reasons, too, but these are some of the most common. Frequently, companies have multiple reasons for combining .combining companies has some potential downsides for employees, who have to deal with immediate fears about employment or business lines, but more positive sides of merging may include more opportunities for advancement, or having access to more resources to do one's job.

Difference bet^{n} Merger and Acquisition:
The term merger and acquisition are frequently used as if they are synonyms, but have different implications. The major difference between a merger and an acquisition is their mode of finance.

Basis of differences	**Merger**	**Acquisition**
Nature	A purchase deal will also be called a merger when both CEOs agree that joining together is in the best interest of both of their companies.	When the deal is unfriendly, i.e., when the target company does not want to be purchased-it is always regarded as an acquisition.
Existence	In Merger companies may or may not lose their existence.	In acquisition, the target company ceases to survive. It is the buyer who is the sole proprietor.
Equality	Merger is referred to as a "merger of equals".	Acquisition refers to two unequal companies becoming one , usually strong company buying the weak company, new built company or small company.
Financing	Mergers are mostly financed by a stock swap. In a stock swap, owners of stock in both companies receive an equivalent measure of stock in the newly formed association. Both companies surrender their stock of the new company is issued as a replacement. A single administrative section, then manages the new union,	In acquisition the buyer swallows the company and the buyer's stock continues to be traded and the mode of financing may involve cash and debt combination, all cash, stocks or additional equity of the company.

Advantages of Merger and Acquisition:

- Increase their buying power as a result of their larger size.
- Increase revenue by cross-selling products to each other's customers.
- Increase market share by combining product lines.
- Gain access to new expertise, systems, and teams of employees.

Disadvantages of Mergers/Acquisitions:

- Risks of diseconomies of scale and scope if business becomes too large.
- Risks of inefficiencies if firm becomes too large for effective management.
- Risk of culture clash between different types of businesses.
- Risk of ineffective integration of the operations of two businesses.
- Often necessitates the redundancy of some workers.

II. Related Work

The present chapter deals with the review of existing literature available on the research work. Various studies

have been conducted by researchers on the different aspects of Merger and Acquisition of banks.
Growth is an essential aspect of organizational success. It is something for which most of the companies strive for. It is observed commonly that small companies want to grow big and big firms want to grow bigger. Indeed companies have to grow and the reasons behind are almost same for every organization. However, different companies adopt different strategies for this purpose and the most suitable strategy is the one that supports the company to move progressively towards accomplishing its stated goals (Greiner, 1991).The ultimate objective of most companies is profit, therefore whatever strategy is adopted, profit remains at the heart.

Although, growth is considered to be one of the key points of reference of success by business analysts and is mandated by investors. However, researchers have also argued that, although, growth is essential for firms, but every growth strategy is not successful in terms of value creation. Not all the growth strategies are values adding, that could result in an improved performance of a firm (Olsen & Chathoth, 2007; Slevin & Covin 1997). Olsen & Chathoth (2007) further argued that it is the firm's performance on a long term basis that determines the sustainability of the growth strategy that was implemented in the first place. Companies choose growth strategies that suits best to them in a frame work of market and competitors. The best route to growth varies depending on the market and the nature of business (Churchill &Lewis, 1983).

Azhagaiah and Sathishkumar (2011), in a study titled “A Study on the Short-run Profitability of Acquirer Firms in India” studied the impact of business restructuring on the profitability of the chemical industry in India with a sample of 10 firms listed in one of the leading Indian stock exchanges, namely, the Bombay Stock Exchange. Profitability was tested on parameters, such as, gross profit ratio (GPR), operating profit ratio (OPR), and net profit ratio (NPR). The study used paired samples t-test to compare the pre-and post-merger performance for the study period of three years before and three years after merger. The study revealed that there has been a significant increase in short-run post-merger OPR of four acquiring firms,GPR of five acquiring firms, and NPR of five acquiring firms although there has been an increase in OPR, GPR, and NPR for all the sample firms on the profitability. The study finally concluded that there is a significant positive impact of M&As on the short-run post-merger profitability of acquiring firms of the chemical industry in India.

Azhagaiah and Sathishkumar (2011), in a study entitled “Corporate Restructuring in India: An Empirical Analysis Across Corporate Sectors in India” analysed the impact of M&As of the firms’ performance in a few number of selected Indian corporate firms. The study considered a three year period before and a three year period after the process of M&As. The study used paired samples t-test. The firms’ performance was tested on parameters, such as, liquidity position by use of current ratio and quick ratio, working capital position from the working capital turnover ratio and inventory turnover ratio, operating efficiency position from the total assets turnover ratio and fixed assets turnover ratio, profitability position from the gross profit ratio and net profit ratio, and financial risk position from the long term debt to equity ratio and total debt to total assets ratio of acquiring firms in the pre-and post-merger period. The study concluded that the Indian corporate firms involved in M&As had achieved an increase in liquidity, working capital, operating efficiency, and profitability position in the horizontal M&As in line, and the overall efficiency of those firms had also increased.

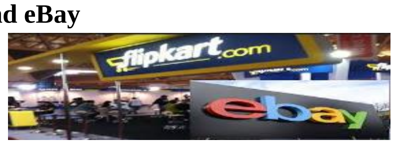
William fry (PP 6-7)Against a backdrop of significant macroeconomic and political uncertainty, 2017 saw a return to very healthy levels of transactional activity, In last year's review, we commented on the muted Irish and global M&A landscape in late 2016. We further noted that while the volatile global macroeconomic picture would have a strong bearing on the pace of M&A in 2017, we expected Irish deal activity to rise as a result of Ireland's growth predictions and strong business fundamentals. Against a backdrop of significant macroeconomic and political uncertainty, 2017 saw a return to very healthy levels of transactional activity. Indeed, the number of deals targeting Irish assets actually reached its highest annual total on Merger market record (since 2001), with the announcement of 143 transactions valued at €14.9bn. Mid-market Businesses, the engine of the Irish economy, attracted significant M&A attention in 2017, cementing their position as consistent drivers of M&A activity in Ireland. The stellar performance in 2017 is renewed evidence of Ireland’s strong economic growth, its business-friendly environment and ready access to capital for businesses. Early in February, the European Commission announced that GDP growth for Ireland was 7.3% in 2017. This is the fastest growth rate in the EU. Indeed, Ireland has outpaced all other Eurozone economies for four successive years. A relatively low corporate tax rate, a flexible and multi-lingual workforce and a transparent legal system continue to underpin Ireland's attractiveness to overseas buyers – both strategic and private equity (PE). PE players were particularly active in the Irish market in 2017 and we expect to see this trend continue in 2018. Inbound deal making increased in 2017 to 93 deals. Although the UK and US have traditionally been the most dominant international acquirers, Irish companies drew interest from a wide array of jurisdictions in 2017 including Japan, Australia and South Africa. This inbound activity also spanned a variety of sectors, highlighting the diverse range of growth-oriented businesses coming to market in Ireland.

While there was plenty of interest from foreign players in the Irish market throughout 2017, large and domestic corporates such as Kerry Group plc. ICON plc. DCC plc. And CRH plc. also sought to enter new markets and diversify their portfolios abroad. Low interest rates and an abundance of funding (in some part facilitated by the European Central Bank (ECB)'s continued quantitative easing (QE) program) supported this growth. Outbound M&A increased its share in overall volume, from 39% to 42% year-on-year, reflecting good financing conditions and healthy balance sheets among Ireland's leading corporates.

Axis bank Freecharge

India's private sector bank Axis Bank acquired payment wallet Free charge in 2017. The bank has entered into an agreement with Jasper InfoTech Private Limited to acquire 100% stake in its subsidiaries viz. Free Charge Payment Technologies Private Limited and Accelyst Solutions Private Limited, according to an Axis Bank statement.

Flipkart and eBay



Indiane-commerce major Flipkart acquired the Indian wing of eBay. The transaction was announced in April 2017 and completed in August 2017. eBay and Flipkart have also entered into an agreement for cross-border sale.

Shane O'Donnell
Head of Corporate/M&A

III. Results and Discussion

- Merger and acquisitions plays an important role in the corporate restructuring especially small corporate and also in the development of the country.
- It represent market and financial power.
- The merger and acquisitions have increased in India in 1990's due to LPG policies but from 2012 the graph of merger and acquisition has increased drastically.
- When a company acquires or merges it depends upon its planning and strategies whether they will be profited or loss.

IV. Conclusion and Future Scope

Writing a business plan is an essential step for the growth of every company. It describe the organizational

Airtel and Telenor

In February 2017, Telecom major Bharti Airtel acquired Telenor (India) Communications Private Limited. After the acquisition, Airtel owns and manages Telenor's spectrum, operations, licenses including its employees and customer base of 44 million.

Tech Mahindra and CJS Solutions

Indian software company Tech Mahindra Ltd acquired US-based healthcare IT consulting firm CJS Solutions Group LLC. With the acquisition, Tech Mahindra Ltd. would have the ability to cross-sell Tech Mahindra's services to a new set of clients of CJS Solutions and thereby boost its revenues.

Wipro Ltd and InfoSERVER S.A.

India's software services exporter Wipro has entered into a pact to acquire Brazilian IT firm InfoSERVER S.A in 2017. InfoSERVER provides custom application development and software deployment services to clients. The company is mainly focused on the Brazilian market. The acquisition is in line with Wipro's aim to expand its presence in the Latin America market

Table 1 Table 2 (Annexure V)

goals, and how to achieve them. The business plan is especially important for:

- Developing new technologies and products.
- Obtaining external financial support.
- Managing mergers and acquisitions.
- Arranging strategic alliances.
- Building relationships with customers suppliers.
- Attracting and retaining key employees.

References

[1] Merger and acquisition Wikipedia https://en.m.wikipedia.org
[2] Value of M&A deals globally 2003-2018 – https://www.statista.com Banks & Financial Services.
[3] List of largest mergers and acquisitions- Wikipedia https://enwikipedia.org/wiki/list_of_largest_mergers_and_acquisitions

[4] List of merger & acquisitions of Bank in India Affairs cloud https://www.affairscloud.com/list-mergers-acquisitions-bank-india/

[5] Biggest Mergers and Acquisitions of 2017- Marketing Mind https://www.marketingmind.in/8-biggest-mergers-acquisitions-2017/

[6] 2017's Top 50 Acquisitions in India Index https://index.co/top/country/india/acquisitions/2017

[7] The 10 Biggest Ever Merger & Acquisition Deals in India – iPleaders https://blog.ipleaders.in> All

V. ANNEXURE

Table 1 Merger and Acquisition of Banks in 2017 in India

Name of the Banks Acquired	Name of the Banks got Merged	Year of Merging happened
State Bank of India	Bharatiya Mahila Bank (BMB)	2017
State Bank of India	State Bank of Travancore (SBT)	2017
State Bank of India	State Bank of Bikaner and Jaipur (SBBJ)	2017
State Bank of India	State Bank of Hyderabad (SBH)	2017
State Bank of India	State Bank of Mysore (SBM)	2017
State Bank of India	State Bank of Patiala (SBP)	2017

Table 2:Top M&A deals worldwide by value (larger than $20 billion) from 2012 to 2018

Rank	Year	Purchase	Purchased	Transaction value (in billion USD) (with debt)	Inflation adjusted (in billion USD) (with debt)	Ref
1	2013	Verizon Communications ns	Verizon Wireless	130.0	137	[21] [N 1]
2	2015	Dow Chemical	DuPont	130.0	134	[22]
3	2015	Anheuser-Busch InBev	SAB Miller	130.0	134	[N 2]
4	2015	Heinz	Kraft	100.0	105	[23] [N 3]
5	2018	AT&T Inc.	Time Warner (renamed to WarnerMedia)	85.4-108.7	87-111	[24]
6	2016	Linde AG	Praxair	85.0	85	[25] [26]
7	2015	Charter Communications	Time Warner Cable	78.7	81	[27] [N 4]
8	2018	Vodafone	Liberty Global (Germany and eastern Europe)	21.8	22	[49]

Authors Profile

M. H. Bohra has pursued his Bachelors in Business Administration from Dezyne E'cole College, and presently, currently He is pursuing Masters in Business Administration from Aryabhatta college of Management, Affiliated to Rajasthan Technical University Kota. Recently he has completed his internship from Share Khan Company Ajmer in the area of Marketing. Where he get the knowledge of the entire key working area of an Manager i.e., promotional activities, dealing with the clients and many more. I also worked on the case study on contemporary issue i.e.… "Acquisition of Flipkart and eBay" and recently completed the project on the development of new innovative product into the market i.e.… "Sugar Free Candy".

Dr.Inderpreet Chhabra, Ph.D. (HR), MBA (CM), M.Com (EAFM), B.Sc. is associated with Aryabhatta College of Management, Ajmer as a Professor and Principal. She is having an experience of 10 years in academics and research. During this span she has organized various Seminars and Workshops. She has guided almost 35 MRPs of management students.
Dr. Chhabra has published many research papers in reputed National and International Journals. She has also attended a number of International, National Conferences, Seminars, Workshop and FDPs. She has represented as a member of organizing committee for various events.
Her areas of interest include Information Technology, Human Resource Management, SHRM, MIS, Organizational Behaviour, Business Communication, Business Management, Banking and other allied subjects.

Dr. Timsy Kapoor pursed M.Sc(IT) from Punjab Technical University, M.B.A and Ph.D. from Devi **Ahilya Vishwavidyalaya**, Indore (MP) India. She is currently working as Sr. Asst. Prof. in Department of computer science at M.B. Khalsa College, Indore, (M.P.). She has published more year 10 research paper in International and National conferences. Her main research work focuses Impact of Human Resource Information System on HR Professional's role and responsibilities. She has 15 years of teaching experience and 6 years of Research Experience.

Dr.Deepika Rathore is associated with Aryabhatta college of Management, Ajmer since August 2015 as a Faculty of Finance and Economics. She is an MBA in finance from Rajasthan Technique University and Ph.D. in Management from Pacific College of Management, Udaipur. She has more than thirteen research papers on her credit in reputed journals and presented more than 7 papers in various National and International conferences. Her area of interest includes Economics, Finance, Research and other Allied subjects.

