

- ☞ This can be done even simultaneously when moving a petition under section 391 for court's direction.
- ☞ There is no need that the object of the transferee company and transferor company should be uniform.

Interest Of Employees

- ☞ In sanctioning an amalgamation, the court ensured that the scheme causes as little hardship as possible to employees and the Transferee company assure that the interest of workers would be protected after amalgamation.

Exchange of Shares

- ☞ In an amalgamation, the scheme of amalgamation provides for the allotment of equity shares by the Transferee- company to the shareholders of the Transferor company on the basis of the valuation of the shares of the two companies.
- ☞ The valuation to be carried out by Chartered Accountants appointed by two companies and approved by Board of two companies.
- ☞ The basis of the valuation should be placed on record of the court and also brought to the notice of the shareholders.
- ☞ The courts generally accepted such valuation done by qualified persons unless any valid mistake was pointed out in the valuation.

Direction by the respective High Court to hold meetings

- ☞ The High Court considers the petition {Rule 67 of Companies (Court) Rules, 1959} and decides whether the scheme is fair and is not illegal under the Companies Act.
- ☞ The High Court directs holding separate meetings of members if there are equity and preference share-holders in the company and / or meetings of creditors.
- ☞ The High Court also appointed Chairman for each of the meeting.
- ☞ Normally in an amalgamation the meeting of creditors does not arise. The creditors have an opportunity to file their objections to the court and it is for the court to decide whether such objection should be considered.
- ☞ The court also directs the official liquidator, after a scrutiny of the books and papers of the company, to make a report to the court that the affairs of the company have not been conducted in a manner prejudicial to the interests of its members or to public interest.
- ☞ After hearing the petition, the court may make such order as it deems fit for sanctioning the scheme.

Buy Back Of Shares

Buy Back of Shares is one of the methods used by the Promoters for consolidation of their control on the management of group companies.

Buy Back Of Shares under Companies Act, 1956

The company purchases its own shares from :

- ☞ Out of its free reserves
- ☞ Out of premium account

- ☞ Out of proceeds of any issue

All companies listed or unlisted covered

Major Conditions to be satisfied

- ☞ Shareholders authorization required. Not required if the buy back is less than ten percent of the total paid up equity capital and free reserves.
- ☞ Buy back not to exceed 25% of total paid up capital (equity and preference shares) and free reserves.
- ☞ Buy back of equity shares in any financial year not to exceed 25% of its equity capital
- ☞ No offer of buy back shall be made within a period of one year from the date of the preceding offer of buy back.
- ☞ Debt equity ratio not to exceed 2:1 after buy back.
- ☞ All shares or other securities fully paid up
- ☞ Buy back is as per SEBI regulations.
 - Separate SEBI regulations (1998) apply to listed Company
 - For Private Limited and Unlisted Companies, Guidelines issued by Government of India (1999)
 - Partial or fully convertible debentures also can be bought back
 - Buy back is to be completed within 12 months from the date of resolution.

From whom the securities can be bought back ?

- Existing holders on proportionate basis.
- Open market.
- Odd lots.
- Employee shares under stock option or sweat equity schemes.

Solvency report

- Before purchase, file with ROC and SEBI solvency declaration.
- The declaration to be approved by Board and signed by at least two Directors, one being MD

BUY BACK SHARES to be extinguished

- Company to physically extinguish shares bought back within 7 days of last date of completion.
- Thus treasury operation not allowed.

Other conditions for Buy back

- Company not to make fresh issue of securities within 24 months
- Except :-
 - 1 bonus issues, or
 - 2 issues of further shares in discharge of subsisting obligations

Other Provisions Applicable To Buy Back

- Company cannot purchase its own shares or other specified securities through subsidiary or subsidiary of its subsidiary
- Also prohibited through Investment Company or group of investment companies

Also buy back prohibited if default :

- In repayment of deposits, or
- Redemption of debentures, or
- Redemption of Preference shares, or
- Repayment of term loans to F.Is or Banks

Competition Law V/s Consolidation

- Important objective of consolidation is to achieve scale and become strong, to fight competition. Competition is the only key to growth. Unfortunately, competition cannot be left unfettered as it may exploit the consumers and ruin economy. So you have across the globe, Anti-Competition laws to protect the fair competition.
- In 1980, less than 40 countries had Competition Law. Today, over 100 countries have this law. In USA you have Sherman Act, 1890, also known as Anti-Trust Act. Clayton Act of 1914 also Federal Trade Commission Act, 1914. the Celler-Kefauver Act, 1950, which amended Clayton Act.
- The Competition Law in European Union is mainly in the form of Competition Law of the European Commission/ European Union. In U.K., The U.K. Competition Act, 1998. In India, we had the MRTP Act and now the Competition Act, 2002.

Competition Act, 2002

- MRTP Act 1969, which dealt with monopolistic, restrictive & unfair trade practices, has been repealed. However, the MRTP Commission will continue for two years.
- In its place, Competition Act 2002, has been introduced, to deal with these unethical trade practices, titled as **“practices causing appreciable adverse effect on competition”**
- Repeal of MRTP Act is a policy shift of the Government from curbing monopolies to promoting competition

Competition Act 2002 seeks to : -

- Ensure fair competition in India by prohibiting trade practices which cause appreciable adverse effect on competition.
- Promote and sustain competition.
- Protect interest of consumers.
- Ensure freedom of trade for other participants in the market.
- Provide for establishment of Competition Commission of India, for carrying out the purpose of the Act.
- Regulations of “Combinations”

Prohibition of Anti- Competitive Agreements

- All agreements which cause or likely to cause **Appreciable Adverse Effect on Competition within India** are void and prohibited.
- Hereafter we will call **Appreciable Adverse Effect on Competition within India** as “AAEC”

Following agreements / arrangements are presumed to be AAEC:

- Fixation of purchase or sale price.
- Limiting or controlling production, supply, investment, etc.
- Allocation of market or source of production or goods and services, etc.
- Bid rigging or collusive bidding.

Following agreements will be treated as AAEC if they cause adverse effect on competition :

- Tie – in – arrangements
- Exclusive supply agreements.
- Exclusive distribution agreements.
- Refusal to deal
- Resale price maintenance
- However agreements to protect IPRs and for export not treated as AAEC.

Abuse of Dominant Position

- “**Dominant position**” means a position of strength enjoyed by an enterprise which enables it to operate independent of competitive forces or is in a position to influence competition or consumers or market in its favour.

The following events treated as abuse of dominant position and prohibited:

- Imposing unfair or discriminatory conditions in purchase or sale or in pricing.
- Limits or restricts production, technical developments or markets thereof.
- Deny market access to others.
- Entering into tie-in- arrangements.
- Resorting to predatory pricing

Regulations of Combinations

- “**Combination**” means acquisition/ takeover/ merger/ amalgamation.
- “**Combinations**” are void only when such combinations cause appreciable adverse effect on competition within India. Such combinations will be void.

When acquisition / take-over amounts to Combination?

- Acquirer and the Acquired jointly:
 - have assets in India Rs 1000 crores or sales turnover Rs. 3000 crores,

OR

- have assets in and outside India US \$ 500 mn or sales turnover US\$ 1500mn
- If the acquirer belongs to a group:
 - that has assets in India Rs 4000 crores or turnover Rs. 12000 crores
 - that has assets in and outside India US \$ 2 billion or turnover US\$ 6 billion.

When merger amounts to combination?

- After the merger, the enterprise has:
 - assets in India more than or equal to Rs 1000 crores or turnover more than or equal to Rs. 3000 crores
 - assets in and outside India more than or equal to US \$ 500 mn or turnover more than or equal to US\$ 1500mn or
- Group to which the enterprise belongs to, has:
 - assets in India more than or equal to Rs 4000 crores or turnover more than or equal to Rs. 12000 crores
 - assets in and outside India more than or equal to US \$ 2 billion or turnover more than or equal to US\$ 6 billion.

Procedure before Combination

- Notice to Competition Commission within 7 days of agreement for merger or acquisition.
- Restriction of combination does not apply to Public Financial Institution, FII, Banks or VC Funds.

Inquiry into Combination

- The Commission may inquire into any combination either on its own knowledge or information for determining whether such combination should be permitted.
- No inquiry can be conducted by Commission after one year from date of effect of the combination.

Orders by Commission

In case of combinations:

- direct that the combination shall not take effect
- may propose appropriate modifications
- may direct the parties to revise the scheme for ensuring that there is no appreciable adverse effect on competition in India
- the commission has power to inquire into any anti-competitive agreement or abuse of dominant position or combination taken place outside India, if they have appreciable adverse effect on competition in India.

Consolidation Vs Takeover Code - Sebi

Takeover Regulations of SEBI will not apply to the following:

- If allotment of share is made pursuant to a public issue
- Public financial institution buy on their own account;
- Takeover regulation of SEBI will also not apply to acquisition of shares of an unlisted company
- inter-se transfer of shares amongst group companies,
- acquisition of shares by way of transmission on succession or inheritance
- acquisition of shares of government companies;
- The Acquisition of Global Depository Receipts or American Depository Receipts so long as they are not converted into shares carrying voting rights.

Take Over Code

- Takeover Code will apply if by virtue of acquisition or change of control of any unlisted company, whether in India or abroad, the acquirer acquires shares or voting right or control over a listed company.
- The acquirer cannot acquire shares or voting rights, or by persons acting in concert with the acquirer, which would carry fifteen per cent or more of the voting rights unless the acquirer has made a public announcement to acquire shares at a minimum of twenty per cent of the existing capital.
- The public announcement must be made not later than 4 working days of the acquirer executing the shares purchase agreement and copy of the publication of public announcement is to be sent to the following:-
 - SEBI Board through the merchant banker,
 - Stock Exchanges
 - Target company at its registered office to be placed before the Board of Directors
- Public announcement must contain following major features:-
 - the paid-up share capital of the target company
 - the total number and percentage of shares proposed to be acquired from the public and the minimum offer price.
 - identity of the acquiree(s) and in case acquirer is a company, the identity of the promoters.
 - the existing holding if any, of the acquirer.
 - salient features of share purchase and consideration agreement.
 - object and purpose of the acquisition of the shares and future plans, if any of the acquirer.
 - an undertaking that the acquirer shall not sell dispose of or otherwise encumber any substantial asset of the target company except with the prior approval of the shareholders.

- the date of opening and closure of the offer and method of payment.
 - statutory approvals, if any required to be obtained for the purpose of acquiring the shares under the various laws.
 - whether the offer is subject to a minimum level of acceptance from the shareholders
- The letter of Offer is to be approved by SEBI.
 - The offer price shall be the highest price of either the negotiated price or the price paid by the acquirers.
 - Where the acquirer has acquired share in the open market or through negotiation after the date of public announcement at a price higher than offer price in the letter of offer, such higher price should be payable for all acceptance received.

Competitive Bids

- Within 45 days of public announcement, the shareholders are supposed to receive a letter of offer.
- Any person other than the acquirer may make a public announcement making a competitive bid for acquisition within 21 days of the public announcement made by the acquirer.
- The person making competitive bid will have to comply with the instructions given in the SEBI Takeover Regulation mentioned in Item 19 about public announcement and other related matters.
- The acquirer, can always make upward revisions in the offer in respect of both price and number of shares at any time upto 7 working days prior to the date of closure of the offer, whether or not there is a competitive bid.

Dr. Guruprasad Murthy

Consolidation Movement- Indian And Global- Past, Present and Future

PRESENTATION

Plan Of Presentation

- ☞ History of M&A Waves – US, UK, India
- ☞ Research Studies on M&A – US, UK, India
- ☞ Rationale for M&A
- ☞ Why M&A Fails
- ☞ Vital Statistics
- ☞ Conclusions

History Of Waves Of M & A -U.S.A, U.K , INDIA

First Merger Wave - 1897 – 1905

- Featured Horizontal Mergers and Acquisitions
- Fragmented Firms Integrated
- Wave Ended When US Economy Slowed Down
- Relaxation of Relevant Laws
- Rising Stock Market and Sherman Antitrust Act (1890) facilitated the Formation of Monopolies
- 71 Competitive Industries converted into Virtual Monopolies
- Industrial Landscape of the US underwent change for the Better

Second Merger Wave – 1916 – 1929

- Merging for Oligopoly
- Horizontal and Vertical Mergers in Action
- Monopoly and Monopolistic Tendencies were to be Curbed
- Standard oil owned by Rockfeller – SPLIT
- **New Legislation – CLAYTON ACT, 1914**
- **Wave Ended:-**
 - **Collapse of the Stock markets - 1929**
 - **Recession of 1930s**

Third Merger Wave – 1960's

- Conglomerates engaged in M & As
- Monopolistic tendencies existed
- Corporate Restructuring:-
 - Due to Rationalization Search for:
 - Economies of Scale and Scope as well as Core competencies
- Divestiture of Cos acquired during previous mergers
- **NEW LAW:- Clayton Act extended to prevent Monopolies/ Monopolistic Houses**
- Conglomerate firms increased from 8.3 % of Fortune 500 firms in 1959 to 18.7% in 1969
- Oil Crisis of 1973 ended this wave

Fourth Merger Wave – 1980's

- Included Mega Mergers
- Leveraged Buy- Outs
- Hostile Deals
- US Government relaxed restrictions
- Return to specialization and core competency concept after the earlier experience of expansion and diversification

Fifth Merger Wave – 1995

- *Biggest of All Number of Transactions VALUE in USD*
- *Era of Mega Deals*
- ENDED WITH:-
 - Bursting of Millennium Bubble and Scandals like ENRON*

“During the Fifth Merger Wave Companies of Unprecedented Size and Global Sweep were created on the assumption that SIZE MATTERS”

☞ **Fifth Merger Wave – Deals**

1992 \$ 342 Billion

2000 \$ 3.3 Trillion

1998-2000 - Nine of the Ten Largest Deals in History

Tenth deal in 2006 -

Unthinkable Mergers

Citibank and Travellers Group

Chrysler and Daimler Benz

Exxon and Mobile

*AOL and Time Warner –
Largest Deal in World History so far – 165 Bn. USD*

Boeing and Medonnell Douglas

Vodafone and Mannesmann

UK Merger Wave

- Shorter history compared to the USA
- 1920s – Small Wave
- 1948 UK Merger Policy MRTP Act
- Deals only to promote ‘Public Good’ (Monopolies and Mergers Act)
- Post 1960s – Globalization Era
- Technology development of 60s stimulated the Merger Movement
- 1964 – 19.5 % of the 200 MFG Cos. were involved in M & A

UK In 1980s

- Earlier - Size Through M & A
- 80s Control over Corporate Assets
- UK Government: Close Watch on M & A – To Protect Competition
- Leverage Buyouts
- Hostile Mergers
- October 1987: Major Stock Exchange Crash
- Wave Continued Until 1989

UK In 1990s

- De-regulation of UK Economy
Privatization of Govt. Owned Assets.
- Late eighties and early nineties sale of:-
British Telecom (1984)
British Gas (1986)
British Rail (1993)
- Cadbury Committee Report (1992)
- Corporate Governance

USA

Shocks Drive Consolidation

- *Deregulation*
- *Escalation in Input Costs (Oil)*
- *Technology Development*
- *Debt Financed Transactions*

“ When a substantial shock is received by an industry, it is often necessary for the firms within that industry to make some major changes in response. Under these circumstances Merger and Acquisition activity is often the fastest form of response and in some situations, may even be cheaper than the alternatives.”

SOURCE:- Sian Owen, The History and Mystery of Merger Waves – A UK and US perspective Working Paper, School of Banking and Finance, May 2006.

India INC.

- No Waves akin to the USA
- 1991: Initial Steps towards M & A
- Activities picked up since 1995

India Inc Post 1991 – 3 Waves

First Wave

- Consolidation to prepare for competition
- Merger and Acquisition helped in achieving:-
 - Magnitude
 - Competencies and Benefits of Scale and Scope

Second Wave

- Increased Consolidation of Subsidiaries by Multinationals in India
- Multinationals Came in Through Acquisition Route
- Liberalized Norms for FDI

Third Wave- Since 2002

- Indian Companies started venturing abroad Acquisitions to gain entry into international markets
- Cash surplus:- India Inc had Rs. 7,394 crores in 2003 plus Investment Reserves of Rs. 41, 800 crores
- The Top 10 cash rich companies accounted for 90 % of excess cash

Other Favorable Factor

- General Liberalization
- Cheap Money Policy
 - Interest rate differential between local and foreign market
 - Procurement of funds from foreign markets
 - Companies like Bharat Forge, Reliance Piramal Group of Industries took full advantage
 - Rupee Appreciation
 - ★ Borrow when rupee is not so strong 1 \$ = 46 - 48
 - ★ Repay when rupee was very strong 1 \$ = 43

Mergers and Acquisitions – Research Studies (USA, UK, INDIA)

USA- Research Studies

SOURCE:- Pramod Mantravadi and A Vidyadhar Reddy, Mergers and Operating Performance: Indian Experience, ICAI Journal of Mergers and Acquisitions, Vol. IV, No. 4, 2007 pp. 52- 66

- **ONE VIEW**
 - Operating Performance of Merging Firms Improved Considerably Following Mergers
 - Improvement in Cash Flows Following Merger Was Not at the Cost of Reduced Capital Expenditures
 - Asset Turnover Was the Key Factor Which Contributed to ROI Rather Than Profit Margins

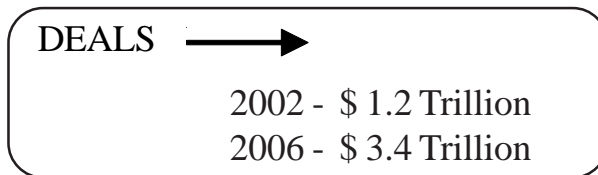
➤ **A CONTRARIAN VIEW**

- No evidence of improved operating performance, post acquisitions
- Average ROE and ROA was lower, for merging firms, post merger compared to the average ROE / ROA on NYSE
- Earnings improved in the first year following merger
- Subsequent years- No improvement.

UK – Research Studies – 1964-71

“Most studies in Europe have shown that, post acquisitions/ mergers, financial performance has not improved”.

Europe – Research Studies – 2002-2006



☞ **Business Environment Favorable**

- Globalization
- Countries like France, Italy, and Russia wanted National Global Champions
- Commodity Prices Bullish
- Cheap Money Policy
- Private Equity Funds

SOURCE:- Martin Lipton, Merger Waves in the 19th, 20th and 21st centuries, Osgoude Law School, York University

Australia and Japan – Research Studies

- AUSTRALIA - Findings similar to Europe
- JAPAN - Mergers and Acquisitions had a favorable impact on the overall economic performance post merger.

Towers Perrin Study - 2008

- 2008 may be the best time to do a deal
Over the last 2 Merger Waves, deals completed in the year following the peak create more

shareholder value than those completed during the upswing and peak years of the wave.

- 2007 was the peak year.
- Surfeit cash with Inc world wide stimulates M & A .
- Earlier Waves : Post peak year 1990 and 2000
- Deals delivered higher values
- Performance in the post peak years exceeded the Morgan Stanley Capital International (MSCI) World Index by 5.4 % on an average over the two periods.
- M & As Have -
 - Added values
 - Brought better discipline and governance
 - Improved deal execution
 - Considered people issues

Certain experience do not confirm to findings of academic studies. The Financial Times had an interesting article which said –

“So what do investors want from an Acquisition? The answers are much the same as they always were: Deals which do not blur the lines of responsibility in an attempt to create a merger of equals; which do not serve principally the aggrandizement of the chief executive; which have some more compelling strategic rationale than merely to achieve scale in a consolidating industry and above all, deals which create more value through the synergies they unlock than they give away in premium paid to the target shareholders. If possible, could they please also have some real prospects for revenue growth in the mixture, as well as just cost cuts?”

SOURCE:- The Financial Times, Lex Column, Right Recipe, 27.12.2000

Era Of Globalization

- Size matters
- Magnitude matters
- Competency matters
- Muscle power matters

1991-95- The hypothesis that mergers have not improved operating performance of acquiring firms is accepted. Objective of M&As:- Consolidation strategy for *improving and cleaning balance sheets*. 1996-99:- *Post merger operating performance was lower than pre merger performance*

Indian Business in Action

- Murugappa Group, RPG Group UB Group and Predators like Manu Chhabria, Rajarathinam, Essar Group, Khemkas, JVG Group were in action.
- Acquisitions did not bring intended results.
- Family managed businesses - Tatas, Mafatlals, K.K.Birla, Khatau Khaitan, M.A. Chidambaram Groups were busy consolidating themselves.

Multinationals were active too:-

- HLL, acquired a series of companies and brands.
- HLL identified five master brands viz. Brooke Bond and Lipton, Dalda, Kwality Walls and Kissan, Coca-Cola, Pepsi and Chauhans had their own problems
- Pharma Industry underwent many changes – Sandoz, Ciba Geigy, Glaxo, Bayer and Hoechst were all in the game
- Directions from Switzerland
- Sandoz and Ciba Geigy became Novartis.
- Ciba Geigy became Ciba Specialities and Chemicals
- Glaxo, Smith, Kline and Beecham
- Glaxo Pharma
- Glaxo Consumer Products
- Glaxo part business sold to Heinz (Hiving off)
- Acquisition of brand became the order of the day -
 - No labour severance cost
 - Tax Advantage – Depreciation on Brands Acquired
- Industry wise study in the afternoon.

Piramal Group was very active -

➤ **Piramal Strategy -**

- Acquired Wander Ltd.
- Shifted production apparatus to Thane.
- Sold off premises at fantastic price.
- Re-invested proceeds in business.
- Acquired May & Baker (Bhandup).
- Huge Real Estate Development Project.

➤ **Acquisitions motivated by -**

- Improved production
- Enlarged production apparatus used after relocation.
- Generation of cash from acquired asset.
- Deployment of newly acquired asset into more profitable ventures

Indian Background - Post 1991 -

India Inc wanted to reposition itself from sellers market & sheltered enterprise to a restructured and resilient business.

Action Plan -

- Enter New Markets
- Form Assets Fast
- Improve Market Share
- Acquire Additional Capacities
- Become Competition Sensitive
- Diversification to Unrelated Business
- Lower Unsystematic Risk, Long Term Growth

Urgent Need for Mergers And Acquisitions

- To create companies that can rival globocorps.
- Even the Tatas or Ambanis cannot stand to the Goliaths of Chinese Cos.; forget Japanese, European or US.
- Exxon Mobil was the most valuable Co. in the World - estimated value at 450 billion USD
- China Petro took the title in its favour with a trillion dollar market capitalisation.
- Reliance Industries:- 100 billion USD ONGC 65 billion USD
- These are 'pittance amounts' when contrasted with Exxon Mobil, China Petro

Indian Inc. Banking Business -

- 18 Top Banks combined Market capitalisation is 125 bn USD
- Citibank alone has an annual revenue figure of 146 bn USD
- Fossilised mindsets and dogmas related to size should be kept aside.
- Fresh thinking and rejuvenated mindsets required

**Forced Mergers in Banking
Industry**

- ICICI & Sangli Bank, IDBI & UCO Bank
- De Merger - ICICI mergers with ICICI Bank
- IDBI mergers with IDBI Bank
- Sell off Merger - Bharat Aluminium Sold to Sterlite at throw away prize

India Inc.

- M & A Spree continues unabated (2007)
- 2007 India has the 8th rank as against the 11th rank in 2006, 2007 India was ahead of France, Italy, Luxembourg, China and south Korea
- 2008 USD 3 trillion

Mergers and Acquisitions - Vital Statistics

| | World Wide | Europe | Asia Pacific | India | Canada |
|--------------|-------------------|---------------|---------------------|--------------|---------------|
| Total | 754738 | 484817 | 209614 | 21519 | 123560 |

Top Mergers and Acquisitions Deals Worldwide

| Country | % |
|----------------------------|---------------|
| USA | 48.79 |
| Europe | 27.82 |
| Others | 23.39 |
| Total | 100 |
| TOTAL(USD MILLION) | 754738 |

Top Mergers and Acquisitions Deals in Asia Pacific

| Country | % |
|---------------------|--------|
| Japan | 47.65 |
| Others | 52.35 |
| Total | 100 |
| TOTAL(USD MILLION) | 209614 |

Top M & A Deals in Europe

| Country | % |
|---------------------|--------|
| UK | 31.05 |
| France | 17.62 |
| Others | 51.33 |
| Total | 100 |
| TOTAL(USD MILLION) | 484817 |

Top Five Acquisitions (USD Millions)

| | CHINA | AUSTRALIA | JAPAN | HONGKONG | SINGAPORE |
|--------------|--------------|--------------|--------------|-------------|-------------|
| 1 | 4443 | 7637 | 28617 | 1000 | 1402 |
| 2 | 3100 | 4268 | 11198 | 925 | 1014 |
| 3 | 3100 | 2814 | 6010 | 531 | 905 |
| 4 | 3000 | 1899 | 3168 | 506 | 840 |
| 5 | 1400 | 1687 | 2288 | 450 | 554 |
| TOTAL | 15043 | 18305 | 51281 | 3412 | 4715 |

Mergers and Acquisitions

- India and China Begin to Deliver on M & A Promise
- According to Thomson Financial DATA

| | | USD Mn |
|----------------|-------------|-------------|
| <u>INDIA</u> | <u>2007</u> | <u>2006</u> |
| Inbound Deals | 31.5bn | 10bn |
| Outbound Deals | 3.5bn | 07bn |

| | | USD Mn |
|---------------|-------------|-------------|
| <u>INDIA</u> | <u>2007</u> | <u>2006</u> |
| Inbound Deals | 22bn | 20bn |

India Inc M & A

2007

- M & A Spree continues unabated
- 2007:- India has the 8th rank as against the 11th Rank in 2006
- 2007:- India was ahead of France , Italy, Luxembourg, China and South Korea
- 2008:- 3 trillion USD

Conclusion

- **Merger Waves are driven by Shocks:-**
 - Initial Phase
 - Receding Phase
- Research Studies: Inconclusive
- Special Research Studies: M & A do add Value
- Reasons for M & A range from fundamental economics to sheer aggrandizement
- India Inc M & A driven by the need to clean balance sheets and sustain the onslaught of transition from Sellers market to competition
- 4 P's of Failure
- Holistic Approach to M & A
- Vital statistics: India Inc is on a M&A Spree
- However, many more M & A's are required to come up to Global Standards

~~STOP PRESS~~

Global Meltdown – An Aftermath Assessment Despite slowdown, FMCG cos put M&As on fast lane

1,200 listed cos tinkered with accounts: Study

With recession tightening its grip on global Economy and the stock market in a state of flux, more and more Indian companies are tinkering with their financial statements to meet market expectations as claimed.

Source:- *The Times of India*, 23rd September, 2008, Pg No. 19

| |
|--|
| FRAUDS GALORE |
| TOP 3 SECTORS PRONE TO FRAUD |
| MANUFACTURING REALITY PSUs |
| MOST POPULAR ACCOUNTING FRAUDS |
| Deferring Expenses Understatement of income for tax avoidance |

Source:- The Times of India, 23rd September, 2008, Pg No. 19

- Amid global meltdown, Private Equity (PEs), Sovereign Wealth Funds (SWFs) eye India opportunities
- Global M&A deals volume declines 22 %

US may force mergers of banks in bailout package

“We think there will be pressure behind the scenes by Treasury to push together companies that should have merged months or years ago”, said Gerard Cassidy, a banking analyst at RBC Capital Markets in Portland

Maverick Investor’s Move May Boost MktBuffet to invest \$5 bn in Goldman Sachs

| |
|--|
| US Congress seeks tough bailout norms |
| FBI probes mortgage fraud in banking crises |
| Nomura to set \$1 bn bonus pool |
| Home reslaes drop, Fed sees tighter credit |

Source:- The Times of India, 25th September, 2008, Pg No. 21

THE CREDIT CRISIS REACHES ITS PEAK

- Total financial institution write downs from the credit crisis now stand at US\$ 636billion
- Equity and debt markets have reacted aggressively as the credit crisis reaches its peak with the cost of capital rising significantly
- Equity investors are presently seeing major indices down 40-50% year to date and there is “distress” in the buy-side (particularly hedge funds) as forced redemptions prevail.
- The short term money market has also been more squeezed than ever – inter-bank borrowing rates have ballooned globally.
- The USD LIBOR rate on the 17th Oct,2008 was 4.42%. One month ago, the borrowing rate was 2.82%