# Post-Merger : A Survey of Some Selected Indian Companies

*Malayendu Saha*
Reader, Department of Commerce,
University of Calcutta

**Abstract**

In this present global competitive environment there is increased pressure on growth through new breakthrough product lines and new business models or on achieving differentiation through higher performing core processes such as distribution, customer relationship management, logistics and branding — all of which leads to innovation. Growth is regarded as the fulcrum of every business and there is tremendous competition among corporate entities to eclipse their competitors and emerge as market leader through charting out an aggressive growth path. Ever since the liberalization process became operative in India there seems a radical innovation in the corporate scenario. Corporate restructuring through mergers and acquisitions has raised important issues both for business decisions and for public policy formulation. Mergers and acquisitions have become an integral part of the big business houses due to their moneymaking opportunities and means of letting companies stay competitive. The concept aims at business restructuring, increasing competitiveness and shareholder value via increased efficiency. Synergy is popularly cited as a prime reason for planning mergers. Merger results, though, are expected continue to be mixed, most often, especially when the anticipated synergies fail to materialize. Yet, there is little doubt that companies that master the art of acquisitions will gain subsequent market advantage.

**Key-Words :** Competition; strategy; Corporate restructuring; Performance; Synergy; merger; Acquisition.

## The Issue

Growth is regarded as the fulcrum of every business and there is tremendous competition among the corporate entities to eclipse their competitors and emerge as market leader through charting out an aggressive growth path. Ever since the liberalization process became operative in India, there has been a radical innovation in the corporate scenario. The Indian companies, while benefiting from decontrol and deregulation, are undergoing a process of restructuring to gain competitive strength. Under this circumstance, strategic planning becomes inevitable either to promote such operations, which curtail those activities that reduce value, or to encourage expansion, modernisation or diversification of entities. This strategy to grow is taking place through various means of mergers, acquisitions, strategic alliances, spin-offs etc. Merger mania has achieved a tremendous momentum in India since early nineties. Diversification zeal, the mantra of these days, also motivates entrepreneurs to opt for mergers as means of growth apart from growth by expansion. Growth can be achieved either internally or externally. Generally, the internal growth is attained by means of high investment, leading to higher turnover, which leads to higher earnings and higher retained profits. The external growth, on the other, is accomplished through business combinations. The later option is considered the better route to achieve the objective of growth.

With the scaling down of the import barriers and entry of multinationals, the new corporate mantra is 'beat them or join them'. When Kelvinator India sold out to Whirlpool or when Coca Cola acquired the soft drinks brands of Parle, the Indian managers realised that it made more sense to sell out the brand for a hefty compensation, than to decimate in the competition. The Indian corporate houses made use of mergers and acquisitions route to gain market leadership and also to fight off competition. When Exide Industries acquired Standard Batteries, it established itself as the undisputed leader with over 60% market share in both car and industrial battery segments. The country, at present, reels under the impact of tremendous competition through out the world and the companies are fighting with each other in cutting costs and refocusing on their core competencies. As a result, companies with a lot of flab are divesting their idle assets or divisions which do not fall in line with their core products. That is why CEAT sold off ailing blade division to Gillette and Glaxo its consumer product division to Heinz. CEAT's sale off its tyre cord division to SRF and Tisco's divestitures of its cement unit to Lafarge are more of such examples.

The Multinational companies (MNCs) are also on merger and acquisition rampage. Almost all the major sectors of the economy have witnessed the entry of multinational companies. Instead of setting up fresh greenfield capacities, they have preferred to acquire either existing companies or capacities. An increasing number of Indian corporate entities unable to withstand the fiercely competitive environment have found an easy and lucrative way out by selling their assets to the multinational companies. Companies like Hindustan Lever, PepsiCo, Coca-cola, Kellogg and McDonalds now control a significant portion of the market size of India's fast food and beverage sector. Textiles, India's oldest industry with a strong inherent advantage, are gradually being dominated by brands like Louis Philippe, Van Heusen, Allen Solly, Peter England, etc. In the pharmaceutical sector, Glaxo, Hoechst, Novartis, E-Merck is consolidating their market share to a larger extent. The FMCG sector is flooded with brands from LG, Samsung, Akai, Aiwa, Whirlpool and Electrolux. Multinational companies also have their performance felt in sectors like cement, with Lafarge SA taking over Tisco's cement unit, and in the electrical machinery segment with the presence of GE, Siemens, ABB, Daewoo, Hyundai and others. Even in the financial sector, the dominance of GE Capital, Merryl Lynch, Morgan Stanley, Goldman Sachs, etc. is growing at a rapid speed.

Besides such acquisition modes and competition for supremacy of the multinational companies in the Indian corporate arena, some attempts have also been made to initiate another mode —— the leveraged buyout. Financial institutions, which have very often a big stake in these companies, are now becoming more aggressive in demanding better performance and governance. Likewise, many small and medium companies are facing problems of finance, technology and management. Changes in business environment also pose serious challenge to the methods of operations that are practised by the corporate entities. These challenges have compelled Indian business houses to rethink the ways in which they previously operated. This new environment demands more stringent actions than the controlled economy did, that the businesses either maintain their status quo or grow. With growth becoming central to the new economic environment, mergers and acquisitions are gaining increasing acceptance as a mode of growth, translating companies into scale for scope of economies and ability to tap capital markets.

Mergers, acquisitions and takeovers are fascinating areas of study for the financial analysts and the accounting community. Vast resources are shunted around the world in an overt display of corporate and personal acquisitive. The motivations of the participants, however, are unclear, the performance record of such activities is dubious, the accounting problems inherent in reporting the acquisition and the subsequent group's performance are problematic and the legal and fiscal implications are complex. Further, the process of mergers and acquisitions can transfer wealth between different interested groups within the firm, and the gains to be made on the capital markets from anticipating takeover bids are substantial. These factors ensure that the process of merger and acquisition is an area of attention and controversy as well. The following questions are frequently raised to have a better perceptive of the issue :

- Is merger the right choice in the present scenario?
- Can joint venture between two companies serve the said purpose?
- How is the economical benefit of the combined entity measured?
- How are the shareholders of the merged entity will be benefited due to the merger?
- Whether the society be benefited through mergers?
- Whether the purchasing company is at all satisfied with the post merger effect or whether they are successful in reaching their objective for which the merger is desired?

Keeping this background in mind the present study makes a humble endeavour to penetrate the areas and to focus on the emerging trends in corporate restructuring process and more particularly the post-merger scenario of some leading corporate entities in India.

**Concept of Growth**

There are two views regarding growth of a firm. While some contend that growth is mainly through internal expansion, according to others it takes place through external expansion i.e. through consolidation, acquisitions and mergers. As concerns, the absolute size of the firm in terms of growth — there is no limit to that. However, the limits for expansion are due to the limits of individuals or groups within the organisation. Besides, the types of specialised services required for expansion may not be available in requisite quantity in an organisation. Growth depends on the ability of efficient utilisation of the available opportunities in the environment and of the existing resources of the organisation that ultimately leads to various economies. The technological economies affect the minimum size of the plant in a given industry. The managerial economies, on the other, affect marketing, financial and research economies. Large firms take advantage of the managerial expertise that becomes available to them consequent to growth and creation of specialised functions resulting in lower production and distribution cost. Diversification route also provides another avenue for growth. It is regarded as the movement by a firm into wider field of products and services. This may be achieved by expanding the existing facilities like technology, marketing, etc. Diversification is essentially about expansion, which is undertaken either to reduce reliance and dependence on one market or to provide scope for general growth. In this respect, two methods of expansion are generally taken into consideration. They are: a) by investing in a new plant and creating new markets or b) by acquiring the existing plant and market of another firm. In 1970s, PepsiCo's soft drinks and snack food operation were not performing satisfactorily in the US market due to Coca-Cola's size and overseas opportunities. PepsiCo then entered into restaurant business through a series of acquisitions such as Pizza Hut in 1977, Taco Bell in 1978 and Kentucky Fried Chicken in 1986 and these acquisitions subsequently helped in the growth of PepsiCo's profit.

## Concept of Corporate Restructuring

Corporate restructuring through mergers and acquisitions has raised important issues both for business decisions and for public policy formulation. Successful entry into new product markets and into new geographical markets by a firm may require merger and acquisition at some stage in the firm's development. While some have argued that mergers increase value and efficiency and move resources to their highest and best uses, thereby increasing shareholder value (Jensen, 1984), others remain sceptical. They argue that companies acquired are already efficient and that their subsequent performance after acquisition does not improve (Magenheim and Mueller, 1988). The expansion of firms, on the other, may be possible through tender-offers and joint ventures. Joint ventures involve the intersection of only a small fraction of the activities of the companies involved and usually for a limited duration. The two major types of sell-offs are spin-offs and divestitures. A spin-off creates a separate new legal entity; its shares are distributed on a pro-rata basis to existing shareholders of the parent company. Thus, the existing shareholders have the same proportion of ownership in the new entity as in the original firm. In contrast to spin-offs in which only shares are transferred or exchanged, is another group of transactions in which cash comes into the firm is called divestitures. Under this method, there is sale of a portion of a firm to an outside third party. Corporate control is also comprised of premium buy-backs, standstill agreements, anti-takeover agreements and proxy contests. One form of such restructuring process is through exchange offers, which may be the exchange of debt or preferred stock for common stock, or conversely, of common stock for the more senior claims.

**Table 1.1 Forms of Restructuring Business Firms**

| |
|---|
| **I Expansions** |
| Mergers and Acquisitions |
| Tender Offers |
| Joint Ventures |
| **II Sell - offs** |
| Spin-offs |
| Split offs |
| Split-ups |
| Divestitures |
| Equity Carve-outs |
| **III Corporate Control** |
| Premium Buy-backs |
| Standstill Agreements |
| Anti takeover Amendments |
| Proxy Contests |
| **IV Change in Ownership Structure** |
| Exchange Offers |
| Share Repurchases |
| Going Private |
| Leveraged Buy-outs |

Source: Weston, Chung and Hoag, 1996.

## Mergers and Acquisitions: Conceptual Issues

Mergers and acquisitions have become an integral part of the big business houses due to their moneymaking opportunities and means of letting companies stay competitive. The concept aims towards business restructuring, increasing competitiveness, and shareholders value via increased efficiency. It is, however, important to note that the concept of mergers and acquisitions applies differently to different people in different context, because what is meant in legal parlance may not hold true in financial parlance.

A merger is a generic term where two or more companies are combined together to form a single entity. This may involve absorption or consolidation. In consolidation, which is technically known as amalgamation, two or more transferor companies merge to form the transferee company, which ultimately comes into existence. Acquisition refers to the purchase of a plant or division of another firm by paying compensation, generally in cash. A recent example is the purchase of cement division of TISCO by the Lafarge Group. Takeover is normally an unfriendly acquisition by tender offers. It is the acquisition of a substantial portion of the equity capital of one company (the target company) by another company (the acquiring company) or group or a high net worth individual, which enables the acquirer to exercise control over the affairs of the acquired company.

### Rationale of Merger and Acquisition

- **Increasing shareholder's wealth**

One of the underlying reasons for merger is maximization of shareholder's wealth, as merger and acquisition is regarded as one of the favourite routes adopted by the management to achieve maximisation of wealth. This is because merger and acquisition is expected to give rise to various operating and financial synergies which means that the value of the merged entity is expected to be greater than the sum of the independent values of the merging entities.

- **Synergism**

The most successful mergers are those in which the parties involved are in the same line of business or at least having something in common. In romance, we call this as 'seeking a compatible partner', whereas in business we call it as 'synergy'. PepsiCo did well with its multiple takeovers of Kentucky Fried Chicken, Taco Bell and Pizza Hut, among other brand names and there were definite synergy between fast food and soft drinks. The marriage of two firms in mergers generally results certain economies because of the larger volume of operations of the combined entity. Merger of Tata Finance with Tata Industrial Finance, General Electric Company with English Electric Company and Tata Oil Mill Company with Hindustan Lever Limited are example of such category.

- **Increased Asset Size**

In advanced countries like US and Japan, the proximate motives behind mergers seem to gain increased volume of asset of the merged company. These will ultimately help to presume various cost-reduction measures, abundant profit and better return to capital. The historic merger between ICICI with SCICI, grew the asset size of ICICI in one shot by 26 per cent to Rs. 33,430 crore.

## ■ Growth

Mergers are referred to as an instrument for preventing the decline of the wealth of companies and restoring them to a condition of sound health. Companies can stay viable in this competitive environment by merging with each other. In the merger between Tata Oil Mill Company with HLL, the units were in the same line of business, but the objective of such amalgamation was to increase the market share leading to a monopoly situation. While arguing in favour of merger between ICICI with SCICI one CEO commented, "Size will govern both the quantum of funds that can be raised as well as its costs; what is more important, only a large institution can provide opportunities for product innovations. The benefit of synergy is obvious and the merger will definitely help in ICICI's growth in the competitive environment".

## ■ Financial Economies

One of the prime reasons in favour of merger is the financial economy that accrues from it. Fluctuations in funds flow may be reduced or eliminated through merger and acquisition process, which may indirectly help to reduce the working capital requirements of the entity. When a firm with accumulated losses and unabsorbed depreciation merges with a profit-making company, the losses and unabsorbed tax shelters of the former can be set off against the profits of the profit-making firm and the tax benefit can be quickly realised. The other positive consequence of merger wave is to avoid unnecessary duplication or multiplication of efforts which would offer a potential cost savings. It is apprehended that these cost reductions with the increase in size of the business represent a real benefit to the merged entity.

## ■ Diversification

Growth through diversification - a strategy that Hindustan Lever Limited has undertaken to acquire brands in diverse product line. HLL's acquisition of Kwality brand helped it to become the key player in the ice-cream market; its acquisition with Kissan has helped it to make inroads into packaged food business. The acquisition of Lakme and Ponds has helped it to augment its existing cosmetic business and has made it the market leader.

## ■ Combining Complementary Resources

There are growing tendencies among the large corporate entities to merge with small units that can provide the missing ingredients necessary for the firm's success. The biggest advantage of the merger between HLL and Brooke Bond Lipton India Limited (BBLIL) was to utilise common treasury function in addition to sharing the efficiency of human resources and other complementary resources of the entity.

### Some positive aspects of mergers and acquisitions

The positive aspects of mergers can be determined :

- By boosting profits through elimination of overlapping activities.
- By generating savings from post merger economy of scale.
- By increasing borrowing opportunities through improved gearing.
- By paving the way for raising equity through more attractive financial ratios.

- By offering the possibility of raising equity holding to ward off takeovers.
- By improving market capitalization and helping to boost share process.
- By attaining the tax advantages by the acquiring company.
- By resuscitating sick units through converting debt into equity.

**Some negative aspects of mergers and acquisitions**

The mergers fail when :

- The merged company becomes too big to be managed efficiently.
- Contradictory compulsions make the company to lose its focus.
- Companies in diverse businesses are merged for financial gains.
- There is no cultural fit between the organisations being merged.
- The profits of one company are used to subsidise the other's losses.
- The one-off gains of the merger are not available in subsequent years.
- Productivity levels at the merging companies are widely unequal.
- ·Workers of one company start demanding the benefits of the others.

**Mergers and Acquisitions: The Indian Scene during the 1990s**

Since 1989-90 the Indian economy has been experiencing a sea change in economic policies and regulations, changes in the mode of competition, financial innovations, and strategy, cost structures and in the overall business environment from time to time. The Indian corporate houses are making a continuous wholehearted effort to respond to the challenges and redefining their strategy suitably. The Indian industries have been increasingly exposed to both domestic and international competition and competitiveness has become an integral part for survival. Hence, the companies have started restructuring their operations around their core business activities through mergers and acquisitions.

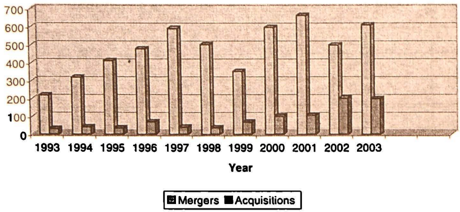
The Indian economy has witnessed a gale of mergers and acquisitions in recent years. The Finance Act, 1999 clarified many issues relating to business reorganisation thereby facilitating and making business restructuring neutral. As per Finance Minister, this has been done to accelerate internal liberalisation and to release productive energies and creativity of Indian businesses. The year 1999-00 has notched up deals over Rs. 21000 crore which is over 1% of India's GDP. This level of activity has never seen in Indian corporate sector. InfoTech, banking, media, pharma, cement, power are the sectors which are more active in mergers and acquisitions. ACC Gujrat - Ambuja Cement, Lafarge - TISCO, Satyam Infoway - Indiaworld, Rajpal E Capital - Zee Tele, HLL - Lakme, HLL - TOMCO, Sandoz - Ciba, HLL - Lipton, India Cement - Rassi Cement, SUN - TDPL, Piramal - Crossland, HDFC - Times Bank, and many more. Among hostile takeover bids, the remarkable are Sterlite's bid for INDAL, Bajoria for Bombay Dyeing and Ballarpur Industries, Dalmia for Gesco and many more.

**Number of Mergers and Acquisitions During 1993 - 2003**

| Year | Number of Mergers | Number of Acquisitions | Total |
|---|---|---|---|
| 1993 | 218 | 31 | 249 |
| 1994 | 319 | 42 | 361 |
| 1995 | 412 | 36 | 448 |
| 1996 | 478 | 71 | 549 |
| 1997 | 592 | 41 | 633 |
| 1998 | 501 | 38 | 539 |
| 1999 | 353 | 70 | 423 |
| 2000 | 597 | 103 | 700 |
| 2001 | 663 | 107 | 770 |
| 2002 | 500 | 203 | 703 |
| 2003 | 612 | 201 | 813 |

The history of mergers and acquisitions in India, in a significant scale, is not a very long one. Though there were some isolated mergers and acquisitions activities in the sixties and early seventies, it was nowhere near the number of mergers and acquisitions that took place in US and the rest of the world. The simple reason for that was stringent-license-control environment and legal and bueauracratic control. However, in the late seventies and eighties, a few mergers and acquisition attempts were made and notable among them were the Swaraj Paul's unsuccessful takeover attempt of Escorts and the Chabbaria's takeover of Shaw Wallace, Dunlop, and Hindusthan Dorr Oliver etc. The notable features of these events were that the sharks were mostly NRIs, who wanted a foothold in the Indian corporate panorama. During the period, 1988-92 there were 121 mergers and takeovers and in addition, 37 takeover bids were found unsuccessful. The merger and acquisition activity got the momentum during 1991. Most of the post-liberalisation mergers were horizontal mergers (50%) in 1991 and in 1992 it increased to 65% of the total number of mergers. While in 1991 corporate India announced 71 mergers and acquisitions plans, by 1994 the number had swelled to 361 and it was roughly 448 in 1995 according to a survey made by the Indian Institute of Management, Calcutta. However, according to the reports of Centre for Monitoring Indian Economy (CMIE) the total number of mergers and acquisition deal in 1999-2000 was estimated at 765, which is 162 per cent higher than the total number of estimated deals in the previous year (292). Along with the rise in the number of mergers and acquisition deals, the amount involved in such deals has risen over time. During 1999-2000, the amount involved in mergers and acquisitions deal was estimated Rs. 36,963 crore which was 130 per cent higher than the amount (Rs.16,070 crore) involved during 1998-99. Going through the trend in merger and acquisition activities, it

Number of Mergers and Acquisitions in India




appears that mergers account for around one-fourth of the total merger and acquisition deals in India. It implies that takeovers or acquisitions are the dominant feature of merger and acquisition activity in India, similar to the trend in most developed countries, globally. With the rise in the number of mergers and acquisitions, there was also a rising trend in the number of open offers, albeit at a lower pace. The number of open offers rose by 27.5% to 88 in 1999-2000 from 69 in 1998-99. However, the amount involved in the open offers rose by around 44% during the same period.

## Major Mergers and Acquisitions in India - A brief overview

## The HLL and BBLIL Merger

Mr. V. K. Viswanathan, Financial Controller of Hindustan Lever Limited referred the merger between Hindustan Lever Limited (HLL) and Brook Bond Lipton India Limited (BBLIL) as a classic strategic merger between the two companies. On comparison of the combined HLL-BBLIL financial result during 1997 with those of the merged entity in 1996 it is evidenced that the merger proved the way to improved result.

| | Combined HLL-BBLIL (1995) | HLL-BBLIL (1996) | HLL-BBLIL (1997) |
|---|---|---|---|
| Net Sales | 5440.92 | 6600.1 | 7819.71 |
| PBT | 549.37 | 605.3 | 850.25 |
| PAT | 365.68 | 412.7 | 560.37 |
| Equity Capital | 199.20 | 199.20 | 199.2 |
| Earnings Per Share | 16.36 | 20.72 | 28.14 |

## The BPL Merger

The Rs. 2500 crore BPL Group consolidated with the group companies - the Rs. 161.83 crore BPL Sanyo Technologies, the Rs. 215.95 crore BPL Refrigeration, and the Rs. 229.29 crore BPL Sanyo Utilities into the Rs. 1180.38 crore BPL Ltd., giving birth at one stroke to a

Rs. 1504.45 crore consumer electronic giant. The primary pay off was the improvement in the form of a post-merger debt-equity ratio of 1.14, which was higher than the pre-merger ratio of 0.94 for BPL Ltd. and 0.82 for BPL Refrigeration, and was still much lower than those of BPL Sanyo Technologies (1.52) and BPL Sanyo Utilities (1.70).

**Hilton Rubbers Merger with Synthetics & Chemicals Ltd.**

Synthetics and Chemicals Ltd. took over management control of Hilton Rubbers - the third largest conveyor belt manufacturing company in India. A consistent profit making company until March 1994, Hilton Rubber recorded a decline in sales in 1995 and the management of the company decided to change the management. Synthetics & Chemicals Limited was the country's largest manufacturer of SBR, used as a raw material in producing conveyor belt and V-belts. Thus, the takeover of Hilton Rubbers was a forward integration activity for Synthetics & Chemicals Limited.

**Vashisti Detergent Merger with Hindustan Lever Limited (HLL)**

Vashisti Detergent, which had a plant to manufacture 30000 tonnes of synthetic detergent in India, was in financial difficulties and was making losses for the consecutive years. The acquisition by HLL helped the company to further consolidate its market share in the synthetic detergent segment.

**TOMCO Merger with HLL**

With the merger between Tata Oil Mills Company Limited (TOMCO) and HLL, the later controlled a formidable 65% of the 450000 tonnes toilet soap market. In contrast, its closest competitor Proctor and Gamble even after its alliance with Godrej could lay claim to only around 15%. The post-merger HLL's net profit soared from Rs. 127 crore in December 1993 to Rs. 182.2 crore in December 1994 with EPS of Rs. 9.07 and Rs. 12.5 respectively. The P/E ratio as on December 1994 was 44.8 and the net worth per share increased to Rs. 27.57 in December 1993 from Rs. 23.80 in December 1992.

**Merger of Gujrat Leasing & Finance with Torrent Pharmaceuticals**

The post-merger net profit of the combined entity increased from 8.73% in 1994 to 11.35% in 1995. The average sales also showed a northward trend from 7.89% to 11.85% and the EPS was Rs. 14.25 in 1995 compared to Rs. 11.52 in 1994.

**Merger of ICICI with SCICI**

The post merger effect was seriously felt in the above merger. ICICI's asset base was expanded by 25% and its net worth as well. The merger also resulted in lowering the administrative expenditure and increased the investors' base. The net worth of the combined entity increased to Rs. 4000 crore, while the assets size also increased to Rs. 48000 crore at the end of 1996. ICICI reported a 62% increase in its after-tax profit at Rs. 770 crore for 1996-97.

**Merger of Whirlpool India Limited with Expo Machines India Limited and Kelvinator India Limited**

This was a case of unsuccessful merger as the problem started with the reasons of merger. The net profit ratio decreased from (-0.101) in 1996 to (-0.232) in 1998 and the ROI also showed the decreasing trend from (-0.044) to (-0.191) during the same period. However, it was anticipated that as the prospects for the white goods industry look encouraging the company was well placed to do well in the near future.

### Unsuccessful Mergers

### Mergers of Indian Shaving Products with Gillette

Indian Shaving Products Limited (ISPL) had been among the worst performing MNC stocks during the late nineties. This was largely due to a 'consolidation' exercise mooted by the company in the last quarter of 2000. It planned to merge two unlisted subsidiaries of the parent — Wilkinson Sword India Private Limited and Duracell India Private Limited — with itself. The merged company reported an improved performance for the quarter ended June 2000. The turnover increased by 43% to Rs. 82.84 crore. The growth in post-tax earning was affected by the sharp rise in tax provisions and promotional costs. The merger with the ongoing capacity expansion ensured that the company grew at a steady pace.

As both companies were unlisted, details about their financials were skimpy. Speculation on the substantial accumulated losses on the balance sheets of the merging companies built up, and the ISPL stock steadily lost value. The company's deferment of its performance announcement for the crucial quarter, when it was to give effect to the merger, added to the apprehensions. Both the swap ratio and the financials of the merged entity showed that ISPL's financials deteriorated in the immediate aftermath of the merger. While its equity base more than doubled post-merger, there had not been a simultaneous increase in profits. As a result, ISPL's EPS crashed from Rs 15.10 pre-merger to Rs 6.30 post-merger.

### Global Mergers and Acquisitions - Some Success Stories

### Morgan Stanley - Dean Witter Merger

The merger of renowned investment Bank Morgan Stanley with the third largest brokerage house in the US, Dean Witter formed the biggest security company in the US. The deal first came into the limelight in the beginning of February 1997. The acquisition was made in the form of a stock-swap merger wherein each Morgan Stanley share was exchanged for 1.65 shares of Dean Witter. The new company "Morgan Stanley Dean Witter Discover Co." was formed by the end of July 1997. However, the name slowly transformed to Morgan Stanley as it is called today. During 2000, the revenues of the merged entity increased by over 100 per cent to $ 45,413mn from $ 22,171mn in 1996. Maintaining the same rhythm, the net revenues of the company went up form $ 12,023mn in 1996 to $ 26,427mn by 2000, an increase of over 115 per cent. Net income of the company grew by 175 per cent from $ 1980mn to $ 5456mn.

Morgan Stanley Dean Witter (MSDW) conducts its business in three broad segments comprising of securities management, asset management, and credit services. These three business segments among themselves cover all the possible financial service products offered by MSDW to its extensive range of customers. In spite of the internal hurdles, the merged entity delivered good if not great return. From its number three position in 1999, it had jumped to number one spot by 2000. It also performed as the advisor of the two-mega deals in 2000.

Moreover, it also acted as one of the intermediaries in both the deals involving America Online (AOL) - Time Warner and Glaxo - Wellcome Group.

**Compaq - Digital Equipment merger**

The acquisition of Digital Equipment Corporation by Compaq Corporation was referred to as one of the deals of historic importance in the history of computers. The \$ 9.6bn deal that consummated in June 1998 was the largest ever after the acquisition deal involving NCR and AT&T worth around \$ 7.8bn. In 1995, Compaq had first approached Digital for acquisition. However, Digital felt that its shares were under-valued. Thereafter the overall position of Digital Equipment deteriorated rapidly and by 1998 it had reached at a very dismal stage. It had to suffer a loss for consecutive three years between 1995 and 1998 that made it more vulnerable to 'takeover' talks. As the management of the Digital Equipment urgently felt that it would be very tough to survive and in 1998 it bowed down to Compaq and accepted the deal. The cash and stock deal included the payment of \$ 30 for each share of Digital Equipment besides the issue of 0.945 shares of Compaq for every share of Digital Equipment. Compaq issued 150mn shares in all to the Shareholders of Digital Equipment. In the two years following the acquisition, Compaq's revenues showed an improvement of 19 per cent in the first year and 9 per cent in 2000. Compaq's net income was \$ 1.7bn in 2000 as against \$ 486mn in 1999. The operating expenses of Compaq have been consistently coming down owing to the restructuring and reduction in the cost structure. The operating expenses of the company have declined to 17.5 per cent in 2000 from 20.7 percent in 1999.

**Post-merger and Some of the Indian Companies**

**Asea Brown Boveri (India) Limited**

Flakt India, a group company in which the parent held 51 per cent, was merged with Asea Brown Boveri (India) Limited (ABB). ABB was always been a key supplier of power equipments in the country, ushering in the latest technology. Pursuant to the scheme of amalgamation, Flakt India Ltd. issued 36,88,196 equity shares of Rs. 10 each at par. The merger between Flakt India with ABB showed an increase in net profit margin. It went up from 6.78 per cent in 1993 to 8.22 per cent in 1994 while the average net profit increased from 4.98 per cent in pre-merger to 9.49 per cent in post-merger period. There was also an increase of 37 per cent in average return on total assets (ROTA) from 9.18 per cent to 12.58 per cent. There was improvement in earnings per share from Rs.14.89 in 1993 to Rs.16.35 in 1994. Also average dividend per share registered a growth of 79.80 per cent from Rs.2.87 to Rs.5.16. The merger also resulted a decline in administrative expenses, selling expenses and average operating expenses as well.

**Arvind Mills Limited**

The merger between the two companies took place in 1994. As a result, the net profit ratio increased from 12.81 per cent in 1994 to 15.52 per cent in 1995. The average net profit showed a good growth from 10.30 per cent in pre-merger period to 15.26 per cent in post-merger period. The return on total assets (ROTA) increased from 7.01 per cent in 1994 to 7.85 per cent in 1995. But, there was a slight decrease in average ROTA from 9.57 per cent of pre-merger period to 9.22 per cent of post-merger period. Earnings per share (EPS) increased from Rs. 7.57 to Rs. 9.08 after the merger. The average earnings per share also showed a rising trend from Rs. 10.71 in pre-merger years to Rs. 11.05 in post-merger years. Dividend per share also improved significantly from an average of Rs. 3.23 during pre-merger to Rs. 4.46 during the post-merger period. The expenses ratios showed a mixed reaction. Where there was a downward trend in administrative expenses, the average selling expenses increased marginally from 3.22 per cent in pre-merger to 3.51 per cent in post-merger period.

**Dr. Reddy's Laboratories Limited**

The merger of Dr. Reddy's Laboratories (DRL) with Cheminor Drugs Limited (CDL) was proposed in 1998 to become the third largest pharmaceutical company in India with participation in every element of the value chain. The Board approved the merger in 2000 and nine equity shares of DRL were allotted for every 25 equity shares of CDL held. Following the merger of CDL, the role of bulk drugs, especially in exports, had grown in importance. The merger helped to give DRL a holding in the international generics (off-patent drugs) market where CDL had a presence. The sales of the company for Q1FY01 registered a growth of 16.61% to Rs.445.70 crore as against Rs.382.20 crore in the same quarter of the last fiscal. The total income for the quarter ended March 31, 2001 was at Rs 462.10 crore as compared to Rs 401.60 crore in the corresponding period last fiscal. The company posted a net profit of Rs 57.40 crore for the quarter ended March 31, 2001 as compared to Rs 39.10 crore for the quarter ended March 31, 2000. The company earned a technology licensing income of Rs 23.30 crores for the quarter ended March 31, 2001. The sales of the company, however, decreased to Rs.445.70 crore in the Q1FY01 compared to Rs.478.50 crore in Q4FY00, registering a decline of 6.85% on sequential basis. The net profit increased by 18.84% on sequential basis to Rs.57.40 crore in Q1FY01 compared to Rs.48.30 crore in Q4 FY00.

**Glaxo Smithkline Pharmaceuticals Limited**

The company was incorporated in India during 1924 under the name of H. J. Foster & Co. Ltd., an agency house for distributing the well-known baby food 'Glaxo'. The merger of Glaxo India, Burroughs Wellcome, and SmithKline Beecham Pharma created the second largest pharmaceutical company in India after Ranbaxy Laboratories, based on the results for the year ended 31 December 1998 with its sales of Rs 1,382.06 crore. While Glaxo Wellcome hold 51 per cent in Glaxo India and Burroughs Wellcome India, SmithKline Beecham hold 40 per cent affiliate of the UK-based parent company. Glaxo opted for restructure at a time when its operating margins started to dip, sales showed signs of stagnation. At the same time, it was saddled with excess manufacturing facilities, labour force and low margin products. All these factors had made the company to lose its market share. The restructuring drive mainly focused on trimming costs and enhancing competitiveness. After a year-and-half of restructuring, it came back more strongly and reported good sales and increased profitability. The sales of the company for the first quarter of FY01 showed a negative growth of 3.61% touching Rs.176.62 crore as against Rs.183.24 crore in the same quarter of the last fiscal year. The other income also declined by 61.74% from Rs.16.65 crore in Q1FY00 to Rs.6.37 crore in Q1FY01. On a sequential basis, the sales of the company decreased to Rs.176.62 crore in the Q1FY01 compared to Rs.212.79 crore in Q4FY00 registering a negative growth of 17%. The total expenditure of the company in Q1FY01 declined by 7.03% to Rs.160.38 crore compared to 172.51 crore in Q4FY00. The proportion of expenditure as a percentage of sales declined from 94.14% in Q4FY00 compared to 90.8% in Q1FY01. The margins showed a decline both on the operating and net fronts. The operating profit margins showed a decline from 14.94% in Q1FY00 to 12.80% in Q1FY01. The net profit margins also declined from 7.69% in Q1FY00 to 5.76% in Q1FY01. Consequent upon the formation of Glaxo SmithKline plc on December 27, 2000 Glaxo and SmithKline Beecham in India merged on April 13, 2001. After the merger of SmithKline Beecham Pharmaceuticals (SBP), Glaxo India, which was already a market leader, showed increase in its share to 7 per cent with the aggregate of Glaxo India's market share of 4.4 per cent, Burroughs Wellcome's market share of 1.3 per cent and SBP's market share of 1.29 per cent. The relaxation in the price control regime and the outcome of the mergers that had been undertaken had a long-term bearing on Glaxo's fortunes for the future growth. During 2nd quarter ended 2002 there had been a major change in the overall performance of the company. The sales on product and services increased from Rs. 2835mn to Rs. 2973.5mn i.e. there was an increase of 4.89% in comparison to the same quarter of the last year. There was also a sharp increase in total income by 7.03% and a decrease in total expenses by 4.44%. There was a shift in profit after tax of Rs. 373.8 mn which was an increase by 130.19% in comparison to the last year.

**HDFC Bank**

The merger deal between Times Bank and the HDFC Bank was a successful venture, facilitating the HDFC Bank to emerge as the largest private sector bank in India. The new entity, HDFC Bank, now has a customer base of more than 6,50,000 to serve and a network of 107 branches. With the merger, HDFC Bank's total deposits touched Rs. 6,900 crore and the size of the Balance Sheet crossed massive 9000 crore mark. The bank not only gained from the existing infrastructure but also from the employee work culture. One more advantage to the bank was the expansion of the branch network. The merger also had product harmonization as HDFC had the Visa Network and the Times bank had Master Card Network. While HDFC has more metro branches (65 percent) and Times Bank with more urban branches (43 percent), the merger led to enlarge the potential market. The Bank also registered a robust growth in Balance Sheet parameters as well. Total deposits increased by 51% from Rs. 11658 crore to Rs. 17654 crore. Savings account deposits increased by 55% from Rs. 1903 crore to Rs. 2957 crore. Total advances grew by 47% to Rs. 6814 crore. The Bank's core customer assets (advances and credit substitutes like commercial paper, corporate debentures etc.) increased from Rs. 7182 crore in March 2001 to Rs. 10452 crore in March 2002. There was also a significant step up in 2001-02 in the pace of infrastructure creation. Total number of branches increased from 131 in March 2001 to 171 in March 2002 and the number of ATMs increasing to 281 from 68 in the previous year. During financial year 2000-01 growth in the wholesale banking business continued to be driven by new customers acquisition from Times Bank, increased penetration and higher cross sales. Total cash management volumes (collection and disbursement) were around Rs. 145,000 crore during this period making the bank as one of the leading players in this business. The Banker's retail business witnessed strong growth. Total number of retail account increased from 1.4 million in 2001 to over 2.2 million in 2002, a growth of about 50%. The total retail assets portfolio increased from Rs. 845 crore to Rs. 1430 crore as on 31st March 2002, an increase of 69%. The Bank's ratio of gross non-performing assets (NPAs) to total customer assets was 1.96%, net NPAs were 0.5% of net advances and 0.3% of customer assets on 31st March 2002, as against 0.45% and 0.29% respectively as on 31st March 2001.

## Hindustan Lever Limited

Hindustan Lever Limited (HLL) is India's largest marketer of soaps, detergents and home care products. It has the country's largest personal products business, leading in shampoos, skin care products, colour cosmetics, deodorants and fragrances. HLL is also the market leader in tea, processed coffee, branded wheat flour, branded iodised salt, tomato products, ice cream, soups, jams and squashes. The liberalization of the Indian economy, started in 1991, clearly marked an inflexion in HLL's and the group's growth curve. In one of the most visible and talked about events of India's corporate history, the erstwhile Tata Oil Mills Company (TOMCO) merged with HLL, effective from April 1, 1993. In 1995, HLL and yet another Tata company, Lakme Limited, formed a 50:50 joint venture, Lakme Lever Limited, to market Lakme's market-leading cosmetics and other appropriate products of both the companies. Subsequently in 1998, Lakme Limited sold its brands to HLL and divested its 50% stake in the joint venture to the company.

**Details of mergers and acquisitions**

| Merging company | Merged with | Appointed date | Effective date | Date of appointment | Share ratio | Value of fraction (Rs.) |
|---|---|---|---|---|---|---|
| Kothari General Foods Corp. Ltd. | Brooke Bond India Ltd. | 1.1.92 | 1.1.92 | 30.6.92 | 21 : 1 | 7.00 |
| Tea Estate India Ltd. | Brooke Bond India Ltd. | 1.1.93 | 1.6.93 | 24.8.93 | 10 : 12 | 32.25 |
| Doom Dooma India Ltd. | Brooke Bond India Ltd. | 1.1.93 | 1.6.93 | 24.8.93 | 10 : 11 | 35.25 |
| Kissan Products Ltd. | Brooke Bond India Ltd. | 1.4.93 | 20.1.94 | 22.1.94 | 1 : 100 | Not applicable |
| Lipton India Ltd. | Brooke Bond India Ltd. | 1.7.93 | 9.3.94 | 16.5.94 | 10 : 9 | 48.99 |
| The Tata Oil Mill Co. Ltd. | Hindustan Lever Ltd. | 1.4.93 | 28.12.94 | 5.4.95 | 15 : 2 | 38.86 |
| BBLIL | Hindustan Lever Ltd. | 1.1.96 | 21.3.97 | 16.5.97 | 20 : 9 | 52.82 |
| Pond's (India) Ltd. | Hindustan Lever Ltd. | 1.1.98 | 15.10.98 | 3.3.99 | 4 : 3 | 525.00 |
| Industrial perfumes Ltd. | Hindustan Lever Ltd. | 1.1.99 | 9.2.2000 | 23.12.2000 | 5 : 2 | Not applicable |
| International Best-foods Ltd. | Hindustan Lever Ltd. | 1.6.2001 | 26.9.2001 | 20.12.2001 | 3 : 2 | 73.84 |

**Source : Annual Report, 2002**

**Performance Highlights for 2001**

- Net sales up by 3.5 per cent - from Rs. 10604 crore in 2000 to Rs. 10972 crore in 2001. Of this net sales of power brands grew by 6.5 per cent.
- Profit before depreciation, interest and taxes (PBDIT) up by 15.9 per cent -from Rs. 1809 crore in 2000 to Rs. 2096 crore in 2001.
- Profits before tax (PBT) up by 16.7 per cent - from Rs. 1665 crore in 2000 to Rs. 1943 crore in 2001.
- Net profit up by approximately 25 per cent - from Rs. 1310 crore in 2000 to Rs. 1641 crore in 2001.
- Return on net worth (RONW) up from 52.6 per cent in 2000 to 53.9 per cent in 2001.
- Earnings per share (EPS) up by 25.2 per cent - from Rs. 5.95 in 2000 to Rs. 7.46 in 2001.
- Total dividend up from Rs.3.50 per share of Re.1 in 2000 to Rs.5 in 2001.
- Seven new manufacturing units commissioned in record time, with an investment of Rs. 162 crore. Three factories received the 'TPM Excellence Award' from JIPM, Japan.
- Operating profit in foods doubled in 2001, and gross margins increased by 5 percent points
- New confectionary venture took off, and occupied No. 1 position in its segment in Tamil Nadu within six months.

**ICICI Bank**

ICICI Bank, a leading technology-oriented private sector bank took over Bank of Madura, a profitable and well-capitalised, private sector bank, in operation for 57 years with a national network of 263 branches including presence in each of the top 30 banking centres in the country. The objective behind the merger was to expand its customer base and branch network. Based on the key parameters such as net worth, total deposits, advances and NPAs, the ICICI Bank was in a much better position comparing to Bank of Madura. The amalgamation not only enabled the ICICI Bank to have a stronger financial and operational structure through greater resource/deposit mobilization but also helped them to emerge as one of the largest private sector banks in the country. The scheme of amalgamation helped the entity to increase the equity base to Rs. 220.36 crore. The merged entity increased its asset base over Rs. 160 bn and a deposit base of Rs. 131 bn. The number of branches increased to 360 and a similar number of ATMs across the country which enabled the entity to serve a large customer base of 1.2 million customers of Bank of Madura through wider network, adding to the customer base to 2.7 million. Moreover, technology based process innovation and extensive cross selling, with a central focus on customer satisfaction are some of the comprehensive array of products and services of the merged entity. ICICI Bank's total assets increased to Rs. 1041.10bn as on

March 31, 2002 compared to Rs. 197.37bn at March 31, 2001 primarily due to the merger. The total deposits increased by 95.9% to Rs. 320.85bn from Rs. 163.78bn in 2001. The boost was achieved through a strong focus on deposit mobilization and fully leveraging the branch network after the merger with ICICI.

On March 30, 2002 ICICI and ICICI Bank, together with other ICICI group companies, formed a "virtual universal bank" to provide a wide range of products and services while presenting a single face to the customers, and it marked a new era. When RBI permitted the transformation of financial institutions into banks, the company was able to create an optimal structure of being a complete financial service provider, through the merger of ICICI and ICICI Bank. The merger helped to create an organization that combined the complementary strengths and capabilities of different entities. The merger also enabled seamless delivery of the complete range of banking solutions to corporate clients. ICICI Bank's total assets increased to Rs. 1041.10bn as on March 31, 2002 compared to Rs. 197.37bn at March 31, 2001 primarily due to the merger. The increase in investment and cash and balance with RBI was due to the compliance with SLR and CRR requirements on ICICI's liabilities. The total deposits increased by 95.9% to Rs. 320.85bn from Rs. 163.78bn in 2001. The increase was achieved through a strong focus on deposit mobilization and fully leveraging the branch network after the merger with ICICI.

**India Cement Limited**

India Cements Ltd. (ICL), the southern cement major was among the first few companies in the domestic cement industry to go on the acquisition binge before others could get their act together. In a major consolidation drive, which ICL initiated during 1997-98, it acquired several companies, namely Visaka Cements, Cement Corporation of India's Yerraguntala plant, Raasi Cement, and Sri Vishnu Cement, spread across the southern region. As a result of the merger of the cement division of Raasi with ICL, during FY 1998-99, the combined cement capacity of ICL increased up to around 8 mn tpa. The operating income of the ICL-Raasi combine grew by 55 percent y-o-y primarily due to availability of higher cement capacity and a steep rise in the property income. On the operational front, the combination was able to improve the raw material consumption. This helped reduce the unit cost per ton to Rs.1220 per ton in FY 1999 from Rs. 1350 per ton in FY 1998. Operating margins did not see any significant improvement and, in fact, remained stagnant at 22%. Concerted efforts by the company on brand building and value addition helped it to achieve greater penetration in some parts of the southern region. As far as impact on costs, due to synergy, is concerned, post-merger, results indicate that ICL achieved considerable success on this front. Post-merger selling costs, during FY 1998-99, rose only marginally to 17.53 percent of the overall costs from 16.61 percent in the previous year. In the FY 1999-2000, the combined entity registered only a marginal rise in sales on account of the sluggish demand during some part of the year. Profit after tax, on the other hand, fell sharply by nearly 46 percent to Rs. 453.2mn, during the year, from Rs. 836.6mn recorded in the previous fiscal. The steep decline in profits was attributed to a major extent to the fall in cement prices during the fourth quarter of the said fiscal. Cement prices in the southern markets weakened substantially during the quarter due to poor demand from both the housing and infrastructure sectors. As a result, even though the cement volumes increased by 26.7 percent y-o-y, during the period, the fall in prices had a significant impact on the margins of the ICL-Raasi combine. From gaining market shares to growing in size, the post-merger performance of ICL vindicated the management's acquisition initiatives. The synergies achieved so far because of acquisition of Raasi to a considerable extent justified the acquisition premium. The company's success in increasing sales and improving its fundamentals showed that managerial initiatives, so far, were in right direction. However, there is still long way to go before the true benefits of the M & A s initiatives could be reaped.

**Novartis India Limited**

Novartis was created in 1996 as a merger of two Swiss chemical/pharmaceutical companies: Sandoz and Ciba Geigy. The merger was a clear indication of companies went for the new business opportunities and to enjoy the leapfrog advantage over its competitors. Novartis was therefore a 're-birth' towards what corporations now term the 'life sciences', involving pharmaceutical and agri / healthcare biotech acquisitions, and divestments in chemicals. The activities of the merging companies mainly concentrated in 4 areas: pharmaceutical products for human use, veterinary products, agrochemicals and seeds. After the Ciba-Sandoz merger Novartis became positioned in number 12th, with the combined market share in pharmaceuticals of both entities standing at around 2.1 per cent. Before the merger Ciba was ranked 17th while Sandoz was at 35th position. Merger synergies were reflected in the first half with a doubling of net profit and a 17 per cent rise in sales. The reason of the success of Novartis attributed to many reasons. But the company itself believed that that the main reason for the success was that the two companies were compatible in terms of their culture. Moreover, they were in complementary fields of pharmaceuticals and they did not eat into each other's territory, when they merged. Finally, they had a common vision which ultimately helped them to do a better performance than they have themselves expected. The Sandoz-Ciba Geigy merger has in some way has given a new dimension to the consolidation drive in the global drug industry. This continued efforts by Novartis to acquire strategically fit companies helped it to be one of the leaders in the global pharmaceutical industry.

**Reliance Industries Limited**

The merger of Reliance Petroleum Limited (RPL) with Reliance Industries Limited (RIL) represents the largest ever merger in India, creating the country's largest private sector company on all financial parameters, including sales, assets, net worth, cash profits and net profits. The merger creates RIL as India's only world scale, fully integrated energy company, with operations in oil and gas exploration and production (E&P), refining and marketing (R&M), petrochemicals, power and textiles. The benefits of the RIL-RPL merger extended even beyond the exploitation of synergies. After the merger RIL has able to leverage its new, considerably bolstered balance sheet to raise funds. The merger has also helped RIL the necessary clout to take an international and domestic competition. Over the past decade and a half, Reliance has pioneered many developments in the corporate sector. It has been the first company to convincingly enthuse the stock markets through the partly convertible debentures route, among the first to see the potential of the merger and acquisitions route and the only Indian corporate to tap dollar funds for very long periods. For the company, the recent merger is both an important landmark as well as a convincing demonstration yet again of its ability to take full advantage of the emerging scenario. With this merger, the group makes a grand entry in the exclusive Fortune 500 list of the world's biggest companies, ranking at around 425, ahead of global majors such as Marks & Spencer, Royal KPN, Christian Dior and Northwest Airlines. Post merger, the corporate behemoth becomes number two in terms of sales after Indian Oil Company Limited, profits after Oil Natural Gas Commissions and market capitalisation after Hindustan Lever Limited.

| Particulars | RIL (in RS. Crore) | RPL (in Rs. Cr) | Combined RIL & RPL (in Rs. Cr) estimated | Combined RIL & RPL (in Rs. Cr) actual |
|---|---|---|---|---|
| Net Sales | 28008 | 28893 | 56901 | 86585 |
| EBDIT | 5526 | 3283 | 8809 | 7120 |
| PAT | 2646 | 1463 | 4109 | 3243 |
| Equity Capital | 1053 | 5201 | 1053* | 1053* |
| Reserves | 13712 | 3497 | 17205 | 26416 |
| Net Worth | 14765 | 8698 | 27812 | 27812 |
| Debt Equity Ratio | 0.72 : 1 | 1.45 : 1 | 0.88 : 1 | 0.64 : 1 |
| EPS | 25.10 | 29.44 | 29.44 | 23.40 |

## Conclusion and observations

Implementing mergers and acquisitions is still a formidable challenge for many corporate entities and to survive in this competitive environment. The complexity in the deals makes implementation and subsequent evaluation even more difficult. Yet, there is little doubt that companies that master the art of acquisitions will gain subsequent market advantage. When there is a sound strategy behind the merger, the process can become an important tool for gaining a competitive advantage in the global market. While changes in technology and deregulation have lowered the entry barriers, they have increased the number of mergers and acquisitions as companies seek to increase "efficiency" and "growth". Synergy is popularly cited as a prime reason for planning mergers. Merger results, though, are expected to be mixed, and often, the anticipated synergies fail to materialize. Analysis conducted by PricewaterhouseCoopers (PwC) shows that over half of the announced utility mergers since 1997 have failed to increase shareholder value post-merger. Other industry surveys have resulted in similar observations; 58 percent of mergers failed to reach goals set by top management and 78 percent of mergers were mistakenly driven by fit instead of vision. The reasons for these disappointing results include: poorly defined strategic motivations for doing the deal, regulatory issues that do not receive enough attention, overpaying, inadequate transition planning in pre-closing, and integration problems after the deal is done. Based on our extensive experience in mergers and acquisitions and post-merger integration, PwC has developed a five-phase approach to the merger lifecycle - strategy through implementation and monitoring. We have identified ten potential pitfalls to avoid in these merger-lifecycle phases — the source of the majority of M&A failures.

1. Most merger or acquisition failures are linked to problems with post-merger integration. Cultural and people issues consistently rank as one of the main difficulties in executing acquisitions.
2. Probably the most consistent predictor of merger and acquisition success is past experience in acquisitions. Companies that have solid foundations in HRM and a good track-record in managing change also tend to be good at managing acquisitions.

3. There are different strategic logics behind merger and each has different implications for the nature of the post-merger integration process. Thus, one should think about the end state before starting.
4. The integration process starts with the creation of a vision and strategy for the combined organization. Clarity in communication about the strategy is an essential foundation for success.
5. However well the acquisition process has been prepared, one cannot avoid the merger syndrome — the shock/stress cycle experienced by the 'losers' and the victory cycle experienced by the 'winners'.
6. Many acquisitions fail because of the loss of key talent, so retention of talent should be given top priority.
7. To keep and maintain time is very important to survive and to sustain. Key decisions about management structure, efficient HRM, speeding up the process, measuring merger and acquisition outcomes should be given proper importance as far as possible.

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