

A STUDY ON MERGER AND ACQUISITION OF SELECTED MANUFACTURING COMPANIES OF INDIA

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Abstract

Merger and acquisition are used to gain competitive advantage over other companies. To gain advantages like market share for improving competitiveness of companies and entering new market and benefit of synergy and economical scale of company. India has emerged as one of the top countries with respect to merger and acquisition deals. Indian manufacturing companies have been actively involved in M&A in domestic level as well as international level also. Therefore this paper has been designed with aim to study on M&A of selected manufacturing industries in India by examining industry wise-trends and progress of merger and acquisition in India year wise. In order to analysis the sector wise and year wise variation in trends and progress of M&A in India, two way anova has been employed. From the analysis we observe that the number of M&A deals decreased.

KEY WORDS: Merger and Acquisition, Manufacturing industry, Trend and progress of M&A in manufacturing industry, Corporate restructuring, Analysis is it.

INTRODUCTION

Merger and Acquisition have long been an important component of corporate strategy as well as represent an important alternative for strategic expansion through inorganic growth. M&A as growth strategy have received attention both from developed as well as emerging economics, they have extensively used by manager as an expansion strategy. In Indian industry, the pace for merger and acquisition activity picked up in response to various economic reforms introduced by the government of India. Since 1991, in it's move towards liberalization and globalization the Indian economy has undergone a major transformation and structural change following the economic reforms, and size and competence have become the focus of business enterprises in India. M&A emerged as one of the most effective methods of such corporate restructuring and become in integral part of the long term business strategy of corporate in India. The phrase mergers and acquisitions refers to the aspect of corporate Strategy, corporate finance and management dealing with the buying, selling and combining of different companies that can aid, finance, or help a growing company in a given industry grow rapidly without having to create another business entity. In business or economics a merger is a combination of two companies into one larger company. Such actions are commonly voluntary and involve stock swap or cash payment to the target.

Indian companies realized the need to grow and expand in businesses that they understood well, to face growing competition; several leading corporates have undertaken restructuring exercises to sell off non-core businesses, and to create stronger presence in their core areas of business interest.

Acquisition, also known as a take over or a buyout is the buying of one company by another. In 2018, has been a block buster year for deal activity in India. This year has broken all previous records by crossing the USD 100 billion mark in Terms of deal value across both private equity and strategic transactions. In many years M&A are strategic tools with help of every company to use for growth or expansion of company. Over the last decade, M&A in the Indian industry have continuously increased in terms of numbers of deals and deal volume. Among the different Indian sectors that have resorted to merger and acquisition in recent times Telecom, finance, FMCG, construction, Automobile, steel industry are worth monitoring.

LITERATURE REVIEW

S. Vanitha and M.selvam found that during pre and post merger of Indian manufacturing companies are successful. They have used hypothesis test for analysis of merger in manufacturing companies study on it. They give result that after merger of manufacturing company growth are increase and expansion of companies also.

TH Ismail There are in conclusive results on the M&A on corporate performance as well as factors that might affects such identify synergies. By TH Ismail, RM Annis.

Harpreet Singh Bedi found that what future scenario of manufacturing industries on the basis of number of deals and deals of volume. He used two way anova methods for the study and they suggest what future scenario of manufacturing industry in India.

Overseas M&A in Indian enterprises by **Jaya Prakash Pradhan and vinoj Abraham** are research on it. They analysis on overseas of M&A by Indian companies on the bases of number of deal and they use 2-test and level of significant to analysis for it. They motivated by a wide number of reasons from access to international market in market growth and to survive in on increasingly competitive business environment.

Beenasaraswathy found that impact of M&A on competition in the Indian manufacturing industry. They analysis market share of manufacturing industry and they uses disappearance rate of various industry.

Two main research approaches offer finding that can help us in forming a view of M&A firms in India by **B R Kumar and P. Rajib** Thirty years of M&A research are analysis that futu6 opportunities and growth of companies are go for M&A for benefit of synergy. By **S. Cartwright and R. Schoenberg**

D k datta, G E Pinches are analysis that merger and acquisition are wealth creation of company as measured in the observation across various studies.

OBJECTIVES OF STUDY

- (1) To study the effect of M&A on what are position of manufacturing industry in India.
- (2) To study the presence of trends and progress of M&A in India.
- (3) To analyse year-wise and industry-wise variance in number and amount of M&A deals.

RESEARCH METHODOLOGY

To cover the above objectives following Hypothesis have been finished:

(1) There is no significant difference in number and amount of M&A deals in between years and between industries.

(2) There is no significant difference between M&A progress in manufacturing industry.

The study by the trends of industry year wise and progress of merger and acquisition year on the basis of :

Manufacturing industry, there are many sector are cover into like food and beverage industry, textile industry, chemical industry, non-metallic mineral products industry etc...We are study on all industries.

[1] Pharmaceutical industry: - Companies operating the industrial groups of chemicals, drugs, pharmaceuticals, cosmetics, petrochemicals, rubber, tyres and fertilizers industries are taken into account for analyzing the trend and progress under this sector. The Indian chemical Industry produces a large number of specialty chemicals which have very specific uses and are essential for increasing industrial production. Some of important manufacturers of specialty chemicals are NOCIL, Bayer (India) ICI (India), Hyco products and colour chemicals. The Indian drugs and Pharmaceutical Industry is one of the largest and most advanced among the developing countries.

[2]Textile Industry: In this Industry companies operating in cotton textile sector, wool, silk, Jute, vegetable fiber textile, and textiles wearing apparel products were taken into account. There are three sectors in this Industry; mill, power loom, and handloom sectors. The latter two are jointly considered under the heading decentralized sector. There are many reasons for fast development of the power-loom sub sector like Government's favorable policies on synthetic fabric industry; ability of the subsector to introduce flexibility in the product mix in line with the market situation; low labour cost achieved indirectly through the flexibility use of labour itself resulting in lower cost of production, and providing an edge in the marker; and increase in expo9rts from the power-loom subsectors. The important reasons for the M &A in this sector are: growth of power looms and handlooms sector at the cost of mill sector which has ultimately resulted in making them sick and unviable.

[3] Food and Beverages: The Indian food processing Industry plays a significant role in diversification and commercialization of Agriculture products, generates employments, enhances Income of farmers and creates surplus for export of agro foods. The main types of food processing industries are gain processing, consumer food processing, fruit and vegetable processing, milk and milk products, meat and poultry processing and fishery processing. Since, the deregulation of the food industry under the new industrial policy of 1991, there has been an sprut in filling of Industrial entrepreneurs memorandum (IEM) in various sub-sectors of food processing industry. The important reasons for M&A activity initiated in this industry are - deregulation, restructuring, disinvestment, restructuring carried out by the parent companies and presence of foreign players.

[4] Information Technology and Telecom: Companies operating in the information technology, software, telecom and convergence sector are clubbed in this group. The Indian software professionals have created a brand image in the global market. As per the NASSOCOM survey, more than 185 of the fortune 500 companies, that is almost two out of every five global giants outsource their software requirements from India. The capability of the Indian software Industry is reflected in the very high capitalization with a market capitalization of listed software companies in India estimated at US\$ 55 billion as on 30 June 2000. There is an increasing demand for Indian software professionals from other countries like USA, Germany, Japan and Australia.

[5] Energy, Power, Gas and Oil : Companies operating in the field of energy, power, gas and oil are included in this group. According to study by NACER, (National Council of Applied Economic Research, September 2003) that per capita consumption of electricity in India is much lower than many other countries with comparable per capita income. . The important reasons for the M&As in this sector are: a) opening up and reforms initiated; b) A low rate in growth in power generation depressed the growth rate of Industrial production and this has necessitated immediate attention of big companies like Reliance Industries; c) due to unavailability of power and frequent disruptions have given an impetus to M&As in this sector.

[6] Automobiles and Automobile Ancillaries: Companies operating in Automobile sector, locomotives, transport and spares have been included under this head. The current low penetration levels in India in all three segments of the Industry, namely commercial vehicles, passenger cars and two wheelers and the gross under exploitation of the potential of this sector has resulted in a relatively low (nearly 5 percent) share of industrial output in India compared to the 8 to 10 percent in other developing countries. The auto industry in India has shown greater advances since the abolition of the licensing in 1991 and the successive liberalization of the sector over the years. The freeing of the industry from a restrictive environment has increased the industries contribution to overall industrial growth in the country.

Table 1 :- Industry wise trends and progress of M&As in India (Number of deals)

SL NO	Sectors	2008	2009	2010	2011	2012	2013	2014	Grand Total	Mean
1	Pharma	50	40	48	45	37	31	25	276	39.43
2	Petrochemical	38	13	16	23	14	8	9	121	17.29
3	Energy, Gas, Power	27	30	27	37	26	24	33	204	29.14
4	Non metallic mineral	14	6	7	7	5	5	3	47	6.71
5	Tourism, travels	6	6	5	10	5	8	6	46	6.57
6	Paper products	3	2	3	3	1	4	0	16	2.29
7	Food products	22	16	32	36	30	16	16	168	24.00
8	Textiles, wearing	8	4	8	13	9	6	4	52	7.43
9	Finance, Banking	77	68	65	62	65	50	41	428	61.14
10	It & telecom	72	48	61	67	43	29	33	353	50.43
11	Electricals, electronics	38	25	24	27	19	17	16	166	23.71
12	Basic metal, alloy	20	6	25	39	20	19	14	143	20.43
13	Equipment, machinery	56	54	71	64	57	47	48	397	56.71
14	Transport equipment	9	6	7	5	16	13	3	59	8.43
15	Tobacco, beverages	10	7	8	11	4	5	2	47	6.71
16	Others	114	81	111	105	93	99	70	673	96.14
	Grand Total	564	412	518	555	445	381	323	3198	-
	Mean	35.25	25.75	32.38	34.69	27.81	23.81	20.19	-	-

Source: Author's calculation from M&A data base; CMIE

The following observation can be made from the Table no. 1

Total of 3198 M&A transactions took place in various sectors in India during the study period 2008 to 2014.

The highest number of deals (i.e., 564) was observed in the year 2008 and in the following year this figure was declined to 412, but a little improvement in 2010 and 2011, which accounts for 518 and 555 deals with a growth rate of 20.46% and 6.67% on year on year basis. Further rest of the years 2012, 2013 and 2014 the growth rate of M&A have been declined, which are recorded the negative growth rate of -24.72%, -16.8% and -17.8% during the year 2012, 2013 and 2014 respectively. Fig-3.4 provides graphical representation of year wise the total number of M&As during the study period. The trend of year wise composition of M&As in finance and Banking, Equipment and machinery industry and IT& Telecom are more consistent in comparison to other sectors during the study period. This indicates the fact that the consolidation were happening as an outcome of increasing competition in these sectors due to LPG policies under structural adjustment programs implications in 1991.

On analyzing, industry wise M&A deals it can be seen that, the maximum number of M&A have taken place in financial sector totaling to 428 with 61.14 of aggregate M&A during the study period. This followed by equipment and Machinery group with 397 M&A cases accounting for 56.71 aggregate and IT and Telecom with 353 deals accounting for 50.43 aggregate during the study period. The fourth were acquired by pharmaceutical sectors totaling to 276, with aggregate M&A during the study period. All the fourth sectors together accounted for 45.47% of total M&A deals during this period. On the other hand, least number of M&As are recorded for industry involved in paper products (16), Tourism and travels (47) and Tobacco, beverages (47). Fig-3.5 clearly indicates the aggregating M&A activity during study period across the several industry groups. This further indicates that, the economic reforms have influenced the M&A activity in India.

Industry-wise Trends and Progress of M&A in India

Sl. No.	Sector s	(Value of Deals)								Grand Total	Mean
		2008	2009	2010	2011	2012	2013	2014	(Rs. In Crores)		
1	Pharm a	6959	4649	94062	9072	12962	3791	5626	137120	19588.59	
2	Petro chem.	1620	50		158	8310	3490	7038	20665	2952.10	
3	Energy, Gas, Power	5321	18089	151564	3556	1218	25108	96317	301173	43024.67	
4	Non metallic mineral	22	224	200	720	281	0	0	1446	206.60	
5	Touris m, travels	0	0	3447	17855	105	259	63723	85389	12198.44	
6	Paper produc ts	28	135	380	2512	0	0	0	3055	436.40	
7	Food produc ts	3073	2451	39662	5637	5712	499	4808	61841	8834.46	
8	Textile s, wearin g	779	-	1112	-	732	16	-	2639	376.96	
9	Financ e, Bankin g	25133	15217	86262	69813	26509	38026	81658	342618	48945.49	
10	It & teleco m	23949	554	53653	38177	43010	418	9323	169084	24154.83	
11	Electric als, electro nics	6684	582	2961	9318	14483	10056	2225	46308	6615.40	
12	Basic metal, alloy	408	17500	5174	52863	15266	4905	11116	107232	15318.89	
13	Equipm ent, machin ery	4538	13570	68844	75793	68138	28738	2030	261651	37378.70	
14	Transp ort equipm ent	544	330	37158	18595	1029	153312	-	210967	30138.16	
15	Tobacco, bevera ges	20	-	19929	281	778	0	18	21026	3003.67	
16	Others	5344	22743	557166	32984	39808	61676	44192	763911	109130.16	
	Grand Total	84422	96093	1121572	337332	238340	330292	328074	2536125	-	
	Mean	5276.34	6005.79	70098.24	21083.28	14896.24	20643.24	20504.65	-	-	

Source: Author's calculation from M&A database, CMIE

Table 1 presents the value of M&As taken place in the various sectors from the year 2008 to 2014. The total value of M&As during this period is Rs. 25, 36,125 crores. The highest value of M&A transactions is recorded during the year 2010 which accounts for Rs. 11, 21, 572 crores with Rs. 70,098.24 crores aggregate per sector, which almost near to 50% of total amount of deals during the study period. The lowest value recorded in the year 2008, which accounts for Rs. 84, 442 crores the year wise amount of M&A deals.

Sector wise analysis of the above data indicates that, finance and banking industry comes under first place, the total value of these sectors recorded to Rs. 3, 42,618 crores during the study period. Energy, Gas and power industries are nearest to this amount, which accounts for Rs. 3,01,173 crores and the lowest amount of deals recorded in non metallic mineral and Textiles and wearing, which accounts for Rs. 1, 446 crores and Rs. 2, 639 crores respectively.

ANALYSIS

In order to analyze the sector wise and year wise variation in trends and progress of Mergers and Acquisition in India, two ways ANOVA has been employed.

Number of deals

It is observed from the summary of F statistics of trends and progress of Mergers and Acquisitions in Indian during study period 2008-2014, between the year and industry. In case of year wise number of M&A deals, the calculated F value (i.e., 10.783) is more than critical value (i.e., 2.20). Hence the Hypothesis is rejected. So, there is a significance difference in number of deals between the years. In case of industry wise number of deals, the calculated F value (i.e., 97.909) is greater than critical value (i.e., 1.78) at 5% level of significance. Hence the Hypothesis is rejected. So, there is a significant of difference in number of M&A deals between the industries. Therefore, it is concluded that, there is a significant variation in number of M&A between the years and between the industries during study period.

Table: 3.9-Two way ANOVA
Sector wise Number of Deals of M&A in India

Source of Variation	SS	Df	MS	F	P-value	F crit
Year	3156.482	6	526.0803	10.783	5.2123	2.20105647
Industry	71652.429	15	4776.8285	97.909	6.3225	1.77892723
Error	4390.946	90	48.7883			
Total	79199.857	111				

Source: compiled from Table no. 1

Amount of deals

There is a significant of difference in amount of M&A deals between the industries. Therefore, it is concluded that, there is a significant variation in value of M&A between the years and between the industries during study period.

CONCLUSION

Through out study of merger and acquisition number of deals and their volume of deal after analysis we found that what are change are done in last year and present trend of M&A are show that number of decreases are show that M&A strategy for use of gaining profit are depended upon how company efficient in market. The number of deals and amount of deals between the year and industry are varied. Hence it is concluded that, there is a significant variation in number and amounts of M&A deals between the years and industry during the study period.

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