Merger & Acquisition: A Win-Win Situation or a Paradox

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Abstract:
This quote would definitely now have two schools of thought. With the world witnessing such a variety of mergers and acquisitions, this dissertation is aimed at showcasing different types of mergers and acquisitions, their synergies, and what led to their success or led them into a deeper mess. The chapters would be containing detailed case studies that show how a few factors play a major role in the success or failure of mergers and acquisitions.
A merger is defined as the combination of two or more companies into a single company where one survives and the other loses its corporate existence. The survivor acquires the assets as well as liabilities of the merged company or companies. Whereas, Acquisition/ Takeover refers to purchase of majority stake (controlling interest) in the share capital of an existing company by another company. It may be noted that in the case of takeover although there is change in management, both the companies retain their separate legal identity. A merger occurs when two separate entities combine forces to create a new, joint organization. Meanwhile, an acquisition refers to the takeover of one entity by another.
Considering the above background, the present study is watchfully carried out to appraise the significance of how a merger and acquisition could either do wonders or lead to the very end of the company. In this report I'll be covering the Basics of Mergers and Acquisition right from the meaning to the various types of Mergers and Acquisition available in the market. The need for Mergers and Acquisition, the aftermath and the case studies of a variety of Mergers and Acquisition.

Keywords: Mergers and Acquisition , Reliance , Hamleys, Goenka , Ceat, Vodafone, Idea, Dunlop , Pvr, Inox, Investment Banking, Takeovers

1.1. Introduction:

Indian enterprises were subjected to strict control and management regime before 1990s. This has led to haphazard growth of Indian company enterprises throughout that amount. The reform methods initiated by the government since 1991, has influenced the functioning and governance of Indian enterprises that has resulted in adoption of various growth and expansion methods by the corporate enterprises. In this method, mergers and acquisitions (M&As) became a common development. M&As aren't new within the Indian economy. In the past, additionally, companies have used M&As to grow and currently, Indian company enterprises square measure focalisation in the lines of core competency, market share, international fight and consolidation. This process of focalisation has additional been hastened by the arrival of foreign competitors. In this backdrop, Indian company enterprises have undertaken restructuring exercises primarily through M&As to form a formidable presence and expand in their core areas of interest.

We often have made use of the words Mergers and Acquisitions quite interchangeably but as similar as these two words might seem they are very different than each other in the real world.
In essence, a merger occurs when two independent legal bodies come together to form a single, new organisation. Conversely, an acquisition denotes the appropriation of one entity by another. A merger is simply one of several strategies for external expansion. Simply said, external expansion is a business plan that incorporates operations outside of the current company. There are four methods that make up external growth:

- **Merger:**

As an illustration, the Indian division of Japanese corporation Sony has concluded an agreement with regional competitor Zee Entertainment to create the nation's second-largest entertainment network. More than 75 television stations, movie studio assets, and two streaming services will be part of the combined company.

- **Acquisition/Takeover:**

As an illustration, consider the 2016 acquisition of LinkedIn by Microsoft, which resulted in the company being owned by Microsoft shareholders along with other companies the multinational had bought throughout time and turned into a business unit.

- **Joint Venture:**

The full-service carrier airline Vistara is an example of an Indian joint venture with a foreign business. Tata SIA Airlines Ltd., a joint venture between Singapore Airlines (SIA) and India's largest conglomerate Tata Sons, operates under the Vistara brand.

- **Strategic Alliance:**

As an illustration: Three pillars support Spotify and Uber's strategic alliance: enhancing one's strengths While Uber gave Spotify clients a more personalised experience, Spotify persuaded millions of its users to select Uber as their preferred form of transportation.
A merger is the creation of a new company from the integration of two or more existing ones, albeit not always. Therefore, a merger is the coming together of two formerly independent firms through the integration of the two original enterprises into a single new business.
An acquisition occurs when a business wishes to purchase another business. Purchasing all or most of the target firm's shares in order to take control of it is known as an acquisition. This is referred to as a friendly acquisition or friendly takeover when the target firm wishes to be purchased. A hostile purchase or hostile takeover occurs when the target firm declines to be acquired. WhatsApp was acquired by Facebook through a friendly takeover or purchase.
Thus, the real distinction between a merger and an acquisition is that, in a merger, existing businesses are transferred into a newly created company, whereas, in a takeover, one company acquires control of another company; this eliminates the need to create a new company; rather, it is just one company assuming ownership or control of another company. A merger is more akin to a marriage of equals or a corporate nuptial.

1.2. A Historical Mergers and Acquisitions in India

One of the very initial takeovers in 1983 in India was a very controversial one filled with a lot of political and legal drama. This was the infamous attempt of the London-based NRI businessman Lord Swaraj Paul who ran the Caparo Group, to takeover two Indian Companies: Escorts Ltd. (ran by the Nanda Family) and DCM (Delhi Cloth Mills ran by the Shriram Family).

Between the 80's and the 90's, it was usual for Indian families to dominate and control their group companies through small and insignificant equity holdings. This cosy arrangement was suddenly threatened by the pugnacious Paul who started accumulating the shares of the two Indian companies through several of his firms in the UK as well as those in Kolkata under the Apeejay group. But Paul's attempts of getting control of Escorts were thwarted by HP Nanda, who fought a long-drawn legal battle against the government, which was at that time run by then Prime Minister Indira Gandhi, and RBI, with former Prime Minister Manmohan Singh being at the helm of it.
In the 1982-83 Budget then Finance Minister Pranab Mukherjee had announced that NRI investors (both individuals and companies) could buy shares of Indian companies, subject to certain provisions. It was done with the intent to attract investment from wealthy NRIs.
During those times, many promoters were owning less than 10% stake in their company with a major chunk being held by state-owned entities like LIC and GIC. So Escorts was no different. HP Nanda was running the company with a stake of 7.5% and nearly 56% of the company's shares were owned by state-owned entities. Taking benefit of this, Swaraj Paul bought nearly 10% stake in Escorts. A similar attempt was also made by Mr. Paul to take control of DCM. The Indian companies steadfastly refused to register the shares sent for transfer and intriguingly the Reserve Bank of India also refused to clear the funds' transfer to India by Paul's group.
When Mr. Paul started buying the stake in these companies aggressively, the government officials said that there was no evidence that NRIs were doing the buying. Most importantly, Pranab Mukherjee also assured that none of the PSU entities are selling Escorts' shares to NRIs but he refused to consider suggestions to limit NRI investment in shares of Indian companies or to deny them voting rights, suggestions that the industrialists had made.
Mr. Nanda to prevent the sale of his company, then went on to make a public offer to buy his company's shares from any shareholder who was tempted to sell his holdings as Escorts' share price nearly doubled to Rs 70 at that time. Also, to reduce speculation in his shares, he asked that his shares be traded only against instant cash payments, ruling out forward transactions which at that time permitted delaying payment up to a maximum of 90 days. Finally, he told Escorts' 3,000 ancillary units and equally numerous dealers that they might have to give him support by buying Escorts shares. Nanda said he did not have the capacity to compete with Paul in a price war.
After seeing these two companies suffer, many other Indian promoters fearing a similar predicament, petitioned the government to intervene on their behalf. Bowing to their pressure, the government announced that there would henceforth be an overall ceiling of 5 percent of the paid-up capital of a company under the liberalized scheme of portfolio investment by NRIs.
For Paul, the setback was just a momentary inconvenience since, three years later, he received a favourable ruling from the Supreme Court and the RBI approved the investments, allowing the shares to be registered in his name. Paul had by then made the decision to stop making investments in India. At the time, the parliamentarians served as a mediator between the parties involved, convincing Swaraj Paul to return his shares to the Nanda's and the Shri Rams for a sum that was agreed upon by both.

1.3. Objective of The Research:

The significance of mergers and acquisitions has grown recently due to their critical function in the economy. The current trend of mergers and acquisitions may be attributed in large part to India's growing consolidation and growth. Through mergers and acquisitions, businesses not only boost productivity to increase profits, but they also provide smaller businesses greater visibility.

1. To comprehend the justifications for various mergers and acquisitions.
2. To research and comprehend the factors that contribute to some mergers and acquisitions succeeding while others fail.
3. To comprehend how synergy functions in a merger.
4. To determine if a business may obtain market dominance through mergers and acquisitions.

1.4. Scope of the Research:

The research is limited to "Merger and Acquisition" with special reference to three Indian Mergers and Acquisitions in India taken as a representative sample for the study. The study can't be said as totally perfect. Any alteration may come. The study has only made a humble attempt at evaluation of the three mergers and acquisition that took place only in India. The study is not based on the international perspective of mergers and acquisitions.

1.5. Research Methodology:

Data has been collected in two ways:

1. Primary Method – Data from the primary source of method has been collected using various portals such as BSEInstitute's Study material and the discussions with the faculty in the Institute.
2. Secondary Method – Under the secondary Method data was basically collected using a variety of news article from:
   a) The Economic Times
   b) The Times of India
   c) The Hindu
   d) The Print

1.6. Limitations of the Study

The following are the limitations of this study:

1. The study only covers three mergers and acquisition examples.
2. The study is restricted to case studies of only Indian Companies.
3. The data collected and the analysis further could be subject to personal bias; hence this analysis cannot be taken universal.
4. In the secondary data, there were discrepancies in the data available from various sources.

In spite of the above limitations, all efforts were made to ensure correctness in the data collection

1.7. Literature Review

THE HUMAN SIDE OF MERGERS AND ACQUISITIONS (M&A): AN EXPLORATORY SEQUENTIAL MIXED METHODS INQUIRY INTO THE FACTORS INFLUENCING M&A OUTCOMES

- **By Terrence Pernell Carter**

While mergers and acquisitions (M&A) are attractive strategic choices for many organizations seeking to expand or to increase their value and market power, the rate of failure of these efforts is significant. The human side of M&A remains the most important but often overlooked factor with a significant impact on

M&A outcomes. This study employs an exploratory sequential mixed methods design to explore how managers address the factors that influence M&A outcomes and the factors that shape between employer and employee outcomes. The study was conducted using two inquiries (qualitative and quantitative). The greater purpose of this study was to integrate the previous qualitative and quantitative phases to derive more in-depth insight into the human side of M&A outcomes. Ultimately, we found that most managers leverage communication, employee engagement, encouragement, autonomy, empowerment, workplace relationships, and employee wellbeing to address human capital challenges influencing M&A outcomes in the qualitative study. Perceived organizational support (POS) and reciprocity emerged as the primary mediators between employer and employee M&A outcomes.

Chapter 2:

2.1. Why do Companies Merge or Acquire Each Other?

There might be several reasons for the above to happen, but the most common reasons why Mergers or Acquisitions take place are as follows:

a. Enhancing Both Companies:

Synergy is the most important and the most basic reason why a company decides to merge/acquire another company (more on this will be explained in this chapter further). A company will usually decide to merge with another company when the strengths and weaknesses of both the organizations complement each other.

b. Diversifying the Business:

Creating and intensifying the focus of a business or diversifying the business interests and products, are the other two motivations for acquisition or merger. This could be done by:

1. A company that wants to diversify their business may purchase a company in a different field
2. Whereas a company that wants to intensify its business focus might merge with a company in the same field or industry that has had a better success in running the business and penetrating in the market.

c. Growth and Expansion of the Company:

For any organisation, their major goal is growth and one of the simplest ways to grow for an organisation is through mergers and acquisitions. Rather than doing the work to increase efficiency and market share, the firm can simply takeover or merge with one of its competitors. Growing a company through a merger or takeover is known is as a horizontal merger.

d. Supply Chain Pricing:

Similar to the idea behind a horizontal merger, we have vertical merger. A company has a full supply chain structure and most of the time, the services are outsourced from another company or entity. So the company to gain more control of the supply chain and ramp up their business may merge/acquire two or more companies that provide different supply chain functions. This would in-turn result in reduced costs and increased productivity and efficiency.

e. Elimination of Competition:

There are two ways by which a company can easily eliminate competition via Mergers and Acquisitions. Either they could do a vertical merger and acquire their supply chain companies which would make them more efficient leading to them offering better products at a reasonable price Or the other way could be the company can take over its competitor thus eliminating the competition completely.

2.2. What is the Role of Synergies?

"Synergy - the bonus that is achieved when things work together harmoniously"

- Mark Twain

"The whole is greater than the sum of its parts"

– Aristotle

This quote by Mark Twain and Aristotle accurately sums up the true meaning of what we mean by the term in synergy. Technically synergy means that the combined value and performance of two companies will be greater than the sum of the separate individual parts.

Synergy doesn't happen automatically and there tons of cases during which company leadership overstates its benefits as how of sealing the deal. But however , there are tons of advantages which will potentially happen through the role of synergy in mergers and acquisitions.

1. **Workforce efficiencies:**

Labour is the costliest budget item in most businesses. In theory, consolidations make it possible to scale back the company's workforce supported redundancies and other factors. But to deliver real results, the corporate must carefully restructure workflows to handle increased business volume.

2. **Combined technologies:**

A purchase or merger typically leads to the consolidation of the companies' proprietary technologies and expertise. In fact, acquisitions are frequently motivated by the will to get a singular technology that's owned by a smaller business. Yet true synergy only occurs when the consolidated technologies end in a strategic marketplace advantage.

3. **Scale efficiencies:**

Consolidation introduces the likelihood of increased purchasing power and spending efficiencies that were previously beyond the reach of the individual companies. The new company can negotiate better terms supported its increased purchasing volume and comb out systemic inefficiencies rooted in duplications of services and/or capital assets.

4. **Increased market penetration:**

This is one of the most often mentioned synergistic benefits of an M&A transaction. The idea behind the merger of the two businesses is to build a powerful new corporation that would easily overtake weaker rivals and brands in the marketplace.

2.3. Merger and Acquisition Process:

Steps involved in merger and acquisition:-

- **Memorandum of Authorization:**

Memorandum of Authorization of a company have various clauses and provisions in their object clause. If the memorandum of a company does not have such a provision in its objects clause, the company should alter the objects clause to include merger and acquisition.

- **Convene a preliminary board meeting:**

A Board Meeting is to be convened and held to consider and approve in principle, amalgamation and appoint an expert for valuation of shares to determine the share exchange ratio.

- **Convene a board meeting:**

To approve the scheme once everything is finalized.

- **Valuation Report:**

A valuation report has to be prepared convening the swap ratio for consideration by the Boards of both the transferor and transferee companies.

- **Preparation of scheme of amalgamation or merger :**

The Boards of the involved companies should discuss and determine details of the proposed scheme of amalgamation or merger and prepare a draft of the scheme of amalgamation or merger. If need be, they can obtain opinion of experts in the matter.

- **Application to High Court:**

An application must be sent to the High Court seeking direction to hold meetings for an order seeking direction for convening meeting(s) of creditors and/or members shall be by way of Judge's summons supported by an affidavit. A copy of the proposed scheme should be annexed to the affidavit as an exhibit thereto.

- **Obtaining order of the court for holding class meeting(s) :**

On receiving a petition, the court may order meeting(s) of the members/creditors to be called, held and conducted in such manner as the court directs.

- **Notice by advertisement :**

Where the court has directed that the notice of the meetings should also be given by newspaper advertisements, such notices are required to be given in the prescribed Form and published once in an English newspaper and once in the regional language of the state in which the registered office of the company is situated.

- **Holding meeting(s) as per Court's direction :**

The meetings are to be held as per directions of the Court under the chairmanship of the person appointed by the Court for the purpose. Normally, the Court appoints a Chairman and alternate Chairman of each meeting.

- **Convening of General Meeting :**

At the General Meeting convened by the High Court, resolution will be passed approving the scheme of amalgamation with such modification as may be proposed and agreed to at the meeting.

- **Reporting of the Results:**

The chairman of the meeting will submit a report of the meeting indicating the results to the concerned High Court in Form 39 of the Court Rules within 7 days of the conclusion of the meeting or such other time as fixed by the Court.

- **Petition to court for confirmation of scheme :**

A petition must be made to the court for confirmation of the scheme of compromise or arrangement.

- **Obtaining order of the court sanctioning the scheme:**

An order of the court on summons for directions should be obtained which will be in Form No. 41 sanctioning the scheme.

- **Completing the court order document with the ROC:**

It is necessary to file a certified copy of the court's order under each of the two subsections with the relevant Registrar of Companies.

- **Transfer Assets and Liabilities:**

As per the scheme, the merged entities would have to agree and transfer the assets and liabilities.

- **Allotment of shares:**

The allotment of share to the shareholders of transferor company would take place.

- **Listing of shares:**

Listing of shares of the merged company at Stock Exchanges.

- **Post-Merger Integration:**

This whole process has to be followed to bring Merger & Acquisition into effect.

Chapter 3

3.1. Case Study 1

Vodafone-Idea Merger : When two sinking ships made an attempt to save each other.

3.1.1. Introduction:

Acquisitions and mergers have been shown to be effective tools for achieving business restructuring objectives. One of the most lucrative and quickly expanding sectors of the economy is telecommunications. With a subscriber base of 1,183.51 million people and an online subscriber base of 604.21 million, the Indian telecom sector generates around Rs. 1,85,291 crore in revenue, making it the second biggest telecom business globally.

Vodafone India was an Indian provider of telecommunications services and the Indian arm of the UK-based Vodafone Group Public Limited Company. Vodafone Asian countries has a 21% market share as of March 2018.

As of June 2018, Idea Cellular Limited, also referred to as Idea and styled as IDEA, was a pan-India integrated GSM provider with 220.00 million users.

2017 saw the announcement by Idea Cellular and Vodafone India that their separate boards had approved their merger. It intended to establish the biggest telecom business in India, surpassing both Bharti Airtel and Reliance Jio.

3.1.2. Background of the merger:

- **Vodafone Group:**

- This global corporation is based in the United Kingdom. It is one of the most significant telecom companies headquartered in the UK.
- As of 2018, the Vodafone Group has 19.9 million fixed broadband users and 534.5 million mobile consumers.
- This encompassed all of the company's clients, including joint ventures, as well as India.

- **Aditya Birla Group (Idea):**

- Aditya Birla is a Mumbai-based multinational Indian firm that is a member of the Fortune 500.
- It operates businesses in over 36 nations.
- The main multinational under the Birla group was Idea Cellular. It was founded in 1995.
- Idea Cellular held the third-largest position in the Indian telecom industry, holding a 15.9% market share.

3.1.3. Reason for the merger:

Both companies have benefited immensely from the combination. The two major telecom businesses have merged horizontally. The $23 billion merger transaction was worthwhile.

Even though each company was profitable on its own, the following explains why the two companies merged:

1. **Synergy benefits:**

- The two companies in their statements had stated in their respective statements that the synergy would be extremely economical. The annual savings which would be in the form of both capital expenditure as well as operating costs would go up to an estimated 14,000 Crores.
- The EBITDA (Earnings Before Interest, Tax, Depreciation, and Amortization) of both the businesses was around the margin of 30% which was comparatively lower than that of Bharti Airtel and Reliance Jio Infocomm Ltd.

2. **Domination of the market:**

- In comparison to its rivals Bharti Airtel and the recently established Reliance Jio, Vodafone India and Idea had a comparatively small market share. The telecom sector has seen a huge surge in the use of Reliance Jio.
- 400 million subscribers, a 35% customer market share, and a 40% revenue market share will all be acquired by the combined company.

3. **Spectrum share:**

- Individual spectrum holdings for Idea and Vodafone were 316 MHz and 411 MHz, respectively. In comparison, the spectrum at 860 MHz and 650 MHz was under the hands of Bharti Airtel and Reliance Jio, respectively. Consequently, it was getting harder for Vodafone and Idea to compete successfully in the market.
- The company combination will give the merged entity 728 MHz, which raises the possibility that it will place second or perhaps zero in India.

3.1.4. Deal structure

- The merger was an all-share transaction, followed by the deconsolidation of Vodafone's Indian

businesses. The acquisition did not include Vodafone's 42% stake in Indus Towers.
- Both firms' promoters enjoyed equal rights in critical things.
- Both enterprises had joint authority over the nomination of the Chief Operating Officer (COO), and hence the Chief Military Officer (CEO).
- The merging percentage was 1:1. This percentage was based on Thought's cost at the time, which was \$72.5 per unit. The suggested venture valuations for Thought and Vodafone were INR 72 thousand crores and INR 82 thousand and eight hundred crores respectively. The agreement included break expenditures of Rs 3,300 crore, which were payable subject to certain circumstances.
- Under the agreement, Aditya Birla Gather received a 4.9% interest in the merged firm. Vodafone gave up the interest for Rs 109 per share (INR 3900 crore). This increased Aditya Birla's equity to 26%, giving Vodafone a 45.2% interest. Other promoters of the thinking gather received a 26% interest, with the public owning the remaining 24%.

3.1.5. Effects of the Merger:

1. Employees:

The merger actually took the employees by surprise and took a toll on employees of both companies who met with serious uncertainty. The companies were incapable of boosting and maintaining company morale, and in turn, Vodafone-Idea also let go of 5,000 employees post-merger. Besides that, there was also a very huge cultural difference that affected the employees who remained. The point of differentiation in this case was salary levels and human resource processes. According to some of the workers, the new structure that was adopted once the merger caused demotions.

Several Idea workers were asked to depart and were accommodated in different firms under the Aditya Birla Group; however, no such report was given to the workers of Vodafone India.

2. Customers:

The Vodafone-Idea merger is an excellent example of a market in which customers benefit significantly. This deal freed the telecom industry from hefty tariffs and taxes. There was a substantial impact from Reliance Jio's entry into the telecom business. After Reliance Jio introduced free phone calling and reduced data, other firms were pushed to lower their costs. Increased competition as a result of the merger suggests that consumers will receive better deals. Their reach increased as a result of the merger. It now provides a wider audience with 4G services concurrently. Additionally, the assets were merged with each of the businesses to produce higher calibre personnel, services, and airwaves. The network's expansion throughout India and quality improvement also help the client. After that, the company will spend money on R&D to enhance current offerings and create new goods. At the moment, the company can provide its customers with better 4G and 5G network connectivity. Idea leads the market in rural areas, while Vodafone leads the market in metropolitan areas. Their combined efforts can give them a foothold in both markets.

3. Other stakeholders:

The merger left the telecommunication business with solely 3 players specifically Bharti Airtel, Reliance Jio, and Vodafone Plan Ltd. Vodafone Plan Ltd. became the most important player with 35% of the market share worth Rs. 1.5 Lakh Crores. The telecommunication business was amidst fierce Price wars because of the entry of Reliance Jio. The price wars were moving the revenues and profits of the telecommunication business. The cost-cutting would profit the government, it might additionally facilitate controlling the cut-throat competition within the business, helping the telecommunication business in India.

3.1.6. Current Status of Vodafone-Idea:

In September 2020, Vodafone-Idea relaunched itself. The corporation adopted the initials to rename themselves as 'Vi'. The rebranding occurred about two years after the merger; yet, it reflects the spirit of unity. According to the company's statement, the name 'Vi' is pronounced 'we'. The long-overdue makeover was carried out to honour the merger's final lapse. It represented the culmination of three years of merger negotiations and implementation.

Here's a detailed look at the negative consequences Vodafone Idea faced after the merger with Idea Cellular in 2018:

Financial Woes:

- High Debt Burden: The primary challenge arose from the massive debt burden inherited from the merger. Estimates suggest it stands around ₹1.8 lakh crore (US$22.3 billion) as of 2023. This significantly impacted profitability and limited resources for network expansion and upgrades.
- Declining Revenue: The Indian telecom sector is highly competitive, with aggressive pricing strategies implemented by players like Jio. This led to declining Average Revenue Per User (ARPU), impacting Vodafone Idea's revenue streams.
- Cash Flow Constraints: The high debt and declining revenue resulted in constrained cash flow. This meant less money for network improvements, marketing initiatives, and even debt servicing, creating a vicious cycle.

Operational Challenges:

- Lagging Network Infrastructure: Due to financial constraints, Vodafone Idea struggled to keep pace with Jio and Airtel in terms of 4G network rollout. This put them at a disadvantage in attracting and retaining customers seeking high-speed data services.
- Spectrum Acquisition Hurdles: Debt burden made it difficult for Vodafone Idea to participate in crucial spectrum auctions for expanding network capacity and deploying newer technologies like 5G. This further widened the gap with competitors.
- Merger Integration Issues: Merging two large companies can be complex. Integrating networks, IT systems, and workforce can lead to operational inefficiencies, further impacting performance.

Market Share Erosion:

- Intensified Competition: Reliance Jio's aggressive pricing strategies and focus on data services disrupted the market. Vodafone Idea lost a significant portion of its market share to Jio and Airtel, impacting its overall subscriber base and revenue potential.
- Customer Churn: Declining network quality and service disruptions due to infrastructure limitations led to customer dissatisfaction and churn.

Legal and Regulatory Issues:

- AGR Dues: The government's revision of Adjusted Gross Revenue (AGR) definition led to a substantial increase in license fees for telecom companies. Vodafone Idea, already burdened with debt, faced difficulties in paying these dues, adding further financial strain.
- Regulatory Uncertainty: The telecom regulatory environment can be unpredictable, with changes in policy and licensing terms creating additional challenges for companies like Vodafone Idea.

3.1.7. Conclusion:

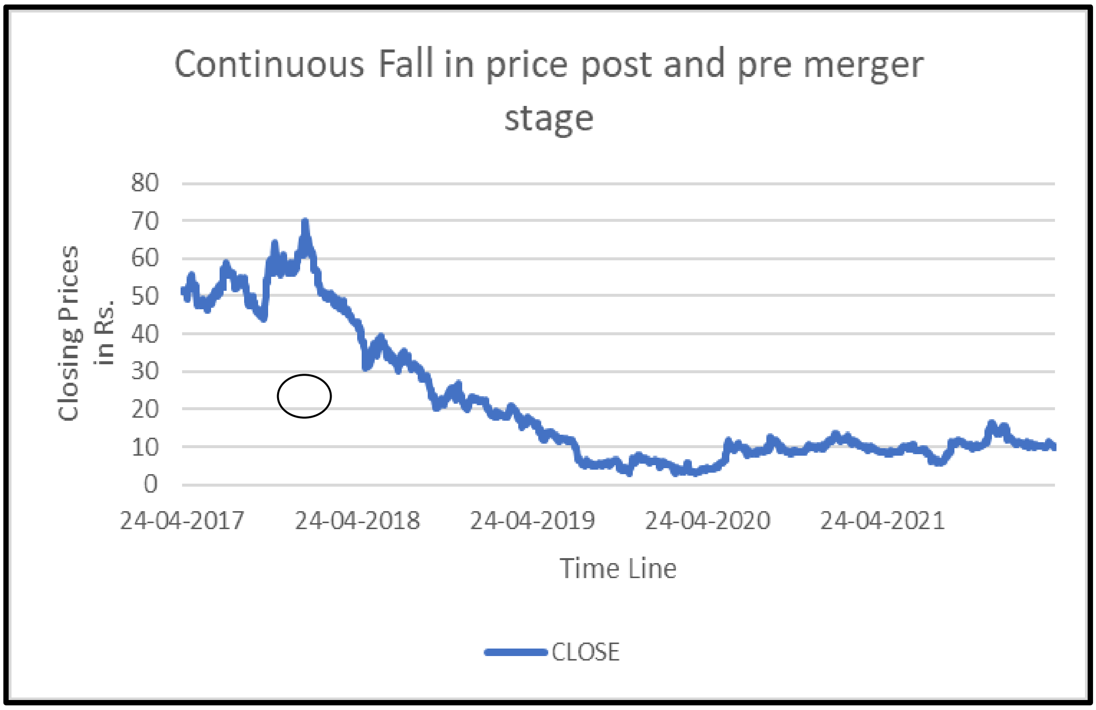

Fig 1. Market's immediate reaction to the merger

Fig.2. Price post-merger till date (i.e. 6th March 2024)

The circle in Fig.1. indicates the date of Vodafone and Idea's merger. The figure illustrates the markets' outright pessimism of the deal. This is also driven by the losses these two companies are incurring due to having to pay their interest commitments and AGR Dues.

Based on the stock price chart in Fig.2., Vodafone Idea's stock price has been on a downtrend since the merger in August 2018. It's important to note that stock price performance is just one indicator of a company's health, and it can be influenced by many factors besides the company's actual performance.
We can conclude that the merger was required to counterbalance Reliance Jio's aggressive pricing policy. Because all telecom companies will now seek to provide the finest technology at the best price and with superior customer service in order to retain customer loyalty, the consumer will profit the most from this merger.

3.2. Case Study 2

Mr.R.P. Goenka and a few companies he took over

The Goenka Family and the tales of their takeovers

3.2.1. Goenka's Life and their takeover Journey

Rama Prasad Goenka (also known as RP Goenka) founded RPG Enterprises in 1979. However, the groundwork for this approximately $4 billion corporation was formed much earlier by RP's father, Keshav Prasad Goenka, who created a foothold in industries such as banking, tea, autos, tyres, cotton textiles, and electrical cables. In 1981, RPG Enterprises successfully acquired Ceat Tyres. Ceat is the group's major company even now. The following years saw a few more important purchases, including KEC in 1982, Searle India (now RPG Life Sciences) in 1983, and Dunlop in 1984.
Mr. Rama Prasad Goenka graduated in Arts from the Presidency College and took an advanced management academic programme at Harvard University.
However, it was not before 1979 that the seeds of RPG Enterprises were sown with Philips Carbon Black (which was set up by the family earlier), Asian Cables, Agarpara Jute and Murphy India. The consolidated annual turnover of these companies then was Rs. 105 crore.
Then he embarked on a journey of corporate acquisitions, taking over almost one company every second year. Between 1980 (when Ceat was acquired) and 1992, RPG Enterprises brought 11 companies under its fold.

The list included KEC, Gramophone Company of India, Spencers and CESC. By March 2015, RPG Enterprises have over 15 companies across key business sectors, with a turnover crossing an estimated `20,050 crore .

By 1990, RPG (as he was popularly known) started indicating to his sons his desire to retire from active corporate life. He asked his sons to take up the reins, remaining as Chairman Emeritus and as a family patriarch. But keen to save the family from possible sibling rivalry, he offered advice how the brothers could carve out the businesses.

Elder son Mr. Harsh Vardhan, who was the chairman, got to keep the group logo, while his junior Mr. Sanjiv became vice-chairman, carving out in 2011 a new identity RP Sanjiv Goenka. Rama Prasad continued to live in the family residence at the city's posh Alipore area with Sanjiv and his family.

However, it is not as if the journey was always smooth for the man who acquired companies with élan before mergers and acquisitions had entered business lexicon.

A deal and a more famous one that did not work out, RPG broke his silence many years later. While delivering a talk in Kolkata in July 2008, the normally reticent man was caught in an emotional mood when he talked about the regrets in his life. He referred to the deal signed with the senior Wadia on buying out Bombay Dyeing. "I had signed an agreement and it is still in the safe custody of the solicitor firm in Mumbai. It was a master-failure story and it brings me to tears even now," he said with a tinge of sadness in his voice.

To Mr. Rama Prasad Goenka, success had no benchmark as one has to keep going on and on till someone says 'enough is enough and now you can relax'. There were no free lunches either. "To get something, you have to lose something ... if you want business success then your family life gets disturbed," he once said. Retirement made him sad at first but later he felt happy to see his two sons prospering.

3.2.2. Bitter battle of Dunlop:

The takeover strategy that Mr. R.P. Goenka used was: Each company would have their Reserves and Surplus; this company would take the reserve and surplus and put them in their own subsidiaries which were in turn investment companies. The investment companies would then move to buying a controlling stake in various companies, this would lead to a small and steady seed to their way of getting in the company and then acquiring it completely.

The vision for the takeover of Dunlop was clear for Mr. R.P. Goenka, to acquire a tyre company to not only increase the efficiency of his current tyre company, Ceat but also to become a market leader in the tyre industry. His acquisition of Dunlop together with Mr. Manohar Ram Chhabria, was all sent in plan.

But this dream of Mr. R.P. Goenka was short-lived. The real reason was always unknown but the most suitable reason for this failure that I came across in my search was, the court case that it had to go through. This acquisition didn't reach its end goal due to the Monopolies and Trade Practices Act of 1970. Although no specific percentage was ever declared, but it is said if the acquisition would've gone through the RPG group would've violated the MRTP Act and therefore that deal was declared null and void by the Court. The reasons for this failure did not become public as RPG maintained a dignified silence on the matter saying not all deals work out.

3.3. Case Study 3

"The Bull Buying the Teddy Bear Brand"

"Essentially, whoever is successful, whoever is going to do things that make a difference, is going to be talked about"

– Mr. Mukesh Ambani, Chairman, Managing Director, and largest shareholder of Reliance Industries Ltd.

3.3.1. Outline:

Hamleys had witnessed a lot of acquisition. In May 2019, Reliance Brands, a subsidiary of Mukesh Ambani-drove Reliance Industries (RIL), gained British toy major Hamleys for £68 million ($88.6 million approx.), RIL revealed in its regulatory filings. Reliance Brands consented to a complete arrangement to procure a 100% stake in RIL's Reliance Lifestyle Holdings as of now runs and works Indian establishment of the Hamleys brand and has 88 stores across 29 cities in India. This deal will help Reliance Brands to grow its impression universally after it has established its position in the nation.

3.3.2. s

a. Hamleys:

The brand is nearly 262 years old. As a dreamer of the 1760s, William Hamley had filled Noah's Ark from rag dolls to tin soldiers against the traditional business of fisheries and mining in Holborn. By the time Queen Victoria came to the throne, Hamleys were already a landmark in London with the magical experiences they brought to families. The 7-floors toy store had started filling its shelves with magical lanterns, modern ships, and sports equipment. During the great depression, the store remained closed for a few years and was nearly gone for good, it was Walter Lines who remembered riding on delivery trucks as a child and his brothers who restored it at Regent Street, it was indeed a rebirth a they were officially named as the supplier of toys for the British royal family.

b. Reliance Retail Limited:

Reliance Retail is Reliance Industries Limited's retail endeavour, which is key to the company's consumer-facing operations.

In a short amount of time, it has formed deep and lasting ties with millions of customers by offering them a limitless variety, an amazing value proposition, superior quality, and an unrivalled shopping experience across all of its locations.

Reliance Retail's expansion throughout the years has prompted an unprecedented socioeconomic upheaval in India. Reliance Retail has been named the world's fastest growing retailer. It is ranked 53rd among the top global retailers and the only Indian retailer in the top 100. It is the largest and most lucrative retailer in India, with the greatest reach.

To fulfil customers' regular and sporadic demands in major consumption baskets including groceries, electronics, and fashion and lifestyle, Reliance Retail has adopted a multifaceted strategy and runs a wide variety of store types.

In the grocery consumption basket, Reliance Retail runs Reliance Fresh, Shree Kannan Departmental stores, SMART, and Smart Point store formats focused on food, fresh produce, bakery, dairy goods, home and personal care products, and general merchandise. In the Consumer Electronics consumption basket, Reliance Retail runs Reliance Digital and MyJio Store formats, which provide a diverse choice of consumer electronics, home appliances, computer and mobile items, as well as the newest gadgets and accessories. These outlets are supported by ResQ, a full-service company, and India's only ISO 9001-certified electronics service brand. In the Fashion & Lifestyle consumption basket, Reliance Retail runs a variety of formats that serve clients in the value, mid, premium, and luxury categories. Reliance Retail operates the Trends, Trends Woman, Trends Man, Trends Footwear, Project Eve, Reliance Jewels, and Hamley's formats, as well as a portfolio of over 40 notable international brands including Armani, Burberry, Diesel, GAS, Marks & Spencer, Superdry, Brooks Brothers, Steve Madden and more. Reliance Retail maintains a large presence in digital commerce platforms through AJIO.com. Reliance Retail generated a turnover of Rs. 1,57,629 crore in fiscal year 2020-21. As of March 31, 2021, Reliance Retail operated 12,711 shops in 7,000+ cities, with a retail area of more than 33.8 million square feet.

3.3.3. Why did Reliance acquire Hamleys?

- Ambani, 63, purchased Hamleys in 2019 to expand his retail presence as part of the continuing transition of his oil-and-chemicals company Reliance Industries Ltd. into a consumer and technology behemoth.
- The enormous funds of Asia's richest man, as well as India's demographics, might help revive Hamleys, whose worldwide toy sales share was estimated at 0.6% last year by Euromonitor International, and avoid the troubles suffered by competitors such as Toys "R" Us Inc.
- The enormous funds of Asia's richest man, as well as India's demographics, might help revive Hamleys, whose worldwide toy sales share was estimated at 0.6% last year by Euromonitor International, and avoid the troubles suffered by competitors such as Toys "R" Us Inc.
- With a $72 billion net worth, Hamleys is looking to tap into what it perceives as an underserved segment of India's almost 1.4 billion inhabitants, around 27% of whom are youngsters under the age of 14.
- The country contributes only 1% of the $90 billion worldwide toy market, indicating a strong potential for expansion.
- Children may race toy cars, play games, and enjoy model train sets at Hamley's outlets, which are well-known for providing a carnival-like atmosphere. Such a setting would serve as a draw for tourists returning to India, a nation known for its crowded cities and dearth of leisure alternatives.
- Hamleys is an "elastic brand," meaning that its product prices appeal to both super-rich and modestly wealthy consumers.
- Senior research analyst at Euromonitor headquartered in London Marc Alonso stated that Hamleys is seen as "high class and it's on par with Harrods in some ways" in Asia. It's drawing in that clientele,

which explains why it has had some strong sales increases in recent years in some regions, such as China and India.

- Although the epidemic has had an impact on other areas of India's economy, Mehta believes that the toy sector is "recession-proof" since so many families prioritize their children's pleasure over all other considerations.
- But before the infection, other chains had difficulties. When Toys "R" Us declared bankruptcy in 2017, it was the largest casualty of the American retail apocalypse, having been crushed by debt and upended by competition from internet retailers like Amazon.com Inc. A protracted epidemic suggests an uncertain future for retailers, even though the American company is already on a recovery route under a new owner.

3.3.4. Future Plans

Here's a breakdown of what happened to Hamleys after Reliance Retail's acquisition:

Expansion and Growth:

- Increased Presence in India: Since the acquisition, Hamleys has seen an expansion in India. Reliance Retail opened new Hamleys stores across the country, leveraging their existing retail network. This increased brand visibility and accessibility for Indian consumers.
- Hamleys Play Stores: In 2021, Reliance launched the world's first "Hamleys Play" store in Mumbai. These stores focus on interactive experiences and play areas, catering to the experiential retail trend and potentially attracting more families.

Integration and Strategy:

- Reliance Leverage: Reliance Retail's resources and expertise could be utilized to streamline operations for Hamleys. This might involve optimizing supply chains, improving inventory management, and potentially introducing online sales through JioMart, creating an omnichannel experience.
- Preserving Hamleys' Identity: Reliance seems to be maintaining the core elements of the Hamleys brand experience. This includes the iconic staff, distinct visual merchandising, and focus on high-quality toys to retain the brand's heritage and appeal.

Challenges and Uncertainties:

- Early to Determine Long-Term Impact: As the acquisition happened in 2019, it's still early to determine the long-term impact on Hamleys' global operations and brand identity.
- Maintaining Profitability: Integrating operations and potentially lowering costs through Reliance's network is crucial to ensure long-term profitability for Hamleys within the Indian market.
- Competition: The Indian toy market is competitive, with both domestic and international players. Hamleys needs to maintain its unique appeal while adapting to changing consumer preferences.

Some of Reliance Retail's plans for Hamleys include:

- Quadrupling its outlets to more than 500 in 3 years in India & add stores from Europe to South Africa and China
- As India accounts for only 1% of the $90 billion global toy industry, meaning the growth potential is high and Reliance majorly wants to tap into it.
- They are also planning to refurbish its landmark London shop.
- Hamleys also plans to open pop-up concessions and stores in Manchester, Liverpool, and Newcastle in England, Western Europe, Australia, the US and Canada.

- This would in turn help reliance get a hold in international waters, which it was longing for, for a while

3.4. Case Study 4
PVR - INOX – Merger

3.4.1. Outline:
Mumbai-based PVR INOX Ltd., originally Priya Village Roadshow Ltd. and earlier known as PVR Cinemas, is an Indian network of multiplexes. It was created because of PVR Cinemas and INOX Leisure Multiplex merging. PVR opened the nation's first multiplex theatre in Saket, New Delhi, in 1997, sparking the multiplex revolution in India. PVR Cinemas reached the significant accomplishment of 25 years in operation in 2022. Following their merger in February 2023, PVR and INOX became the largest film exhibition corporation in the country of India. Significant market share as well as operational and cost-saving efficiencies are promised by this amalgamation. PVR Inox boasts 1712 screens spread across 359 locations in 114 cities as of December 2023 (India and Sri Lanka).

3.4.2. Background:
A. Inox Group:
The Jain family began experimenting with business over ninety years ago. Shri Siddhomal Jain founded the prosperous paper and newsprint trading company Siddhomal and Sons in the 1920s. His son Devendra Kumar Jain chose to pursue an industrialist career in the 1960s after graduating with honors in history from the esteemed St. Stephen's College in New Delhi. As the steel, manufacturing, and healthcare industries—all of which were booming in India at the time—used industrial gases extensively, he saw enormous potential in the business of collecting, liquefying, and marketing these gases from natural air. In 1963, he ultimately founded Industrial Oxygen Co. Pvt. Ltd. in Pune.
The INOX Group is a multifaceted Indian corporation that manufactures industrial and medical gases, operates cryogenic equipment, stores, and distributes LNG, and operates PVR INOX, the biggest movie theatre chain in India. Over the last eight decades, the Group has established a profitable and sustainable business that is characterized by integrity, delivery, and good governance, all of which have allowed it to make significant contributions to the country. More than 10,000 people are employed by the Group

through its companies, INOX Air Products, INOXCVA, and PVR INOX Ltd., in more than 200 business units throughout India.

INOX Air Products - The biggest producer of industrial and medical gases in India is INOX Air Products. With 48 operational locations and a vast manufacturing capacity of 4000 TPD of liquid gases, the firm offers a unique array of gases, equipment, and services.

INOXCV - With locations in India, Brazil, and Europe, INOXCVA is one of the biggest producers of cryogenic storage, re-gas, and distribution systems for LNG, industrial gases, and cryo-scientific applications worldwide. The company's mission-critical big bore helium distribution pipe for the French ITER project is another important contribution.

INOX Leisure - Mumbai was home to the Indian multiplex network INOX Leisure, formerly known as INOX Movies. In November 1999, the business was established as a public limited company. It is a division of the INOX Group of Businesses. The firm started operating in 2002 when it opened its first four-screen multiplex in Pune and its second four-screen multiplex in Vadodara. 2004 saw the addition of multiplexes in Mumbai, Goa, and Kolkata.

The firm went public in 2006 when it issued 1,65,00,000 equity shares at a price of ₹120 a share. This consisted of two separate issues: Gujarat Fluorochemicals' offer to sell 45,00,000 equity shares at a price of ₹10 each, and a new issue of 1,20,00,000 equity shares at a price of ₹10.

Cities including Bangalore, Chennai, Hyderabad, Jaipur, Indore, Darjeeling, Kota, Rajasthan, Lucknow, Madurai, and Coimbatore have added additional displays throughout the years. Through a share swap agreement, INOX purchased 89 Cinemas from Calcutta Cinema Private Ltd (CCPL) in 2006, gaining ownership of nine multiplexes in West Bengal and Assam.

INOX obtained Satyam Cineplexes Limited by purchasing all the equity share capital from its current shareholders, amounting to ₹182 crores. This acquisition granted INOX ownership of multiplexes located in several places, including Mysuru and the National Capital Region.

Siddharth Jain, the director of INOX, claims that the Metro INOX multiplex in Mumbai became the first movie theatre in India to run entirely on solar power in 2018. Additionally, the business added an electric car charging station at their multiplex in Pune & Vadodara.

INOX operated 722 screens across 170 multiplexes in 74 locations across the nation as of December 2022. The INOX Group's entertainment endeavour was called INOX Leisure Limited.

B. PVR:

In Delhi's Vasant Vihar, PVR Cinemas was once known as Priya Cinema. The cinema, which bears Priya Jaisinghani's name, was bought by Ajay Bijli's father in 1978. The trucking firm Amritsar Transport Co. was also owned by the father. In 1988, Bijli assumed control of the movie theatre. Its popularity led to renovations in 1990, and PVR Cinemas was founded as a result.

Establishing the firm was a 60:40 joint venture between Priya Exhibitors Private Limited and Village Roadshow Limited, an Australian organisation. It began operations in June 1997. The company was founded by Ajay Bijli, the chairman and managing director of PVR Cinemas. The co-managing director of PVR Ltd. is Ajay Bijli's brother, Sanjeev Kumar Bijli. PVR opened the nation's first multiplex theatre in Saket, New Delhi, in 1997, sparking the multiplex revolution in India.

ICICI Ventures made a ₹40 crore investment in PVR in 2003, after Village Roadshow's decision to end their agreement. The Forum Mall in Bengaluru hosted the inaugural PVR Gold Screen.

PVR Cinemas reached the significant accomplishment of 25 years in operation in 2022.

C. PVR INOX:
The National Company Law Tribunal (NCLT) Mumbai court accepted PVR and INOX's merger on January 12, 2023.
PVR and competitor INOX Leisure combined in February 2023 to form India's largest multiplex chain. 'PVR Inox' will be the brand name for all newly opened properties following the merger with Inox. Prior to the merger, PVR and Inox held the properties, which will still have their individual logos. Post-Merger PVR became PVR INOX Ltd., and based on the number of screens, it is currently the fifth-largest listed multiplex network in the world. In place of PVR Privilege and Inox Rewards, PVR is now developing a single rewards programme that will be utilized by both PVR and Inox properties.
The websites and applications for PVR and Inox will shortly be replaced with a single booking platform and app. The combined company intends to establish more than 150 theatres annually and expand into Tier 3 and Tier 4 Indian cities in order to offer the best possible movie-watching experience, which is now mostly limited to Tier 1 and Tier 2 cities.

3.4.3. Reason Behind the PVR - INOX Merger:

- **Consolidation and market domination -** PVR and INOX joined together to become the biggest movie theatre chain in India and take a sizable chunk of the industry, especially in the multiplex sector. They could be able to negotiate better terms with studios and distributors as a result, which might have an impact on content acquisition and ticket prices.
- **Synergies and cost reduction:** The merger is expected to unlock operational and cost-saving synergies. Combining resources like infrastructure, procurement, and logistics could lead to increased efficiency and cost reduction. Additionally, the larger bargaining power mentioned above could further contribute to cost optimization.
- **Fending off OTT platforms' competition:** The growth of over-the-top (OTT) streaming services, such as Netflix and Amazon Prime Video, has been a serious obstacle for the motion picture theatre sector. Through the merger, PVR and INOX will be able to pool their resources and maybe provide moviegoers with a more competitive experience, enabling them to take on the ease and affordability provided by streaming services.
- **Geographic expansion:** PVR and INOX were stronger in the north, west, and south, respectively, whereas INOX was more prevalent in the east. These strengths were complimentary. Through the merger, the merged company may take use of these advantages and enter new areas, especially in smaller towns and cities, so broadening their audience base and overall reach.
- **Better content acquisition:** By pooling resources, the merged company may be able to negotiate better terms on popular releases or exclusive screenings with film studios for the rights to the films. This may draw more moviegoers and increase box office receipts.
- **Improved customer experience:** The combination may make it possible to share resources and best practices, which might enhance the patron experience at all theatres. This might include improvements in facilities, standardized pricing, and even promotional incentives in addition to technological innovations.

- **Potential effects on employment:** Although consolidation and redundancies may result in some job losses, there is a chance that the merger may open new positions inside the bigger company, particularly in marketing, technology, and content acquisition.
- **Diversification beyond typical movie theatres:** The combination may make it possible to investigate additional revenue streams like co-producing movies, planning film festivals, or starting auxiliary companies like souvenir shops or amusement parks with a theme.
- **Technology investment:** By pooling resources, the merger may make it possible to invest in and use new technologies in the fields of data analytics, projection, and ticketing, which might improve moviegoing and draw in a larger crowd.

3.4.5. Deal Structure:

Leadership:

- Non-Executive Chairman: Pavan Kumar Jain (INOX)
- Managing Director: Ajay Bijli (PVR)
- Executive Director: Sanjeev Kumar Bijli (PVR)
- Non-Executive, Non-Independent Director: Siddharth Jain (INOX)

The INOX-PVR merger was a share swap deal, meaning shareholders exchanged their existing shares for shares in the new combined company, PVR INOX Ltd. Here's a breakdown of the key points:

Swap Ratio:

- INOX shareholders received 3 PVR shares for every 10 INOX shares they held. This ratio was determined through negotiations and financial analysis, aiming to reflect the relative value of each company.

Merged Entity:

- The resulting company is named PVR INOX Ltd., combining the brand names of both companies.

Promoter Shareholding:

- **After the merger, the shareholding structure changed:**

INOX promoters: Received 16.66% of the shares in PVR INOX Ltd. This represents a dilution from their pre-merger stake in INOX, but still grants them a significant holding in the combined entity.

PVR promoters: Retained 10.62% of the shares in PVR INOX Ltd. Their stake increased slightly compared to their pre-merger holding in PVR.

3.4.6. Conclusion:

The merger between Inox and PVR is a win-win situation for both companies.

- Both PVR and Inox stand to gain from the combination of their firms.
- PVR is a more established business with a varied geographic footprint that will aid Inox's future growth. Due to PVR's debt problems and Inox Leisure's plenty of cash, the merged business will have a stronger balance sheet. Although there is a chance of profit booking because the stock prices of both firms have already surged, the long-term picture is optimistic.
- By box office revenue, the combined business would command a 44% market share. Ad income, convenience fees, F&B sourcing in conjunction with vendor consolidation, and cost savings on corporate overheads are among the advantages.

- With 37 new screens launching in seven theatres throughout the quarter and a total of 68 new screens in 12 theatres in H1 FY'2, PVR Inox is continuing its tremendous growth trend. During H1 FY'24, we eliminated 33 underperforming screens to keep our attention on profitable expansion.
- Enhanced market domination and negotiating power: With a higher market share, the merged company is better positioned to negotiate better terms with distributors and studios, which might be financially advantageous to both businesses.
- Cost savings and synergies: Combining operations can result in cost savings and efficiency in areas like marketing, procurement, and infrastructure, which is advantageous to both businesses.
- Better facilities, technology, and maybe standardized pricing could result from exchanging best practices and resources, which would improve the movie-going experience for patrons.

Chapter 4
Conclusion:
The analysis that we can draw from this dissertation study is that:
- In the era, where start-ups is the trend, mergers and acquisition would not only boost their growth but also give them the much-needed exposure and support in the real world.
- The role of the "SYNERGY", even though is a small word but could be a game changer in the mergers and acquisitions world.
- Mergers and Acquisitions would definitely be a great growth strategy for a company who has good reserves.
- As true the previous point be, Mergers and Acquisitions could also be the reason why a business or a company could suffer gravely

4.1. Bibliography

For the study I made use of the following resources:

1. Books:
a. Mergers Acquisitions & Corporate Restructuring - Strategies & Practices by Mr. Rabi Narayan Kar and Mrs. Minakshi
b. Art of M&A Valuation and Modelling: A Guide to Corporate Valuation by Nesvold H. Peter

2. Websites of the following were used:
a. Investopedia
b. Google
c. Corporate Finance Institute
d. iPleaders

3. News Articles from
a. The Economic Times
b. The Times of India
c. The Hindu
d. The Print