



MERGERS & ACQUISITION

-By

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WELCOME

MERGERS AND ACQUISITION



INTRODUCTION

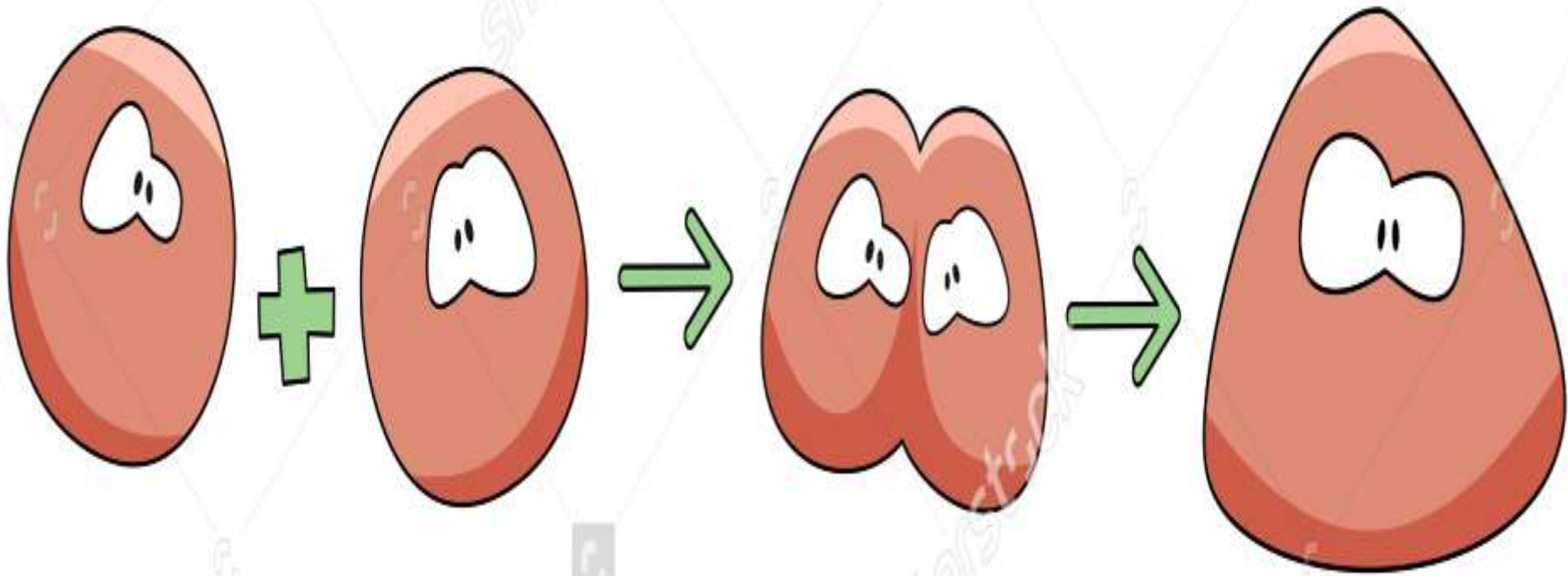
Mergers and acquisitions are increasingly becoming strategic choice for organizational growth, and achievement of business goals including **profit, empire building, market dominance and long term survival**. The ultimate goal of this is however **maximization of shareholder value**.

The phenomenon of rising M&A activity is observed world over across various continents, although, it has commenced much earlier in developed countries (as early as **1895 in US and 1920s in Europe**), and is relatively recent in developing countries.

WHAT IS MERGERS AND ACQUISITION?

Mergers and acquisitions (M&A) are defined as **consolidation** of companies.





MERGER

WHAT IS MERGER?

- Mergers is the **combination of two companies to form one new company.**
- The combination of the two companies involves a **transfer of ownership.**
- Both companies **surrender their stock and issue new stock as a new company.**

WAYS OF MERGER

A MERRGER CAN TAKES PLACE IN FOLLOWING
WAY:

- BUY PURCHASING OF **ASSETS**
- **BUY PURCHASING COMMON SHARES**
 - BY EXCHANGING **SHARES FOR ASSETS**
 - BY EXCHANGING **SHARES FOR SHARES**

TYPES OF MERGERS

1. Horizontal Mergers
2. Vertical Mergers
3. Conglomerate Mergers
4. Concentric Mergers

1. HORIZONTAL MERGERS

A Merger occurring between companies in the same industry



2. VERTICAL MERGER

When two companies produce same goods and services for one specific product



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3. CONGLOMERATE MERGERS

A merger between firm involved in totally unrelated business activity



4. CONCENTRIC MERGERS

The merger of firms which are into similar type of business



AQUISITION



WHAT IS ACQUISITION?

When one company takes over another and **clearly established** itself as a **new owner** , the purchase is called an acquisition



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TYPES OF ACQUISITION?

- 1. Friendly acquisition**
- 2. Reverse acquisition**
- 3. Back flip acquisition**
- 4. Hostile acquisition**

1. FRIENDLY ACQUISITION

Both the companies approve the acquisition under **friendly** terms.

EXAMPLE:

Johnson & Johnson

MEDICAL COMPANIES



 Crucell

Biotechnology

1.75 billion euro's (\$2.37 billion)

2. REVERSE ACQUISITION

A **private** company takes over a **public** company.

EXAMPLE:

clearwire®
wireless broadband



3. BACK FLIP ACQUISITION

The **purchasing company** becomes a **subsidiary** of the purchased company.

EXAMPLE:



4. HOSTILE ACQUISITION

Here, the entire process is done by **force**.

EXAMPLE:



PeopleSoft

\$10.3 billion

DIFFERENCES BETWEEN M&A

BASIS

MERGERS

ACQUISITION

MEANING

Fusion of two or more companies voluntarily form a new company

When one entity purchases the business of other entity

Formation of new firm

yes

no

purpose

To decrease competition & increase operational efficiency

For instantaneous growth

Size of business

Size of merging companies is more or less same

Size of the acquiring company is bigger than acquired company

No. of companies involved

3

2

MERGERS: WHY & WHY NOT

WHY IS IT IMPORTANT

- Increase market share
- Economies of scale
- Profit for research and development
- Reduction of competition

PROBLEM WITH MERGER

- Clash of corporate cultures
- Increased business complexity
- Employees may be resistant to change

ACQUISITION: WHY & WHY NOT

WHY IS IT IMPORTANT

- Increase market share.
- Increased diversification.
- excessive competition and cost maximization

PROBLEM WITH ACQUISITION

- Inadequate valuation of target.
- Inability to achieve synergy.
- Finance by taking huge debt

MOTIVES FOR MERGERS & ACQUISITION

- Economies of large scale business:
Enjoys both internal and external economies.
- Elimination of competition:
It eliminates intense & wasteful expenditure by different competing organization.
- Desire to enjoy monopoly power:
M&A leads to monopolistic control in the market.
- Adoption of modern technology:
corporate organization require large resources.

BENEFITS OF MERGERS & ACQUISITION

- Greater value generation:

M&A generally succeed in generating cost efficiency through the implementation of economies of scale.

- Gaining cost efficiency:

The joint companies benefits in terms of cost efficiency. as 2 firms form new bigger company.

- Increase in market share:

An increase in market share is one of the possible benefits of M&A.

- Gain higher competitiveness:

The new firm is usually more cost-efficient and competitive as compared to its financially weak parent organization.

PROBLEMS OF MERGERS & ACQUISITION

- Integration difficulties
- Large or extraordinary debt
- Managers overly focused on acquisition
- Overly diversified

STRATEGIES OF MERGER AND ACQUISITION

- There is an important need to assess the market by deciding the growth factors through future market opportunities .
- The integration process should be taken in line with consent of management from both the companies venturing into the merger.
- Restructuring and future parameters should be decided with exchange of information and knowledge from both ends.

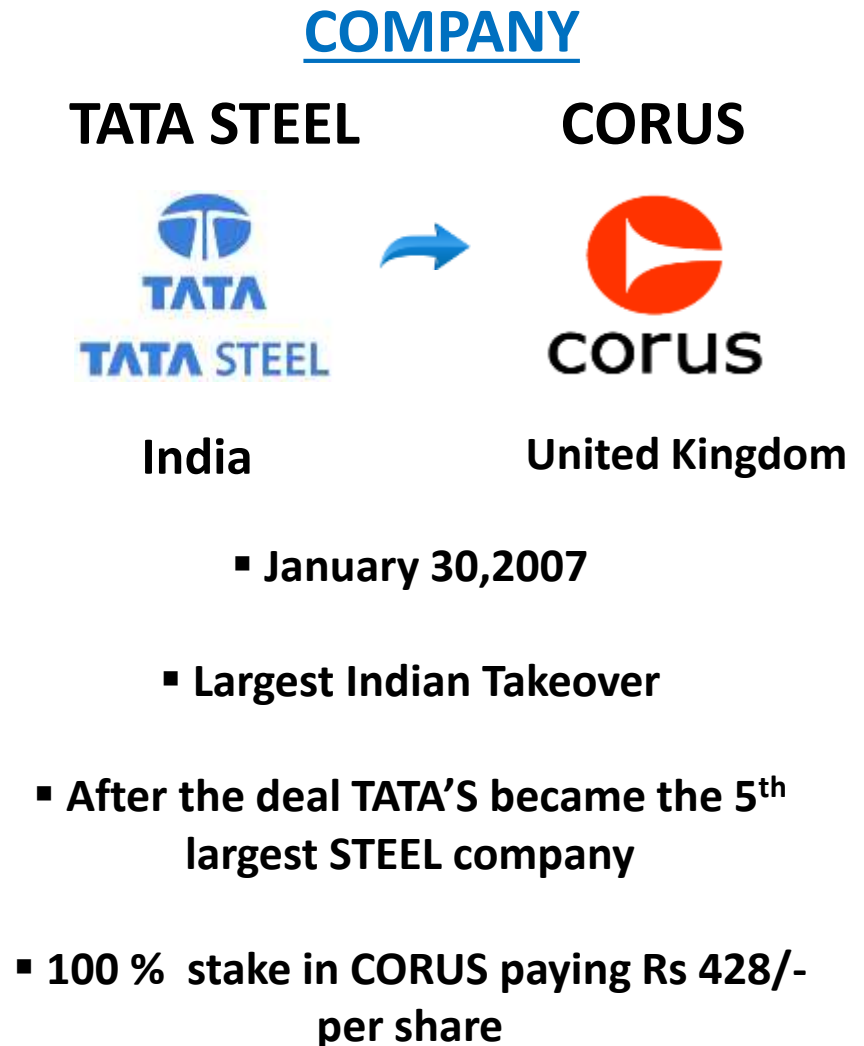
TOP 5 MERGER AND ACQUISITION DEALS



1.TATA STEEL–CORUS: (\$12.2 billion)



IMAGE:
Mutharaman, Tata Steel MD
Ratan Tata, Tata Chairman
J.Leng, Corus Chairman
Varin, Corus CEO



2.VODAFONE-HUTCHISON ESSAR: (\$11.1 billion)



IMAGE:

**ARUN SARIN, CEO of Vodafone and
ASIM GHOSH, MD of Hutchison Essar**

COMPANY

VODAFONE → HUTCHISON ESSAR



United Kingdom



India

- TELECOM sector
- 11 February 2007
- 2nd Largest takeover deal
- 7 % stake holdings in Hutch

3.HINDALCO-NOVELIS: (\$6 billion)



IMAGE:

**KUMAR MANGALAM, Aditya Birla Group
Chairman.**

STEVE FISHER, Novelis Chairman .

COMPANY

HINDALCO



NOVELIS



▪ June 2008

▪ Hindalco aquired noviles

▪ Hindalco entered fortune-500 listing
of worlds largest companies by sales
revenue

4.RANBAXY- DAIICHI SANKYO (\$4.5billion)



IMAGE:

**MALVINDER SINGH, ex CEO of Ranbaxy.
TAKASHI SHODA, President & CEO of
Daiichi Sankyo.**

COMPANY

RANBAXY

RANBAXY

India

DAIICHI SANKYO



Daiichi-Sankyo

Japan

- **Pharmaceuticals sector.**
 - **June 2008.**
- **Largest ever deal in the indian pharma.**
- **Daiichi sankyo has mejarity stake of more than 50 % in ranboxy .**
- **15th biggest drug maker.**

5.ONGC–IMPERIAL ENERGY: (\$2.8 billion)



IMAGE:

CHRISTOPHER HOPKINSON, Imperial ENERGY, CEO.

DINEDH KUMAR SARRAF, MD and chairmen, ONGC.

COMPANY

ONGC

IMPERIAL ENERGY



India

United Kingdom

- January 2009.
- Imperial energy company is one of the biggest UK company.
 - ONGC has 97 % of stake in Imperial energy .
 - ONGC wanted to tap Siberian market.

CONCLUSION

- LEARN FROM MISTAKE OF OTHERS.

- Example:  **\$10.2 billion** 

- DEFINE YOUR **OBJECTIVES** CLEARLY.

- Example:  **\$164 billion** 

- ACQUIRE **EXPERTISE** TO INTERPRET CHANGES.

- **SWOT** ANALYSIS FOR THE MERGED FIRM-A MUST.



**Thank
You!!!**