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# MERGER & ACQUISITION TRENDS OF NEW EON

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# MERGER & ACQUISITION TRENDS OF NEW EON

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***Abstract* - The current paper sprinkles light on various aspects of merger and acquisition especially in new millennium. In Today's on-going state of affairs, cut-throat supremacy has become the buzzword for private sectors around the world. Merger and acquisition (M&A) is the most effective ways to hasten the implementation of plan to grow swiftly. Merger and acquisition (M&A) are the most imperative need for a business to survive in the current global economy. Companies in various industries have pompous at lightning speed. The effect of automation and the cyberspace has not only increased the progress and size of deals, but also helped many buyers of same strategies in creating long durable stakeholder value and take benefits of the collaboration that the conjoined firms will knock together by having their own specific objectives. M&A can have far encompassing footprint on the enterprise inhabitants, the companies and the hired hand, financier and end-users**

***Keywords :*** *Merger, Acquisition, Trend, Global economy, Business.*

## I. INTRODUCTION

If we picture our globalised financial prudence, mergers & acquisitions are really snowballing, as if gaining its advantage all over the map. In order to improve the competitiveness of companies and obtaining greater market share it's the need of time to broaden the assortment to roll back enterprise exposure by entering in new-fangled flea-markets, terrestrials', and capitalizing on cost-cutting scale. The approach of Liberalization, Privatization and Globalization of the economy has taken out the corporate sector from home-ground to a worldwide competition.

If we lay attention towards corporate zone. Corporate segment internationally reformed its activity through varying types of progressive & advanced blueprints. With-in which mergers & acquisitions are intensifying in faster pace. In order to meet the propositions posed by the new adornment of globalization, mergers & acquisitions has directed to the greater amalgamation of national and international market.

M&A have become the driving force of the world economy and have played a significant role in the strategy of many companies in the last decade.

## II. MERGER AND ACQUISITION

The key rule behind M&A is that two companies are conjointly more powerful than two detached companies. This notion is particularly alluring to companies when times are rigid. Strong corporations will act to buy other enterprises to create a more competitive, cost-efficient establishment and more shareholder value. Meanwhile, target companies will often agree to be purchased when they find themselves week and accept the reality that they cannot survive alone.

## III. REASONS BEHIND MERGE

1. Companies would choose to merge together for different reasons:

a. There is a proverb. “If you can’t defeat them, join them”. So, when your competitor is too powerful and you won’t stand a chance when you play alone, then it is better to join hands rather than being kicked out.

b. Many a time’s two weak companies join hands to fight against the strong competitor. This is the major reason why companies go for merger.

c. Sometimes two companies have expertise in two different but relative fields. So they join hands to form a complete package of the offering.

d. If any company wants to expand to other countries, it has an option of merging with another company which is local to that country.

## IV. REASONS BEHIND ACQUISITONS

a. Killing the competition. Many a time’s big and powerful companies acquire small companies to kill the competition.

b. Diversification. If any company wants to enter into a new market, it has an option of acquiring already established companies.

c. Entering into a new country. Companies have option of acquiring local companies to set their first foot in that country.

d. To increase their competencies. Like I said above that two companies may have expertise in different but relative fields. So the powerful company can acquire the other company to offer a complete package of service or products.

e. Reduce cost of manufacturing. Sometimes big companies especially in automobile sectors acquire their supplier companies to reduce the cost of production.

*(Source: Quora)*

## V. STAGES INVOLVED IN ANY MERGER & ACQUISITION

Phase1: Pre-acquisition review: this would include self-assessment of the acquiring company with regards to the need for M&A, ascertain the valuation (undervalued is the key) and chalk out the growth plan through the target.

Phase2: Search and screen targets: This would include searching for the possible apt takeover candidates. This process is mainly to scan for a good strategic fit for the acquiring company.

Phase3: investigate and valuation of the target: once the appropriate company is shortlisted through primary screening, detailed analysis of the target company has to be done. This is also referred to as due diligence.

Phase4: Acquire the target through negotiations: Once the target company is selected, the next step is to start negotiations to come to consensus for a negotiated merger or a bear hug. This brings both the companies to agree mutually to the deal for the long term working of the M&A.

Phase5: Post merger acquisition: If all of the above steps fall in place, there is a formal announcement of the agreement of merger by both the participating companies.

### Value of M&A globally:

| **Year** | **Value in billion US Dollars** |
|---|---|
| 2015 | 4766 |
| 2016 | 3639 |
| 2017 | 3659 |
| 2018 | 4400 |

Source: www.statista.com

## VI. BEST EVER YEAR FOR M&A DEAL:

2018 has been a rebellion year for the Indian lynx. Almost double the value it was witnessed last year topmost ever biannually accord tally of USD75 billion across 638 transactions.

Moreover 10 deals in the billion-dollar division, there were 52 deals with an approximated worth above USD 100milion one by one, which simultaneously, contributed 93% of total deal value. *(Grant Thornton LLP, 2018)*.

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| **Deal summary** | **Volume** | | | **Volume (USD Million)** | | |
|---|---|---|---|---|---|---|
| Domestic | 150 | 105 | 129 | 8201 | 3433 | 22676 |
| Cross-Border | 98 | 84 | 95 | 7035 | 4191 | 24510 |
| Merger & internal restructuring | 11 | 9 | 11 | 580 | 23318 | 17459 |
| Total M&A | 259 | 198 | 235 | 15817 | 30942 | 65451 |
| Private equity | 499 | 412 | 403 | 5920 | 8380 | 9397 |
| Grand total | 758 | 610 | 638 | 21737 | 39322 | 74848 |
| Inbound | 44 | 44 | 51 | 3920 | 3369 | 21408 |
| Outbound | 54 | 40 | 44 | 3115 | 822 | 3102 |

**Source: Grant Thornton India LLP, Grant Thornton Deal Tracker, 2018**

**Table 1. Deal Summary**

**Top 10 deals of total M&A deal value in 2018**

| **Acquirer** | **Target** | **Sector** | **Disclosed values USD million** | **Deal Type** |
|---|---|---|---|---|
| ***Walmart Inc.*** | Flipkart online services pvt Ltd. | E-commerce | 16000 | Majority stake |
| ***Bharti infratel Ltd*** | Indus tower Ltd | Telecom | 14600 | Merger |
| ***Oil & Natural Gas corporation*** | Hindustan Petroleum corporation ltd. | Energy & Natural resources | 5780 | Controlling stake |
| ***Tata steel limited*** | Bhusan steel Ltd. | Manufacturing | 5515 | Controlling stake |
| ***Reliance Jio Infocomm ltd.*** | Reliance communications Ltd | Telecom | 3750 | Acquisition |
| ***Adani Transmission ltd.*** | Reliance infrastructure Ltd- Mumbai power business | Energy & Natural resources | 2938 | Acquisition |
| ***Schneider electric SA*** | Larsen & Turbo Ltd- electrical and automation business | Manufacturing | 2121 | Acquisition |
| ***Renew power ventures pvt. Ltd.*** | Ostro energy pvt. Ltd | Energy & natural resources | 1662 | Acquisition |
| ***IDFC Bank Ltd*** | Capital First Ltd | Banking & financial services | 1460 | Merger |
| ***Ultratech Cement Ltd*** | Century textiles and industries Ltd- cement business | Manufacturing | 1306 | Acquisition |

*Source: Grant Thornton India LLP, Grant Thornton Deal tracker, 2018*

.Walmart's takeover of Flipkart basically emphasizes the apparent capability of the Indian cyber business ecosystem and is probable to empower smart money sentiment in e-commerce kick starts. Accomplishment, funding & financial services and telecommunications were other segments with conspicuously grander level of activity in 2018.

The telecommunications continued to associate in line with the craze seen over the previous two years, with five over and done with deals valued at USD18.9 billion. Energy & minerals (including cleantech) was another sector which saw an exceptional jump in agreement values, with an assortment of transactions in the billion-dollar plus category. (Grant Thornton India LLP, 2018)

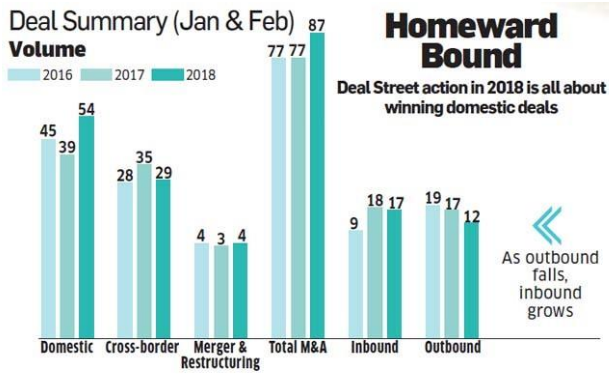
WHY 2018 MAY BECOME A BLOCKBUSTER YEAR FOR MERGER & ACQUISITION (M & A)

Very interestingly it is found that in 2017, India saw more than 1000 mergers and acquisitions, the highest in the current decade. The deal making happened on the back of a record year in terms of raising equity. A total of Rs 1, 81,605 crore was upraised in 2017.

Private equity players had achieved a lot with in this period of time. An EY report says private equity players capitalised a record $25 billion in India in 2017 and also had created a record number.

The year 2018 has started on a positive note, with a flurry of Initial Public Offerings (IPOs) in March and M&A's surpassing the corresponding 2017 January-February numbers. The really big deals though have not happened yet. The number of billion-dollar deals at eight, had declined in 2017, against 12 in 2016.

But appetite for domestic assets is strong. While the number of cross-border deals fell to 340 in 2017 from 368 in 2016, the number of domestic deals increased to 682 in 2017, from 528 in 2016. By deal count, the domestic number is double that of the cross-border one. By sheer value, domestic deals makeup more than 75% of the total. *(www.economictimes.com).*




**Source: www.economictimes.com**

India's merger and acquisitions deal value rose 19% to 273 deals year-on-year in the sector quarter of 2018, while the disclosed value increased 6.8 times to $34.8 billion from $5.1 billion during the same period of the previous year, according to EY, an advisory service firm.

"This difference can mainly be attributed to the six big ticket deals (of more than $1 billion) in 2018. The biggest deals in this quarter was the $16billion acquisition of Flipkart by Walmart Inc., which accounted for 46% of the total disclosed deal value," according to EY's 30th transaction quarterly.

From a sectoral perspective, financial services (39 deals; $1.1 billion) registered the maximum number of contracts and buyer commodities and retail (30 deals; $16.5 billion) exposing the conditions of deal value. *(source:economictimes)*

## VII. Merger & Acquisition driven by both National and International treaties

Total there were 235 M &A transactions calibrating USD65.5 billion in 2018, over double the deal value for the same period for previous year. A favourable local accord surrounding saw momentum most phonated on the local front, with USD 41 billion worth of transactions around 140 deals for the year until today.

Flow in deal activity was compelled by national companies centre on scale and market extension in light of germinating controversy, and by hardwork to boost capital structures.

National accord action has endorsed a whopping 6.4-fold increase in value compared to 2017, basically driven by the Walmart-flip kart transaction figured at USD16 billion. Even excluding this transaction, national deal value is up 61% on the same period previous year.

## VIII. MERGER & ACQUISITION (M & A) DEVELOPMENTS IN INDIA

If we spotlight on the changing scenario of M&A in record we can notice its noteworthy upliftments in India after 1990s. In the seam of 1980-1990 overall no. of M&A s were 268 but it expanded to 1034 in the midst of 1990-2000 and in additional to 2656 during 2000-2009. The M &A liveliness can swell above 100% build up cost if it is well examined. The job of service industries in M&A motion is compressed from the year 2000 in resemblance with the past ten years i.e 1990 to 2000 in excess of 77% Merger & acquisition exists to production sector between the time of the year 2000 to 2010. It was about 65% in the former decennium i.e.1990-2010. This information is remarkable as mass production sector is stretching in excess of 80%. The chief helping hand is from reality segment as the segment has carried out over and above 566 mergers in last ten years. Utmost M&A happened in 2006.With respect to periodic enquiry, the earliest remark before 1990 to 1995 can be termed as generation of amalgamation where most competitors of national company commenced with international competitors who were captivated by the liberalization and economic reforms in India.

## IX. CONCLUSION

India is approaching towards extreme appreciation after a bulk of M&A deals. This also means that at the stage it is more sensitive & susceptible to the whims and qualms of the worldwide fiscal scenario. Considering the vital spark now Indian business, needs the support and constancy to ensure that it remains progressive in the year ahead. India must concentrate upon sharpening the course of action, increasing the integrity in doing business in foreign lands and the permissibility tangled with it. This is not awry to say that M&A in India and the system allied to that are in the brand new lap but the regulation is capable enough to endow facilities for foreign contribution. Proper planning and execution is required for an energetic alliance process. Ample consciousness regarding all suitable governing norms is required. M&A reflects a big change in the mind-set of Indian companies that has come about as a result of greater exposure and increased competitiveness. As companies have successfully faced the challenges of competing on foreign turf, they have mature and grown in self-confidence.

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