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TRENDS AND PROSPECTS OF MERGER AND ACQUISITION IN INDIA

KEY WORDS: Acquisition, deal, merger prospects significance synergy, trends, volume.

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ABSTRACT

The M&A activity in India gained momentum in recent years due to growth in India's International appeal and large customer base. The concept of mergers and acquisitions (M&A'S) was initiated by the government bodies in India. Corporate sector of India was restructured by financial organizations by adopting the M&A policies. This paper aims to study the trends and a prospect of M&A's in India and tries to understand the extent of merger deals made by India. The results reveals that Indian markets have witnessed burgeoning trend in mergers which may be due to various factors like synergy, business consolidation, reduction of debt, reforms in the government regulations, M&A tools and techniques increasing competitions, acquisition activities etc. M&A's have begun to gain momentum in India; there is plenty of examples of M&A provided in this research which proves that Indian industries have already entered into the M&A process of value creation.

INTRODUCTION

The M&A activity in India gained momentum in recent years due to growth in India's International appeal and large customer base. Current trends witness domestic and foreign participation in the Indian Distressed asset sale where they are investing in the asset reconstruction companies. Consolidation in various FMCG companies is being witnessed due to the huge potential in India's customer base with varying choices and preferences. There has been a surge in consumer spending over the last five years which is prompting overseas investors or companies to merge or amalgamate with the Indian Companies to reap huge benefits and arrive at economies of scale.

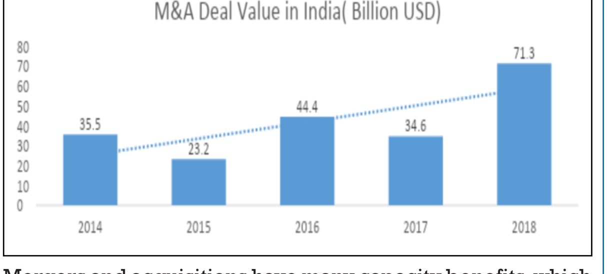
Various reasons that have made Indian markets more attractive include major reforms in the legal and the regulatory realm of the country like the Goods and the Service Tax (GST), Real Estate Regulatory Authority (RERA), and Insolvency and the Bankruptcy Code (IBC). These are the signs of the increasing depth and maturity of the Indian markets.

The uptick in the M&A activity could largely be attributed to factors that include consolidation across various sectors, India's growing international appeal, India's jump of 23 positions in Ease of doing business against its rank of 100 in 2017 to 77th in 2018 amongst 190 countries assessed by the world bank, Insolvency and the Bankruptcy Code, extremely competitive atmosphere in the mobile and e-commerce space, and the feeding frenzy in the consumer goods and e-commerce area as foreign companies look to have a major slice of India's massive customer base. 2018 broke all previous records by crossing the USD 100 billion mark in terms of deal value across the Private Equity and the M&A transactions. Deal value as on December 2018 reached a record high of around USD 105 billion across 1640 transactions.

M&a History In India At A Glance

Emerging as the key driver for deals, domestic consolidation took a large share with around 60 percent of the overall M&A transaction values in 2018. Inbound deals accounted for around 30% of the total M&A deal values this year. Also, a number of overseas investors had shown interest in the activities of the Indian Startups and pooled in huge resources in their ecosystem to give a boost to their business objectives.

The process of mergers and acquisitions has gained substantial importance in today's corporate world. This process is extensively used for restructuring the business organizations. In India, the concept of mergers and acquisitions was initiated by the government bodies. Some well known financial organizations also took the necessary initiatives to restructure the corporate sector of India by adopting the mergers and acquisitions policies. The Indian economic reform since 1991 has opened up a whole lot of challenges both in the domestic and international spheres. The increased competition in the global market has prompted the Indian companies to go for mergers and acquisitions as an important strategic choice. The trends of mergers and acquisitions in India have changed over the years. The immediate effects of the mergers and acquisitions have also been diverse across the various sectors of the Indian economy.



Mergers and acquisitions have many capacity benefits, which specifically attention on boosting profits and shareholder price thru: the economies of scale produced with the aid of increasing market proportion; the elevated use of an present distribution network by means of the acquisition of latest product talents; the extension of a sturdy product capability into new markets; the diversification of product and market dangers. This is why mergers and acquisitions emerge as a critical tool for corporate development in nowadays worldwide marketplace, which is characterized via consolidation, convergence, the opposition for skills and generation, and the increasing importance of such intangible belongings as know-how, competencies and patron relationships.

Significance Of Mergers And Acquisitions

Mergers and acquisitions are used as instruments of momentous growth and are increasingly getting accepted by Indian businesses as a critical tool of business strategy. They are widely used in a wide array of fields such as information technology, telecommunications, and business process outsourcing as well as in traditional business to gain strength, expand the customer base, cut competition or enter into a new market or product segment. Mergers and acquisitions may be undertaken to access the market through an established brand, to get a market share, to eliminate competition, to reduce tax liabilities or to acquire competence or to set off accumulated losses of one entity against the profits of another entity. However, on the other the motive may be to create anti-competitive effects like to reduce the numbers of competitors or to create dominance in the market.

The growth of interdependence of markets for different items and services as well as increasing foreign competition, it is apparent that these days we are in a time of giant adjustments that are why a lot of organizations are expanding their geographic reach and growth. organizations which select to grow, generally try to take an additional market proportion, reach new customer base, create monetary earnings, provide returns for his or her stakeholders, and so on., even as companies which pick out no longer to develop, are manifestly to failure due their loss of clients and market shares, destroyed shareholder and stakeholder values and so on.

Today growth in lots of instances arise via mergers and acquisitions mergers and acquisitions: during the previous few years there has been over 30.000 mergers and acquisitions transactions, equal to the completion of one deal each 17 mins (faulkner, campbell, 2003). mergers and acquisitions have many capacity benefits, which specifically attention on boosting profits and shareholder price thru: the economies of scale produced with the aid of increasing market proportion; the elevated use of an present distribution network by means of the acquisition of latest product talents; the extension of a sturdy product capability into new markets; the diversification of product and market dangers. This is why mergers and acquisitions emerge as a critical tool for corporate development in nowadays worldwide marketplace, which is characterized via consolidation, convergence, the opposition for skills and generation, and the increasing importance of such intangible belongings as know-how, competencies and patron relationships.

Meaning Of Merger And Acquisition

A merger or an acquisition in a company experience can be defined as the combination of two or more companies into one new company or corporation. Mergers and acquisitions, for short involves the process of combining two companies into one The purpose of combining or greater groups is to attempt to gain synergy in which the complete (new company) is greater than the sum of its parts (the former two separate entities).

Mergers arise when two companies be part of forces. Such transactions commonly take place among corporations which can be approximately the equal length and which apprehend blessings the alternative gives in phrases of growing income, efficiencies, and abilities. The phrases of the merger are often fairly pleasant and at the same time agreed to and the two companies turn out to be same partners inside the new undertaking.

Acquisitions arise when one agency buys any other company and folds it into its operations. Occasionally the acquisition is friendly and occasionally it's far adverse, depending on whether the agency being received believes it is higher off as a working unit of a bigger task. The end result of both strategies is the same; however the dating among the two businesses differs primarily based on whether a merger or acquisition took place

Factors That Make India An Attractive Hub For Mergers And Amalgamations

There have been various factors that contributed to the Mergers and Amalgamation Activity in 2018. In today's market, the M&A activities are driven by the motive of consolidation and reduction of debts. Some of the identified reasons that make India an attractive hub include:

Synergy

The synergy between the merging or the amalgamating firms or companies determines the increase in the value of the combined entity. This can be achieved through cost savings that come through economies of scale or increased sale in the profits of the business. Anaphor feature is the tax benefit which is the product of such merger or amalgamation. For example, there were tax benefits in the case of Ashok Leyland Information Technology(ALIT) which was acquired by Hinduja Finance, a group in 2013 so that it could set off the accumulated losses in ALIT's books against its profits or with an objective of entering into an entirely new sector.

Consolidation

Consolidation is basically the combination of two or more companies into a new company where all the companies are legally dissolved to create a new entity in order to strengthen the position in the market. For example, in the Media and Entertainment sector, the consolidation theme was the key with the MAA Television Network Limited which was acquired by Star India Private Limited for an estimated Rs. 2000-2500 crore. This helped the network to expand its presence in other Indian languages.

Reduction Of Debts

Consolidation with the purpose of reduction of debts has been the key theme in the cement, steel and the power sectors. The recent acquisition of Debt-laden Bhushan Steel Limited by Tata Steel Limited under the IBC regime in an insolvency auction was a successful venture towards the reduction of debt in the company. Bhushan Steel Limited was amongst the 12 stressed assets referred to the National Company Law Tribunal (NCLT) proceedings by the RBI last year.

Reforms In The Government Regulations

Almost all relevant corporate laws/regulations in India have been revamped in the last few years, be it the takeover code, delisting regulations, Companies Act, and the Competition law. Tax Laws are continuously evolving and so are the Foreign Exchange Management Act (FEMA) regulations, impacting both the inbound and the outbound investments.

Tools And Technology Are Making An Impact

Corporations and firms are making greater use of new M&A technology tools to assist with reporting and integration. These tools are an effective strategy against conflicts, cost and time, likely key factors in making more deals work. For example, there has been substantial growth in the virtual data room providers that facilitate large M&A transactions annually. Intralinks is the industry's one of the leading virtual data rooms that facilitate more than 6500 high-stakes transactions annually. 99% of the Global fortune 1000 has trusted Intralinks with their sensitive data and artificial intelligence makes their services more secure, easier and faster.

Recent Trends In M&as In India

Indian industries are undergoing structural changes in the post liberalization period. Competitive pressures are high not only due to deregulation but also due to globalization. As a part of the restructuring programme, the first merger wave in India was underway in the second half of the 1990s. In terms of M&A, India is one of the leading nations because of the majority of the Indian Companies favoring Mergers and Acquisitions.

M&A deals have increased in India since 1999, especially after Liberalization. During the years of 2000, 2007 and 2008 such deals declined due to the crisis of global credit. The trend of M&A in India has been decreasing from 2000 to 2008. Though by 2010, such deals hit a new peak. Since then, Indian companies have considered M&As to be key in corporate restructuring. Since 2010, there has been a considerable increase in M&A deals in India. Till the recent past, the incidence of Indian entrepreneurs acquiring foreign enterprises was not so common. The situation has undergone a sea change in the last couple of years. Acquisition of foreign companies by Indian businesses has been the latest trend in the Indian corporate sector. The Indian IT and ITES sectors have already proved their potential in the global market. The other Indian sectors are also following the same trend. The increased participation of the Indian companies in the global corporate sector has further facilitated the merger and acquisition activities in India.

Hit by sluggish economic trends, merger and acquisition activities of Indian companies slowed down in 2013 to a total of nearly 500 deals worth close to $30 billion, but the momentum is set to pick up in the New Year especially after the general elections.

In comparison, Indian companies were involved in 598 M&A deals worth $35.4 billion in 2012 and 644 transactions worth $44.6 billion a year ago in 2011, shows an analysis of data compiled by various deal-tracking firms.

According to Grant Thornton, there have been a total of 480 deals amounting to $27.4 billion during 2013 involving Indian companies, as on December 13, 2013.

A few more deals have been announced since then. Global deal-tracking firm merger market's India Bureau Chief Mithun Varkey said deals would be mostly driven by local consumption story, especially in sectors like consumer durables and pharmaceuticals, during 2014.

The Best Business Deals Of India In 2013

1. Aditya Birla Chemicals (India) on 31 May 2013 decided to acquire CA&P Division of Solaris Chemtech Industries for a total of 153 crore Rupees.
2. TVS Logistics Services Ltd. acquired a second company in the US called Wainwright Industries, the end-to-end supply chain provider.
3. Abu Dhabi based Etihad Airways on 24 April 2013 confirmed taking over of 24 per cent minority stake in Jet Airways for 379 million dollars.
4. Educomp Solutions Ltd, on 26 March 2013 announced completion of the sale of its entire 50% stake in Eurokids International
5. Tata Steel Ltd. on 12 March 2013 announced that TSMC acquired a stake in Canadian company Labrador for 163 crore of Rupees.

Multinational companies (MNCs) have entered India with the help of Joint ventures or Acquisitions because of Liberalization.

This has increased competition between local and foreign firms greatly over the past few years. In 2018, nearly 70% of the M&A activity included distressed deals.

This was enabled because of the Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code, 2016. Various foreign investments as part of M&A deals were seen among various sectors and industries in India in 2019.

Another trend that has been seen since 2019 is that M&A deals are quite popular in the start-up sector as well. Various reforms were introduced in 2019, which boosted the growth of M&As in India.

M&A Activity In The Last Three Years

Table – 1: Deal Summary By Volume Over 3 Years

Year	**2016**	**2017**	**2018**
Domestic	306	228	269
Cross-border	189	162	189
Internal Mergers and Restructuring	17	23	14
Total	512	413	472

Source: Grant Thornton Annual Deal tracker

Table – 2: Deal Summary By Value Over 3 years ($Mn)

Year	**2016**	**2017**	**2018**
Domestic	12706	5834	34215
Cross border	27046	8140	38523
Internal Mergers and Restructuring	3475	26451	17474
Total	43227	40425	90212

Source: Grant Thornton Annual Deal tracker

Table – 3: Top M&A Deals In 2017-2018 In India

Acquirer	**Target**	**Sector**	**Sub-sector**	**Deal Value**	**% of stake**
HCL Technologies Limited	International Business Corp. (IBM)- 8 Software Products	IT and ITEs	Software Development	1800	100
IDFC	Capital First	Financial Services	NBFC	1460	NA
Tata Steel Limited	Bhushan Steel Limited	Manufacturing	Industrial Materials	5515	73
Hindustan Unilever Limited	GlaxoSmith Kline Healthcare Limited	Retail	FMCG	4500	100
Walmart Inc	Flipkart Online Services Private Limited	E-Commerce	Retail	16000	77

Source: Grant Thornton Annual Deal Tracker

HCL Technologies Limited- IBM 8 Software Products

This was the single largest acquisition by an Indian Information technology services company and a buyout that was unlike any made by risk-averse home-grown IT firms. Under the all-cash deal, HCL proposed 1.475 billion dollars of its own cash and borrowed 300 million dollars to finance the transaction. HCL expected that the eight software products such as IBM Notes, Domino and Appscan, shall help it garner 625 million dollars in increasing its revenue in the 12 months after completion of the deal, which is expected to happen by mid of 2019.

IDFC BANK LIMITED- Capital First Limited

The IDFC Bank Capital First Limited merged effective 18th December 2018. IDFC Bank and Non-Banking financial company (NBFC) capital first announced the completion of their merger, creating a combined loan asset book of 1.03 lakh crore for the merged entity IDFC First Bank.

TATA STEEL LIMITED- Bhushan Steel Limited

Tata Steel had announced the acquisition of Bhushan Steel through its acquisition of Bhushan Steel (BSL) through its wholly-owned subsidiary Bamnipal Steel Limited, completing the resolution of the first case under the Insolvency and the Bankruptcy Code, 2016.

Tata Steel had acquired a controlling stake of 72.65% in Bhushan Steel Limited and paid the admitted corporate insolvency costs and employee dues, as required under the Insolvency and the Bankruptcy Code ('IBC'). Further settlement of the amounts equivalent to Rs.35, 200 crore towards the financial creditors of BSL was undertaken, and Rs.1200 crore to the operational creditors.

Hindustan Unilever Limited-glaxosmithkline Healthcare Limited

In January 2019, CCI approved the amalgamation of

GlaxoSmithKline Healthcare Limited (GSK) and Hindustan Unilever Limited (HUL). Pursuant to the proposed combination HUL would enter into a non-exclusive consignment selling agency arrangement with various GSK entities in relation to the marketing and selling of certain over the counter medicinal products and oral healthcare products in India, Bhutan, Nepal, for a period of five years.

Walmart Inc-flipkart Online Services Private Limited
US Retail giant Walmart Inc decided to pick up 77% stake in India's largest online retailer Flipkart for 16 Billion dollars, in what made the country's largest acquisition and world's biggest purchase of an e-commerce company.

The Most Popular And Major Mergers And Acquisitions In 2019

- Acquisition of Yatra with a majority stake of 71% for $337.8 (Mn) by Ebix Inc.
- OYO acquires Innov8 for INR 220 Cr.
- Acquisition of CloudCherry by Cisco.
- Paytm Acquires travel startup NightStay.
- PayU Acquires Wibmo in a deal worth $70 (Mn)

The Most Popular And Major Mergers And Acquisitions In 2020

- ITC acquired 100% equity shares of Sunrise Foods Pvt. Ltd for Rs. 2150 crores, all of which was paid in cash.
- Facebook invested $5.7 billion in Jio Platforms for a 9.99% stake in Jio.
- Zomato acquired Uber Eats for $350 million. However the deal was via stock exchange and Uber got 9.99% of ownership in Zomato.
- RIL acquired 60% of Vitalic Health and acquired 100% ownership in Vitalic's subsidiaries which included Tresara Health Pvt. Ltd and Netmeds MarketPlace Limited for Rs. 60 crores.
- Hindustan Unilever Limited merged with GlaxoSmithKline Consumer Limited and paid the latter Rs. 31,700 crore, plus Rs. Rs3, 045 crore getting for itself the Horlicks trademark.

INDIA'S MERGERS AND ACQUISITION TRENDS IN 2021
The pandemic-led disruptions further augmented the role played by technology. This has been thoroughly leveraged by start-ups and digital insurgents across sectors like finance, retail, technology, manufacturing, logistics, etc. It's no wonder then that India added over 55 unicorns in the past two years alone. Major sectors that have emerged as lucrative hotspots for acquisition activity include renewable energy, electric vehicles, consumer durables, EdTech, and Fintech. Favorable policy support as well as falling prices has made India an attractive destination for renewable investments.

It is reported that while most acquisitions were led by first-time buyers, no mega deal over US$5 billion was struck in the year 2021, unlike the trend in 2016-19. For the years 2020 and 2021, the percentage of first-time buyers has been the highest compared to the percentage for the years 2016 till 2019. In 2021, the nature of deals was broad based, including more mid-sized deals ranging from US$500 million to US$1 billion. Two-thirds of these deals finalized by insurgents are stock-plus-cash transactions. Also, the nature of deals in the past 18-24 months has been quite different from the years before. Scope and capability deals accounted for nearly 46 percent of all strategic deals valued at above US$75 million that were closed in 2021 – much higher than in 2020 (36 percent) and 2019 (31 percent). Scope deals (acquisitions outside a company's core business) are steadily growing their share of deal volumes, often addressing disruptive themes, such as digital or renewable.

Another notable trend observed in 2021 is the rapid expansion of industry insurgents across sectors, geographies, and business fields. These companies are aggressively trying to upscale capabilities to deliver a comprehensive omnichannel experience to consumers. For instance, EdTech insurgent BYJU's has made over 11 acquisitions valued at over US$2 billion, of which approximately $US1 billion went towards acquiring Aakash Educational Services, an offline test prep company, to build an omnichannel learning offering for its test-prep vertical. Oyo, too, has entered much new geography to expand its scale of operations.

Top M&a Deals In India In 2021
1. Piramal Group acquires DHFL at US$4.7 billion:
In 2021, Piramal Group completed the acquisition of Dewan Housing and Finance Limited (DHFL) for US$4.7 billion, which includes a cash component and non-convertible debentures.

2. Prosus acquires BillDesk for US$4.7 billion:
The acquisition of Indian payments giant BillDesk by technology investors Prosus NV was the largest merger and acquisition deal in the Indian fintech industry. Prosus has its own Fintech business PayU. This acquisition will help PayU to become one of the leading online payments providers, globally, with presence in over 20 markets and increased total payments volume (TPV) of over US$4 billion.

3.adani Green Energy Limited (agel) Acquires Sb Energy India:
In May 2021, AGEL completed the acquisition of SB Energy Holdings Limited (SB Energy India) in an all-cash deal worth US$3.5 billion. This is the largest acquisition in the renewable energy sector in India.

4.Tata Digital acquires BigBasket:
In a bid to build its own SuperApp, Tata Digital acquired India's biggest groceries delivery company BigBasket.

5.Merger between Sony Picture Network India and Zee Entertainment Enterprises:
Both companies have entered into an exclusive, non-binding term sheet, in order to combine their linear networks, digital assets, production operations, and program libraries. The merged company would be a publicly listed company in India with Sony Pictures Entertainment holding the majority stake.

6.PharmEasy acquires Thyrocare at US$610 million:
PharmEasy has become the first Indian start-up to acquire a publicly listed company Thyrocare, which runs a chain of diagnostic and preventive care laboratories. The acquisition will enable PharmEasy to build an end-to-end healthcare platform from a customer's point of view.

CONCLUSION
With the FDI policies becoming more liberalized, Mergers, Acquisitions and alliance talks are heating up in India and are growing with an ever-increasing cadence. They are no more limited to one particular type of business. Through mergers and acquisitions, a company can develop competitive advantage and ultimately increase shareholder value. The government's steps to develop the Indian economy have increased the M&A deals in India. Along with this, interest of Foreign Investors to invest in Indian companies and the Indian market has also increased. This would help India become a hub for foreign cross-border mergers.

2017-2018 has witnessed a plethora of M&A deals in India valuing Rs.90, 211 million dollar in 2018. The driving forces have generally been India's rising International appeal, Easing of FDI norms in India, and reforms in the existing regulatory framework and the burgeoning consumer spending. 2018 being the blockbuster year for the M&A deals have given high hopes and expectations for 2019. If India Inc continues to grow at this rate which makes mergers and investments favorable, sooner India will turn out to be one of the biggest business destinations.

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