



AWARENESS OF MERGERS AND ACQUISITION AMONGST FINANCE MANAGERS IN INDIA

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ABSTRACT

This research seeks to understand the awareness of M&A across finance managers in various organizations in various segments of the industry. The goal was to understand the success rate of mergers and acquisitions as well as the reasons for it. This study helped us realise that M&A awareness must be enhanced in the initial stages of our career.

KEY WORDS - Synergy, Acquirer, Due diligence, Vertical integration, parent company, dilution, target firm, acquirer

SECTION 1

INTRODUCTION

Merger-and-acquisition frenzy has created intense competition for the same target companies, where a premium is placed on price and speed.

DISTINCTION BETWEEN MERGERS AND ACQUISITIONS

In an acquisition, another organization does not rise. Rather, the littler organization is regularly expended and stops to exist with its benefits winding up some portion of the bigger organization. Acquisitions – some of the time called takeovers – for the most part convey a more negative undertone than mergers. Because of this reason, many securing organizations allude to an acquisition as a merger notwithstanding when it is plainly not.

A merger requires two organizations to solidify into another element with another proprietorship and the executives structure (apparently with individuals from each firm). An obtaining happens when one organization assumes control over the majority of the operational administration choices of another organization. The more typical refinement to separating an arrangement is whether the buy is well disposed (merger) or threatening (acquisition).

Since mergers are so phenomenal and takeovers are seen in a negative light, the two terms have turned out to be progressively mixed and utilized related to each other. Contemporary corporate restructurings are generally alluded to as merger and obtaining (M&A) exchanges as opposed to just a merger or securing. The reasonable contrasts between the two terms are gradually being disintegrated by the new meaning of M&A bargains.

(2022) (Borad, 2022)

M&A IN INDIA BETWEEN 2021- 2022

- Prosus acquires Billdesk at USD 4.7 billion
- Piramal Group acquires DHFL at USD 4.7 billion
- Tata Digital acquires BigBasket
- Merger between Zee Entertainment Enterprises And Sony Pictures Network .
- Adani Green Energy Limited took over SB Energy India
- PharmEasy acquires Thyrocare at USD 610 million
- Byju acquires Aakash Educational Services (Agarwal, 2022)

SECTION 2



RESEARCH OBJECTIVES

1. To understand the various reasons behind Mergers and Acquisition in India.
2. To understand the awareness and opinion of mergers and acquisition among the finance managers' in different organizations across various segments of industries in India

SCOPE OF THE STUDY

This paper is mainly highlighting the study on Mergers and Acquisitions among the finance managers in different organizations across segments of industries in India.

SECTION 3

RESEARCH METHODOLOGY

The research methodology section includes the sampling, design, data collection methods and the analysis plan.

The sampling plan includes the profile of the sample unit of study, the size of the sample, the sampling procedures, the period of study.

Sample unit of the study – The sample unit for our study are the finance managers aged between 25-23 years working across segments of industries in India.

Size of the sample – A Sample size of 110 users was used for the research purpose and collecting primary data. The respondents were finance managers in organizations of various segments in industries. A Questionnaire was prepared for the respondents and the data is duly recorded.

Sampling procedures – The sampling was done on a random basis wherein our previous managers of previous organizations were tapped.

Period of the study – The period of the study was April – June 2022.

Data collection plan contains the sources of data and the method of collecting data.

Sources of Data Collection - We have used Primary and Secondary data for my project report. The main advantage of using secondary form of data is that it is easy to collect. It is less time consuming and efforts in collecting the secondary data are less than primary data. Collecting primary data was tedious but we enjoyed it as we interacted with many people while doing the research. This research helped us gain in the interaction with the finance managers.

Method of Data Collection - A questionnaire constructed through google form was sent to various finance managers and they were requested to fill the same and send us.

The analysis was done using various charts, tables and graphs.

SECTION 4

REVIEW OF LITERATURE

A number of studies were done in the developed capital markets of Europe, Australia, China, India, and the USA on the evaluation of corporate financial performance following mergers.

1. **Gantumur and Stephan (2007)**, in a study “**Merger, Acquisitions and Innovation Performance in the Telecommunications Equipment Industry**” analysed the innovation determinants of M&As activity, and the consequences of M&As transactions on the technological potential and the innovation performance. The study examined the telecommunications equipment industry over the period 1988 – 2002 using 638 newly created data sets with firm-level data describing M&As and innovation activity, as well as financial characteristics. Based on a matching propensity scorereader, the study provided evidences that M&A's realize significantly positive changes to the firm's post-merger innovation performance. The study delivered insights into the desirability of M&A's for the innovation performance of firms by analyzing the M&A's that took place in the international telecommunications equipment industry from the late 1980s until the early 2000s. The study concluded that, on an average, M&A's realize significantly positive changes to the innovation performance of firms following M&As. The post-merger changes are driven by both the success in R&D activity and the weakness in internal technological capabilities at acquiring firms prior to a merger. (Stephan, 2007)
2. Mantravadi and Reddy (2008) stated that the type of industry does seem to make a difference to the post-merger OP of acquiring firms. According to McGowan And Sulong (2008) who studied the effect of M&A's completion announcement on the stock price behaviour for two anchor banks in Malaysia, the M&As completion announcements are treated as positive information by the market. (Sulong, 2008)
3. **Kumar and Bansal (2008)**, in their study “**The Impact of Merger and Acquisitions on Corporate Performance in India**” attempted to analyze whether the claims made by the corporate sector while going for M&A's to generate



synergy are being achieved or not in the Indian context. They did so by studying the impact of M&A’s on the financial performance of the outcomes in the long- run and compared and contrasted the results of merger deals with acquisition deals. The study used ratios and correlation matrix for analysis, and found that in many cases of M&A’s, the acquiring firms were able to generate synergy in the long run, which might have been in the form of higher cash flow, more business, diversification, cost cuttings and more. (Bansal, 2008)

Mantravadi and Reddy (2008), in a study entitled “**Post-merger Performance of Acquiring Firms from Different Industries in India**” attempted to study the impact of M&A’s on the OP of the acquiring corporate firms of different industries, by examining some pre-and post-merger financial ratios, with the sample of firms chosen as all M&A’s involving public limited and traded firms in India during 1991-2003. The study suggested that there are minor variations in terms of impact on OP following M&A’s in different industries in India. In particular, M&A’s seem to have had a slightly positive impact on the profitability of firms in the banking and finance industry, while the pharmaceutical, textiles, and electrical equipment sectors saw a marginal negative impact on OP (in terms of profitability and returns on investment). (Reddy, 2008)

(Ghosh, 2022)

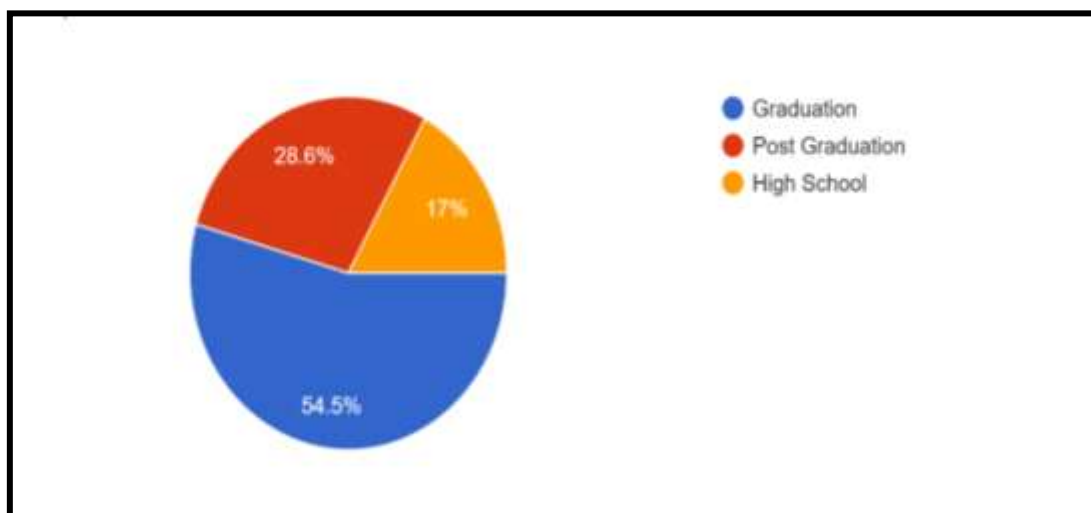
4. Prof. M. Guruprasad (2012) in a study entitled “**Business Basics and Management Mantras- Understanding Mergers**” explained the basic concepts of merger, types of mergers, reasons behind mergers and the concept of demerger. According to the study, the reasons for mergers include economies of scale, strategic benefit, tax benefits and reduction in operation cost. The paper also mentions certain demerits of mergers including management styles, organization structures. The paper concludes by stating the example of Bharti, Hutchison and Birla – M&A in the telecom sector. (Guruprasad, 2012)

SECTION 5
DATA ANALYSIS, INTERPRETATION AND PRESENTATION
5.1 Awareness of Mergers and Acquisition.

Table 5.1 - Awareness of M&A amongst Finance Managers in India

Sr No	Particulars	No of Respondents	Percentage
1	Yes	86	76.7%
2	No	16	15%
3	Maybe	10	8.3%

Chart 5.1- Awareness of M&A amongst Finance Managers In India



INTERPRETATION

From the above table and chart, we can see that majority of the respondents said yes that they are aware about what a Merger is followed by the options No and Maybe.

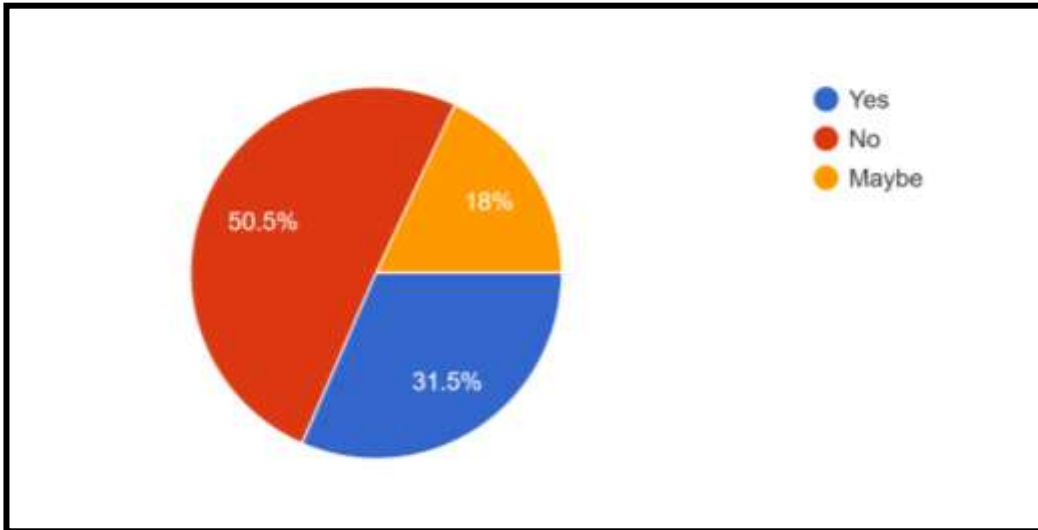
This shows that majority respondents are well versed with the topic Mergers

5.2 Merger and Acquisition - Similarity

Table 5.2 – Similarity between M&A

Sr No	Particulars	No of Respondents	Percentage
1	Yes	35	31.5 %
2	No	56	50.5 %
3	Maybe	20	18 %

Chart 5.2
between



– Similarity
M&A

INTERPRETATION

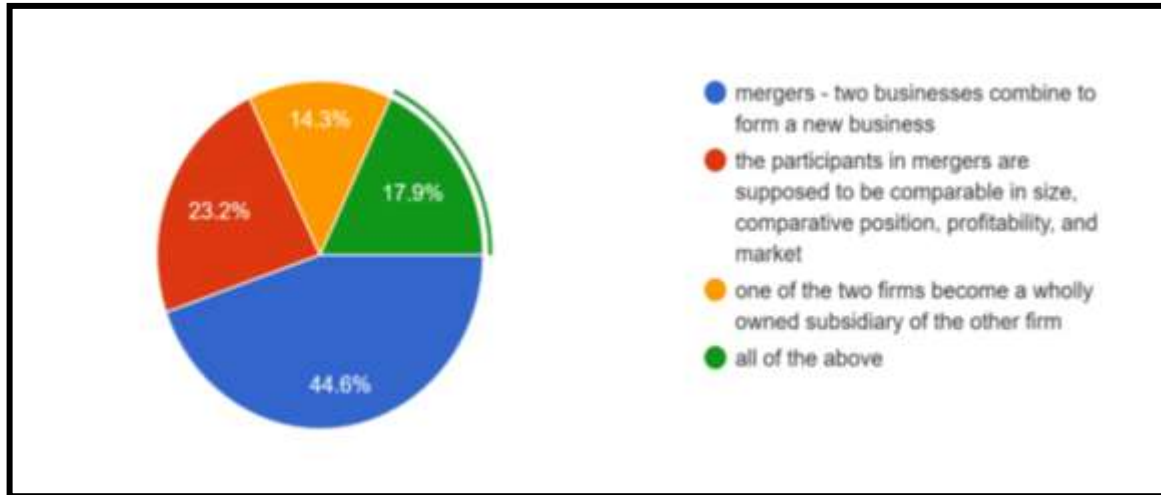
From the above table and chart, 50.5% of respondents think that mergers and acquisition are not same, while 31.5% think maybe they can be same. We think majority (half) respondents are correct that Mergers and Acquisition are slightly different, while the other half are not aware or are confused between the two terms. A merger occurs when two separate entities combine forces to create a new while Acquisition refers to takeover of one entity by another.

5.3 Correct Statements on statements about M&A.

Table 5.3 – Correct statements about M&A

Sr No	Particulars	No of Respondents	Percentage
1	Mergers- two businesses combine to form a new business	50	44.6%
2	the participants in mergers are supposed to be comparable in size, comparative position, profitability, and market	26	23.2%
3	one of the two firms become a wholly owned subsidiary of the other firm	16	14.3%
4	all of the above	20	17.9%

Chart 5.3 – Correct statements about M&A



INTERPRETATION

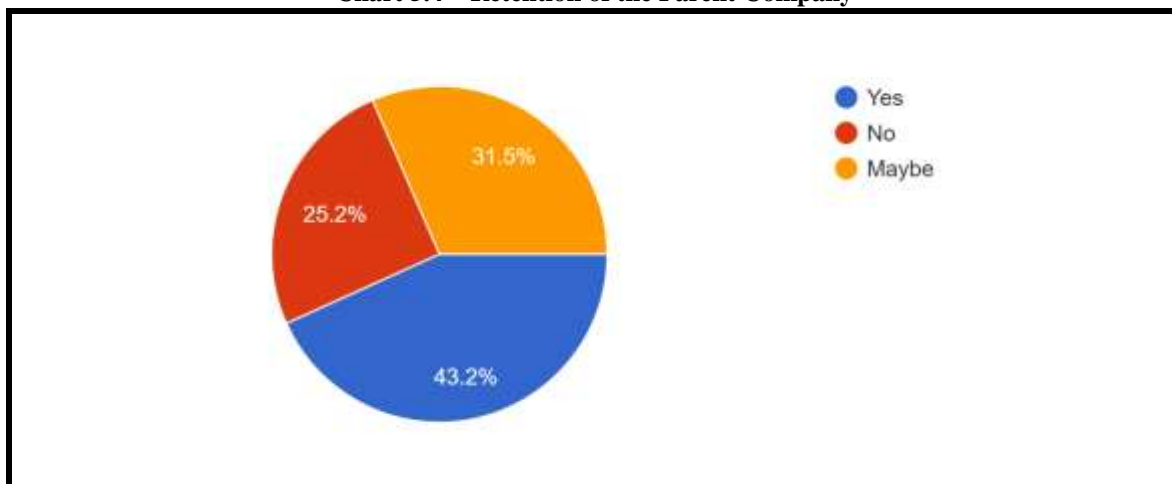
From the above table and chart 44.6% respondents say that a merger is a combination of businesses in which two business combine to form a new business while 23.2% think that merger is a combination of businesses in which the participants are necessarily comparable in size, comparative position, profitability, and market capitalization while 14.3% think a merger is a combination where one of the two firms become a wholly owned subsidiary of the other firm and 20% think none of the above. Well a merger is a combination of businesses where two businesses combine to form a new business which makes majority of individuals are correct.

5.4 Retention of the Name of the Parent Company

Table 5.4 – Retention of the Parent company

Sr No	Particulars	No of Respondents	Percentage
1	Yes	48	43.2%
2	No	28	25.2%
3	Maybe	35	31.5%

Chart 5.4 – Retention of the Parent Company



INTERPRETATIONS

From the above table and chart, 43.2% of the people think that the name of the parent company is retained after the merger and acquisition, while 25.2% respondents think that the name is not retained and the remaining 31% are confused about it.

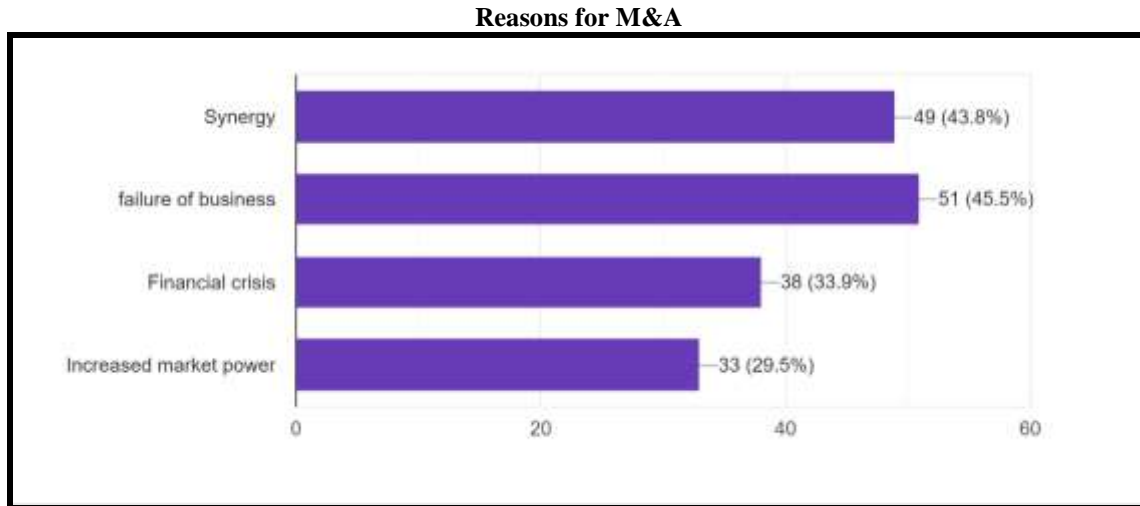
5.5 Reasons for mergers and acquisition.

Table 5.5 – Reasons for M&A

Sr No	Particular	No of Respondents	Percentage
1	synergy	49	43.8%
2	Failure of business	51	45.5%
3	Financial crisis	38	33.9%
4	Increased market power	33	29.5%

Chart

5.5 –



INTERPRETATION

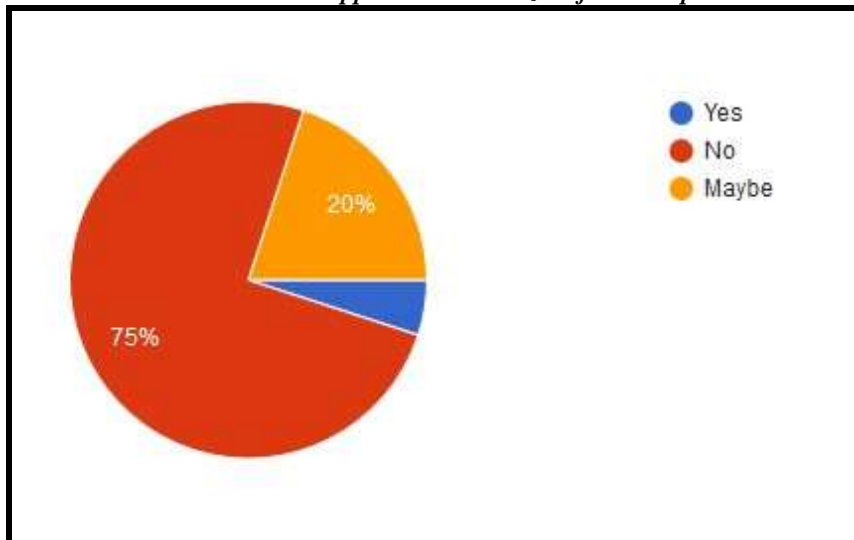
From the above table and graph, 43.8% people think that companies come together for better synergies, while 45.5% of them think it is because their own company is in losses or high debts that they are forced to merge with other big companies. According to 33.9% of respondents, companies come together to fight their financial crisis, while the remaining 29% people think that they come together for increased market power.

5.6 Merger and Acquisition applicable to all sizes of the companies.

Table 5.6 – M & A applicable to all sizes of the companies

Sr No	Particulars	No of Respondents	Percentage
1	Yes	6	5%
2	No	84	75%
3	Maybe	22	20%

Chart 5.6 - M & A applicable to all sizes of the companies



INTERPRETATION

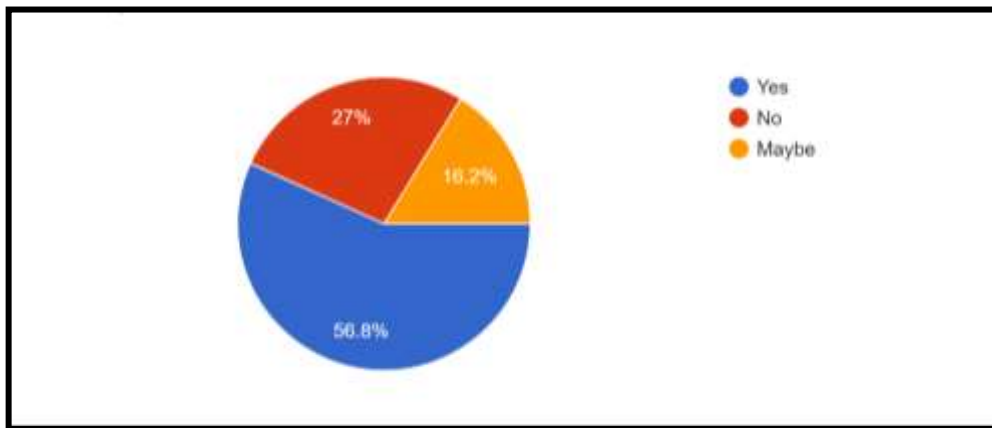
From the above table and chart, we can interpret that 5% think Merger and Acquisition is only for big companies, 20% think maybe it is only for big companies but majority of respondents i.e., 75% of them think mergers and acquisitions are not only for big companies. Any size company can participate in Mergers and Acquisitions.

5.7 Remembrance of any recent M&A

Table 5.7 Remembrance of any recent M&A

Sr No	Particulars	No of Respondents	Percentage
1	Yes	63	56.8%
2	No	30	27%
3	Maybe	18	16.2%

Chart 5.7 – Remembrance of any recent M&A



INTERPRETATION

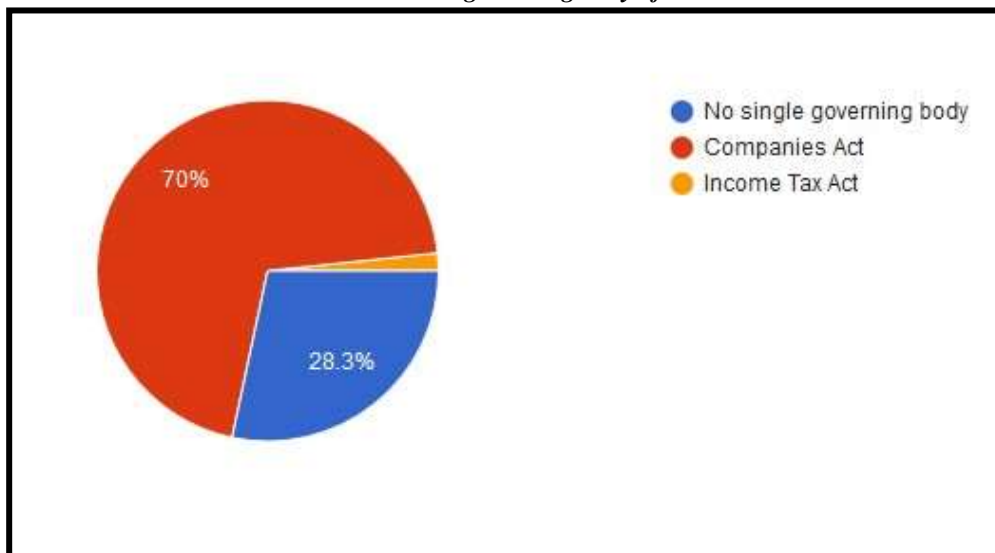
From the above table and chart, 56.8% individuals have heard about mergers and acquisition in their known companies, while 27% have not heard of any mergers or acquisition in their known companies. The rest 16.2 are not sure about the same.

5.8 The governing body of M&A

Table 5.8 The governing body of M&A

Sr No	Particulars	No of Respondents	Percentage
1	No Single Governing Body	32	28.3%
2	Companies Act	79	70%
3	Income Tax Act	1	1.7%

Chart 5.8 - The governing body of M&A





INTERPRETATION

From the above table and chart, around 70% of the respondents think Companies Act governs Mergers and Acquisitions in India, 28.3% of them think that there is No single governing body to govern Mergers and Acquisitions in India.

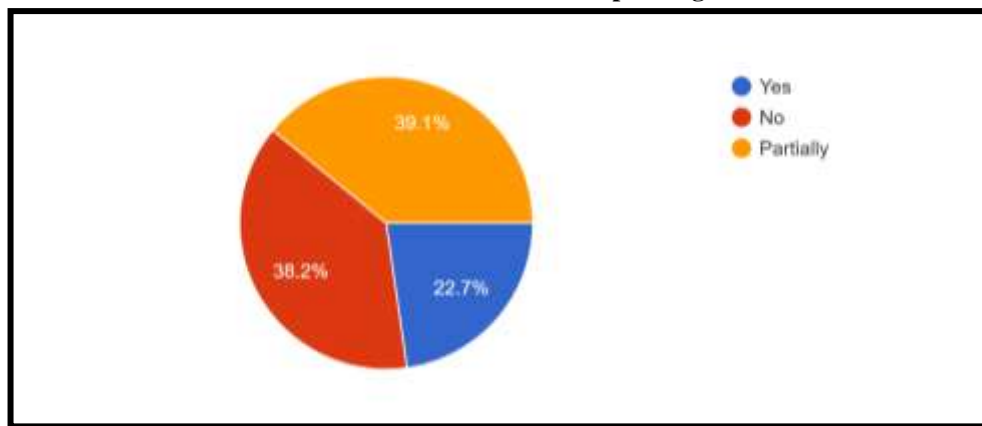
The Statutory law which governs a particular industry, the Industrial Development and Regulation Act, Companies Act, FEMA, Competition Act, Income Tax Act and SEBI Rules 2011 known as the Takeover code, all together have rules and regulations to be followed for M&A in India.

5.9 Effect on companies goodwill

Table 5.9- Effect on companies goodwill

Sr No	Particulars	No of Respondents	Percentage
1	Yes	25	22.7%
2	No	42	38.2%
3	Partially	45	39.1%

Chart 5.9 - Effect on companies goodwill



INTERPRETATION

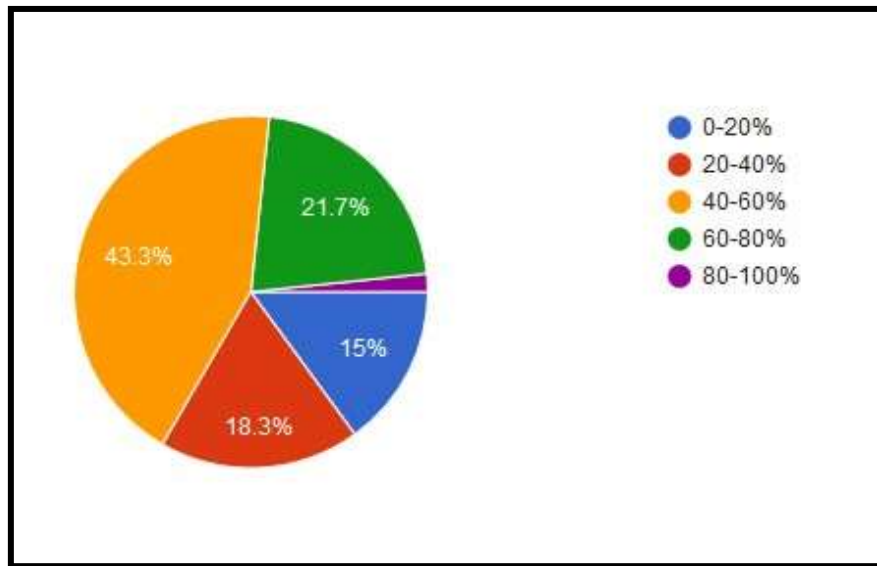
According to the table and chart, 22.7% people think that mergers and acquisition harm the company’s goodwill, while 38.2% of them think that mergers and acquisition do not harm the reputation or the goodwill. The remaining 39.1% think that they partially harm the reputation. Thus, majority of the people think that the company’s reputation and goodwill will be partially harmed due to the merger or acquisition.

5.10 Percentage of successful M&A

Table 5.10 Percentage of successful M&A

Sr No	Particulars	No of Respondents	Percentage
1	0-20%	9	15%
2	20-40%	11	18.3%
3	40-60%	26	43.3%
4	60-80%	13	21.7%
5	80-100%	1	1.7%

Chart 5.10 - Percentage of successful M&A



INTERPRETATION

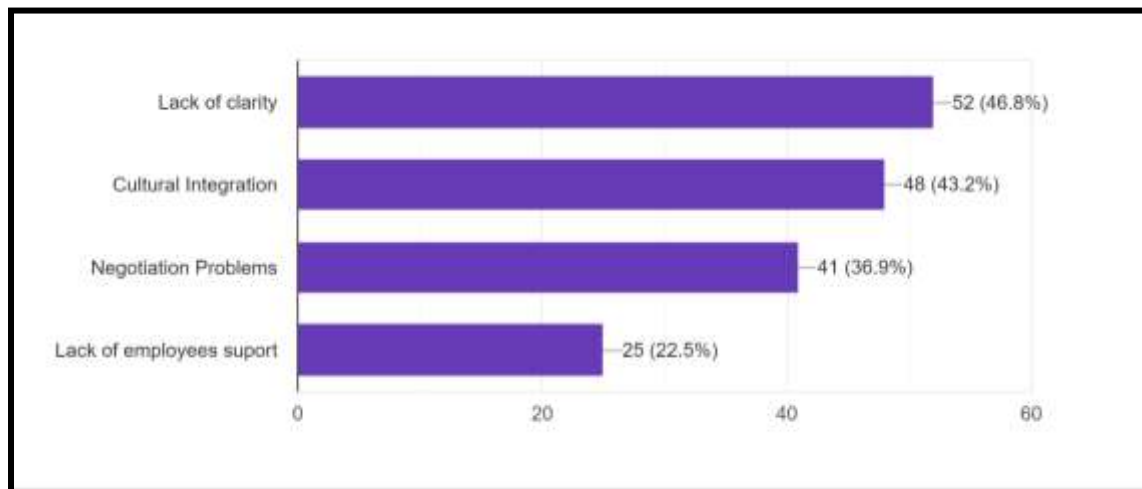
From the above table and chart, 43.3% respondents think that 40-60% mergers are successful while 21.7% think that 60-80% mergers are successful. 18.3% think that 20-40% mergers are successful. The failure rate for mergers and acquisitions sits between 70-90%.

5.11 Reasons for failure of M & A

Table 5.11 Reasons for failure of M & A

Sr No	Particulars	No of Respondents	Percentage
1	Lack of clarity	2	3.3%
2	Cultural Integration	12	20%
3	Negotiation problems	4	6.7%
4	Lack of employees' support	42	70%

Chart 5.11 - Reasons for failure of M & A.

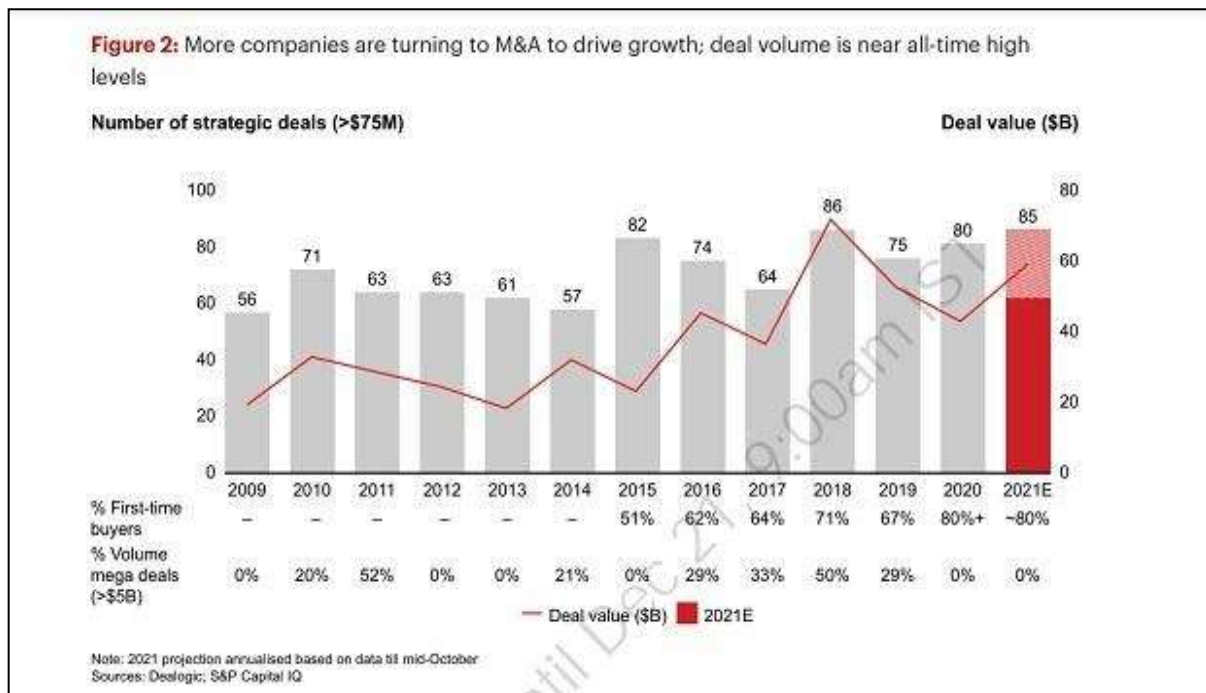


INTERPRETATION

From the above table and chart, majority of people i.e., 46.8% think that mergers and acquisition fail due to lack of clarity, 43.2% think that they fail because of cultural integration, 36.9% think they fail due to negotiations problems, and the rest 22.5% think that companies fail due to lack of employees' support.



5.12 RECENT TRENDS IN M&A



SECTION 6 - SUMMARY, CONCLUSION AND SUGGESTIONS

The underlying motivations behind Mergers & Acquisitions are many. Therefore, it would be difficult to evaluate the success or failure of a merger or acquisition in terms of any single yard stick. Using alternative methods, the empirical literature has narrated the story of failure of M&As. Nevertheless, distinct merger waves across the world are real corporate events, which need to be reckoned with. Of late, cross-border M&As have emerged as an important mode of entry, as far as the foreign direct investment is concerned. Most of the countries by now, have adopted suitable regulatory system, particularly competition policy, to reduce the negative effects of M&As. Business firms presently need to confront expanded challenge from firms inside the nation as well as from universal business goliaths because of globalization, progression, mechanical changes and different changes. For the most part, the target of M&As is riches expansion of investors by looking for additions as far as collaboration, economies of scale, better monetary and showcasing favourable circumstances, broadening and diminished income instability, enhanced stock administration, increment in household piece of the overall industry and furthermore to catch quickly developing global markets abroad. acquirer. From the above table and chart, 43.3% respondents think that 40-60% mergers are successful. In this paper an endeavour has been made to draw the aftereffects of a portion of the prior examinations while dissecting the reasons for disappointment of dominant part of the mergers. While making the merger gives, it is fundamental not exclusively to investigate the money related parts of the arrangement yet additionally to break down the social and individuals issues of both the worries for legitimate post-securing mix and for making the arrangement effective. In this way, in nutshell we can say that M&A have turned out to be basic in our nation's business setup. There is a colossal requirement for individuals to develop and end up worldwide players growing their business circles in future.

On the off chance that achievement is to be accomplished in M&A firm, very much coordinated and propelled workforce is required who is happy to go up against the difficulties that emerge during the time spent M&A and there ought to be legitimate association among representatives and they ought to be furnished with appropriate working conditions.

Below are few recommendations that we believe will help the industry:

- Ed-tech companies should introduce various courses on mergers and acquisition. To educate people working in this field or wants to work in the industry.
- Colleges should organize community learning sessions on mergers and acquisitions by inviting industry experts, who have hands on experience in the industry.
- Case studies should be made on successful and failed mergers and acquisitions. To understand in depth real life examples.

LIMITATIONS

Time was a constraint while conducting this research, we think if there would have been some years allotted to me to complete this study it would have a deeper study.



- Collecting primary data was also challenging as people did not fill the complete survey and many people filled it inappropriately.
- There is always more scope for a wider extensive literature review.

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