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Mergers, Acquisition and the Strategies Along With Case Studies of India

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ABSTRACT

Mergers and acquisitions mainly happen among the companies to grow statistically and could downsize if the procedure would not lead to the market demands. This means as it leads to the change in nature of the business or competitive position. Merger can be defined as a tie up between two companies and integrate into one. At the same way, acquisition occurs between two entities but one entity will take over the other in all aspects. We can say that combination of two or more companies into one single where one would survive and lose the position in the corporate existence. Merging is also referred to as "Amalgamation". Meanwhile acquisition is nothing occupying the ownership of the other company under legal structures and procedures. It acquired company would get all control automatically once acquisition is done. Merging and acquisition is done among all fields of businesses to grow the respective platform both geographically and economically to lead the trending market or new technological aspects. In this paper, we discuss about the merger and acquisition happened on most common platform i.e social media and IT sector. From Microsoft, Skype to Face book (FB), Whatsapp the reasons behind these merging and acquisitions have been among these popular companies have been discussed.

1. Introduction

The most important aspect of M&A is to create cost efficient operations to expand a company's geographic coverage, international markets, to obtain new technologies, to create trend among people and to access competitive capabilities. Merging and acquisition happens all over the world who is into businesses under all fields such as oil, steel, retail, publishers, etc., as we can easy say that it is "inevitable". It mainly demands extinction of the existing business strategies to improve and enhance its empire strategically to lead the market all over. It take the advantages of the present company situations to

emerge it own by offering some amount or other way under the law and commitment. When the merger happens there would be chance to enhance the skills technically in the fields of management, marketing, personnel, etc.

In the below, a company A and company B wants to integrate as one. Both CEO's of the companies comes under one common conclusion which makes sure all the liabilities are satisfied to which a company C is established. These A and B companies can give a new name to the established entity or the same name can be continued. This integration is possible once the two authorities emerge under the terms of the law.

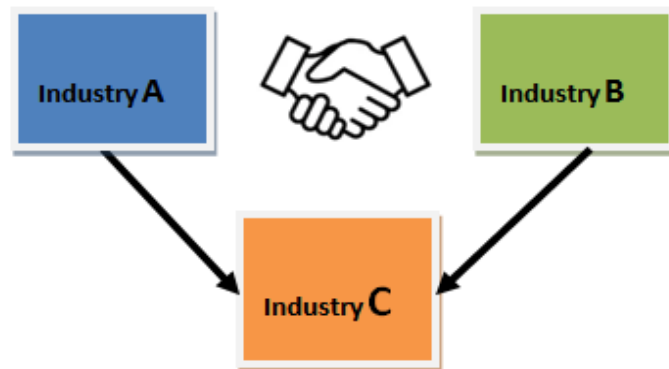


Fig1: Merger

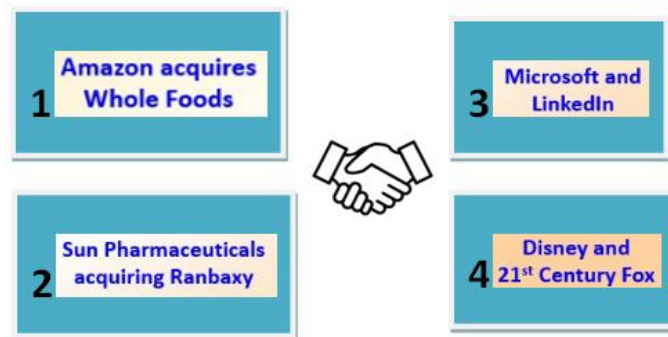
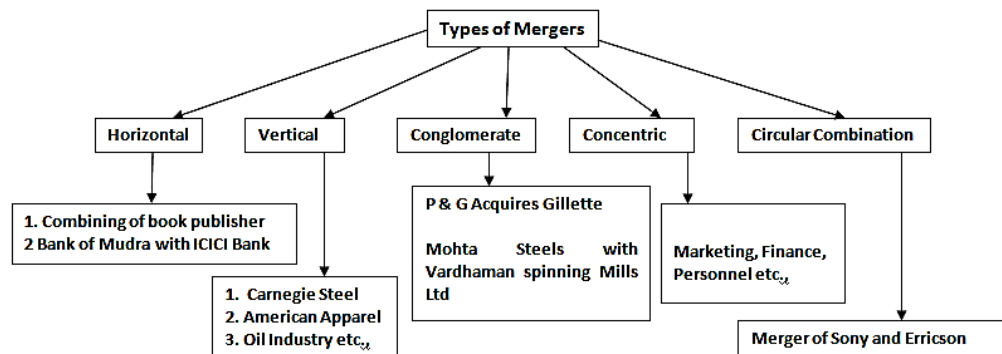


Fig2: Acquisition

An acquisition is nothing but a company can take over another company completely for some revenue. In this, the company which is going acquire the other company will have all control over like finance, management, work load, raw materials, manpower etc., the acquisition happens under all procedures of the law management. For example, Amazon has acquired whole foods, Microsoft has LinkedIn, Sun pharmaceuticals have Ranbaxy, and Disney had acquired 21st century Fox and so on. As we can observe here that merging and acquisition happens in all fields like IT sector, Pharmacy, TV industry and also in retail. The procedure happens in different aspects, in details we can say that mergers can be divided into 5types depending on the requirement of the companies.

In brief, mergers can be divided into horizontal, vertical, conglomerate, concentric and circular combination mergers. A horizontal merger entails two or more firms in similar type of production, distribution or area of business. A vertical merger occurs among the firms in different stages of production and operation. The conglomerate merger happens between companies involved into two unrelated industries. The concentric mergers involve the activities of the segments brought together that there is 'carryover' of explicit management functions such as marketing, finance, personnel and so on. Circular combination has the companies who share common research and distribution facilities to achieve economic values under no duplication.



2. Types of Mergers

The above block diagram indicates the various types of mergers. In horizontal merger, a combination of two book publishers, two banks can happen to merge whereas a different integration occurs with dissimilar production, operations refer to as a vertical merger as this involved in Carnegie Steel, American Apparel, Oil industry etc. At most P&G and Gillette or Mohta steels and Vardhaman Spinning Mills is entirely unrelated companies which merge and this comes under Conglomerate merging. The activities under a company as such in marketing, finance, personnel management can be involved between two companies in concentric merging in which no chance of duplication occurs. Erstwhile, Merger of Sony and Ericson comes under circular combination as Sony is a camera provider and Ericson is a cell phone producer.

3. Top Acquisition happened in INDIA:

Year	Company	Price
2001	Suzlon-Repower	\$1.7 Billion
2007	Mahindra & Mahindra- Schoneweiss	90% of Schoneweiss
2008	Tata Motors- Jaguar Land Rover	\$2.3 Billion
2009	Sterlite- Asarco	\$2.6 Billion
2018	FlipKart- Wal-Mart	\$16 Billion

The above table indicates the acquisition happened in India I in last few years. As we can see that the merger and acquisition includes revenue capital. In 2001, suzlon took over repower for \$1.7 Billion. Likewise, a merger and

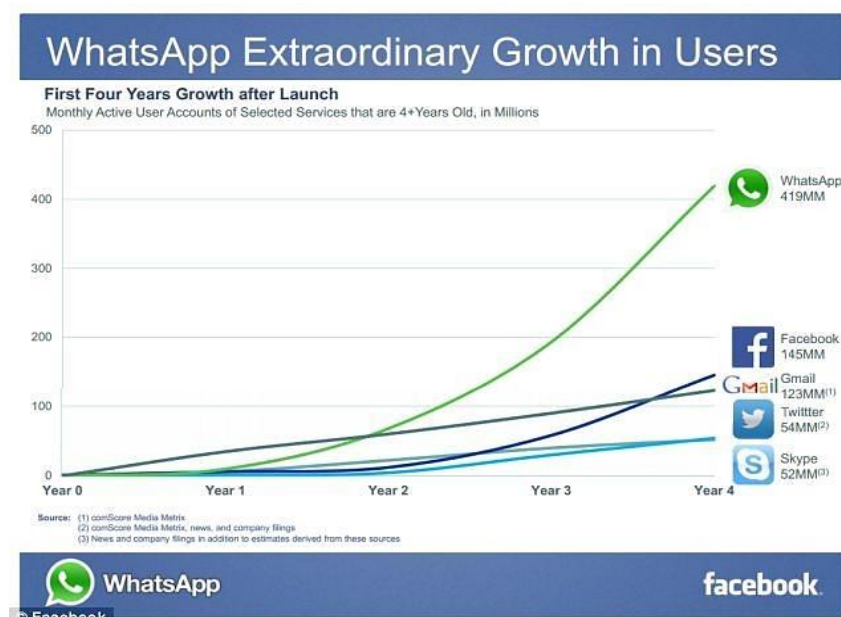
acquisition includes all the financial matters to which a company witnesses the same procedure under no duplication. This makes the company to establish a novel way to withstand in the market. Once the merger or acquisition is successful there would no low positions in the strategically market businesses. The successful acquisition would always lead to the growth of the organization marking a high pitch in the stock market.

4. POPULAR OF MERGER AND ACQUISITION:

In recent times, Skype was integrated with Microsoft windows 8 and 8.1 versions in 2011. Skype is into voice and video chat market. It has now become the important application to be it on phone or desktop. It also supports Xbox and Kinect to bring real time communication across Microsoft's products. The achievement supposed to have the way for Microsoft to enhance its business communication system. In 2011, Microsoft bought Skype for \$8.56 billion for instant texting, voice and video chat markets. In 2012, **FB** bought Instagram, iPhone application for \$1billion. Later, to surpass **FB** has acquisition with WhatsApp for \$21.8billion.

5. ACQUISITION AMONG FACEBOOK AND WHATSAPP:

FB is a social media platform where the user login with a user ID and password. The website has a securable in which a user can share his details, photographs, videos. The other users can like or share the same in their page etc., in this way FB has emerged its position in the social media. Whatsapp is an application for texting. It is started with a few employees but has grown drastically beating the FB users. Almost everyone uses this application in their mobile phones as this is the fastest among all applications in trend. Whatsapp has not done any kind of marketing neither any way. It does emerge because of its speed, more compatible communications.

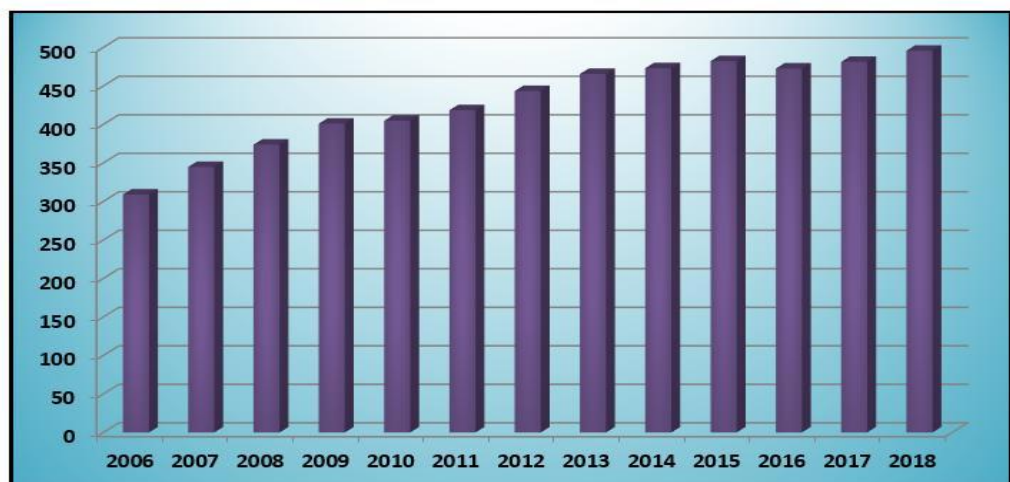


Here is the drastic increase in the growth of whatsapp over four years of establishment. It just beat all the other applications in instant texting, chatting and sharing pics, docs etc.,

In 2014, FB has announced the acquisition with whatsapp for \$16billion. In fact whatsapp is more prominent in instant texting whereas FB is lagging behind with 100million users every day. Whatsapp has 450 million users by the time FB has announced its acquisition as it is called as the firm's biggest deal in the history of software companies. The active users of whatsapp have been increased day by day. This is because of the usage and friendly usage among all the people who owns a mobile phone. FB has understood all the possibilities and reliabilities of whatsapp and bid an amount of \$16billion but Instagram and whatsapp applications remained to left as a independent entities to operate over media.

6. Wal-Mart's acquisition of flipkart:

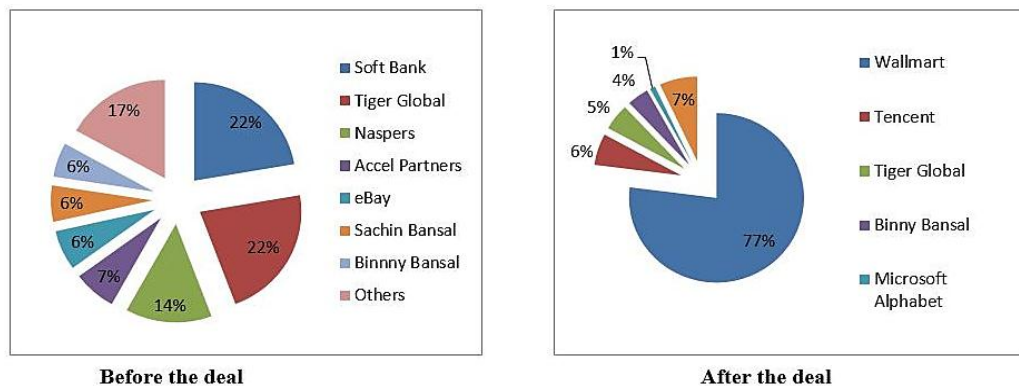
Wal-Mart is an American multinational retail corporation which operates a chain of hypermarket, departmental stores, grocery stores etc. Flipkart is an Indian electronic commerce company and it is a startup company with strong back up services but the growth graph of the flipkart remained stable for unknown entities. Wal-Mart has been a successful organization in departmental and grocery stores. The revenue of the Wal-Mart has been constant and growing in th same way as per its previous one. The graphical representations of the revenue growth of walmart over the years have been shown below. The In India, Wal-Mart couldn't expand its business as a result flipkart has acquired Wal-Mart in recent times.



In 2018, Wal-Mart has purchased of 77% stake in India's outline retailer flipkart. The remaining 23% stake would be with founders and investors. In India Wal-Mart doesn't sell directly to consumers. Wal-Mart in India helps flipkart to develop its food, grocery segment to strength the supply chain. With the launch of 'flipkart wholesale', it will enlarge their abilities to reach

technology, logistics, and finance to small businesses across the country. This way, small holder's farmers will be benefited building global sourcing. Wal-Mart - flipkart will have a preponderance share of e commerce market in India. Flipkart will now be a part of global marketing rather than in the list of startup companies. It will increase contact to newer markets for business, it will introduce fresh funds which will help flipkart expand its operation.

The pie chart below shows the picture of how the acquisition took place among Wal-Mart and flipkart. The before deal appears to be very normal and as common in every individual organizations. It has all the fields include in the share market. Whereas after the deal picture shows that 77% has been less than one organization and remaining 23% is under the old management of the company.



7. A CASE POINT " NOKIA BY MICROSOFT:

This is the practical point of view in the acquisitions. It is the downfall of the most prominent and popular company Nokia. Nokia has tremendously successfully in providing us the mobile phones for over the years. After acquisition with Microsoft it does witnessed the downfall of the company. The main disadvantage is that it couldn't reach the consumers trend. Incompatible operating system and infrastructure has shown us a low growth in the businesses.

Merger doesn't guarantee success. This made true in the acquisition of Nokia by Microsoft. The windows based operating system doesn't work, most of the developers moved out from programming. There should be adequate consideration, company law and taxation environment. Nokia failed to reach the trends changing. It ignored demands and needs of the customers. Its incapable qualities to reach the severe competition and dependency on more complexes operating system and made its position low in India. The merger doesn't guarantee success, a lot of times they end result is far from what management entities had expected.

8. Conclusion

A merger is a legal consolidation of the two entities into one, whereas acquisition occurs when one entity takes ownership of another entity's stock, equity interests or assets. Results from M&A are often disappointing comparatively with result prediction and expectation. A purchase deal will also be called a merger when both CEO's agree that joining together is in best interest of both their companies. Irrespective of the end result, the objective of mergers is to bring greater synergies. Mergers & Acquisitions are motivated with a view to sustain growth or to acquire growth. To develop new areas becomes costly, risky & difficult than to acquire a company in a growth sector even though the acquisition is on premium rather than investing in new assets or new establishments.

9. Future scope:

Mergers and acquisitions can result an increase of economy, trade and management so often. We get a chance to enhance and improve the technology based on the requirements and can update the existing issue with prior knowledge. The upcoming mergers can lead a social economy in improving the manpower which leads to the development of the organizations.

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