



A STUDY OF RECENT TRENDS OF MERGERS AND ACQUISITIONS IN INDIA

Dr. Suman Monga

Assistant Professor of Commerce, Maharana Partap College for Women, Mandi Dabwali, Haryana

Cite This Article: Dr. Suman Monga, "A Study of Recent Trends of Mergers and Acquisitions in India", International Journal of Multidisciplinary Research and Modern Education, Volume 9, Issue 1, Page Number 100-103, 2023.

Copy Right: © IJMRME, 2023 (All Rights Reserved). This is an Open Access Article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium provided the original work is properly cited.

Abstract:

Mergers and Acquisitions have been the most popular inorganic strategy that organizations choose to grow and survive in the cut throat competition in the corporate sector all over the world. It has become an important issue in the field of financial research. Companies utilize it to boost profitability, increase market share, strengthen core capabilities, and reap benefits for the company as a whole. Since the eighteenth century, businesses have chosen to consolidate. Historical evidence shows that corporate merger and acquisition activity has increased significantly and steadily since the 18th century. Mergers and acquisitions have significantly increased in many nations around the world, including Canada, the United States, the United Kingdom, and India. It has become a major device for the growth of the corporate sector. The idea behind this research paper is to know the behavior of trends of this inorganic growth method. It aims at analyzing the number of deals and the value of deals in India from 2018 and 2022.

Key Words: Mergers and Acquisitions, Competition, Trends, Global

Introduction:

Competitiveness at the national level is now prompting enterprises to expand internationally. Due to the quick advancement of communications, technology, and worldwide networking, businesses must constantly change to maintain growth and boost profitability. To stay up with the change, corporations almost always need to restructure (Goyal and Rathi 2020). As an inorganic growth strategy, mergers and acquisitions are becoming more widely recognized by Indian enterprises as a vital instrument for competing on a global scale. The main goals of this strategy are to accelerate Organisational growth, produce superior-scale economies, and raise shareholder returns. (Ramanath et al. 2018). Since 2000, the number of merger and acquisition (M&A) transactions has increased enormously. M&A has historically displayed a cyclical trend. For the past 100 years, there have been six waves of M&A those of the early 1900s, 1920s, 1960s, 1980s, 1990s, and 2000s. This study aims to look into M&A trends from 2018 to 2022 in India.

Objective of the Study:

The main objective of this paper is to explore the recent trends of mergers and acquisitions in India.

Review of Related Literature:

George and Joseph (1991) stated that friendly mergers and acquisitions are more common in Greece than aggressive takeovers. In contrast to the European community, where large-sized mergers are more prevalent, mergers and acquisitions are more typical in the small and middle-sized business categories. Aswale (2010) examined the M&A patterns in the corporate sector before and after the economic reforms in terms of GDP and the number of deals. The study uses secondary data that was gathered between 1985 and 2010. It was noted that there were no specific accounts of businesses acquiring foreign corporations between 1980 and 2000. Kar and Soni (2010) conducted a study to assess the trends of ten merger and acquisition deals in India from 1990 to 2001 by employing a sample of 1386 agreements in India. The most important statistical technique for this investigation was the least squares method. It is observed that the maximum number of mergers and acquisitions were recorded in 1990, and the fewest in 1992. Pandya (2018) used time series to measure the M&A trend in India from 1991 to 2010 in his study titled "Mergers and Acquisitions Trends - The Indian Experience." The periodic research concluded that there are three phases to the history of mergers and acquisitions in India. The study emphasized how susceptible mergers and acquisitions are to changes in political and governmental dynamics. The main objective of this paper is to explore the recent trends of mergers and acquisitions in India.

Trends of Mergers and Acquisitions in India (Historical Analysis):

The idea of mergers and acquisitions was not extremely widespread or popular in India until 1988. The hostile acquisition of DCM Ltd. by Swaraj Paul took place in the same year and proved ineffective according to Sethna. (<http://www.educba.com>). Since the advent of major economic reforms in the second half of the 1990s, the impetus in M&A activity has increased. In the years from 1996 to 2002, there were 1250 mergers, up from 452 in the years 1990 to 1995. (Bhalla 2014). According to the findings of a study done by International Consultants Grant Thornton, a total of 676 mergers and acquisitions with a total announced value of USD 51.11

million occurred in India in 2007. (www.grant Thornton. global,). However, it was also noted that there was a decline in transaction activity among corporations during the very next year i.e 2008, both in terms of volume and value. 2010 saw an increase in transaction activity, with almost 662 agreements totaling a total announced value of about USD 46 billion. In 2012, India had a downturn in the number of deals (598 deals), according to data provided by Grant Thornton India. A robust macroeconomic environment, the euro area crisis, a sharp rise in national prices, the budget deficit, and a decline in currency value caused a 61 percent drop in merger and acquisition activity from 2011. The financial year 2016–17 continued to be the most significant because it saw more than twice the number of transactions, totaling USD 161.26 billion. According to the Great Thornton firm, India's merger and acquisition activity reached a seven-year high in 2017 with 1022 agreements.

Trends of Mergers and Acquisitions (2018 to 2023):

The number of mergers and acquisitions in the nation increased significantly in 2018. In 2018, 1267 merger transactions in Indian corporate sectors were completed. The value of the agreements this year above the benchmark of US\$100 billion, or US\$110972 according to Grant Thornton's report, and is therefore regarded as a year of milestone transactions. The value increased significantly, by almost 63%, compared to the previous year (Goyal and Rath 2020).

This year proved to be quite a robust one for mergers and acquisitions for Indian corporates. The takeover of Flipkart by Walmart worth USD 16 billion (2018) and the acquisitions of Reliance Infrastructure's integrated Mumbai power distribution business by Adani Confirmed the Confidence that foreign and domestic investors have in the Indian corporate landscape. The Vodafone-Idea merger, which was completed in 2018, added the following entry to this growing series. The inclusion of reforms in Modi's manifest to and the creation of investor-friendly regulations contributed to the surge in merger and acquisition activity in India.

2018 saw a significant increase in merger and acquisition activity in India thanks to the enactment of new bankruptcy legislation, government initiatives to speed up and simplify approval processes for business ventures, and relaxation of FDI regulations. There was a wave of consolidation in the industries most impacted by the accumulation of non-performing loans, including financial services, energy, and steel, as the government persisted in pushing for resolutions.

Several global economic issues, including the advent of the US-China trade war, a protracted slump in the Eurozone, the COVID outbreak, and the potential for a global recession, characterized the year 2019. Amid these global uncertainties, India reported 1257 agreements valued at just over USD 61.634 billion.

Governments all across the world are adopting strict lockdown and social seclusion measures as the Covid-19 crisis worsens and the number of confirmed cases and fatalities rises quickly. The pandemic has evolved into an economic crisis, sending the world economy into an unprecedented recession as the engines of economic growth come to a halt. India is no exception. (<https://corporate.cyrilamarchandblogs.com>). The merger and acquisition business deals in India amounted to \$64519 billion during the year 2020 as revealed in Table 1. Like all other endeavors, the overall M&A activity in India decreased with time. The deal value and volume for the entire year decreased by 15% and 11%, respectively, according to the 2021 Global M&A Report by Bain & Company. The largest regional loss, at 4%, was experienced in the Asia Pacific region, but the US M&A value decline was the sharpest at 25%. The privatization of Air-India and Bharat Petroleum Corporation Limited are two examples of the mergers and acquisitions activities that have been hampered by the COVID pandemic in 2020, according to Nishith Desai Associates. (www.nishithdesai.co). While the majority of the first quarter of 2020 was in a steady state, the pandemic directly caused a sharp rise in distressed acquisitions. The second half picked up speed. According to Bloomberg data, a frenzy of M&A activity was prompted by vaccine advancements combined with Joe Biden's triumph. Corporate mergers and acquisitions have seen a tremendous change amid the ongoing pandemic concerns, which has opened the door for intentional agreements, whether mainstream, cross-border, or cross-sector.

In the post-Covid world, M&A prospects have undergone a transformation and found M&A possibilities have changed in the post-Covid era, and they have discovered a favorable climate in the shape of supportive government action, a stock market that is buying up shares, and a somewhat secure banking system. Though the rapid vaccine development was rooted in purposeful collaborations, M & As also had a key role to play. The search for Covid vaccines led to numerous companies teaming together to fight the virus, including Merck-Themis, Novavax-Praha-Serum Institute of India, as well as the \$500 million Pfizer Break through Growth Initiative, starting with the much-hyped AstraZeneca-Zeneca merger talks that never materialized. (<https://economictimes.indiatimes.com>).

The pandemic-driven disruptions strengthened the role that technology already played. Start-ups and digital insurgents in a variety of industries, including finance, retail, technology, manufacturing, and logistics, have made extensive use of this. India's addition of over 55 unicorns in the last two years alone is therefore not surprising. Major industries that have become profitable hotspots for acquisition activity include fintech, consumer durables, EdTech, and renewable energy. India has become a desirable location for renewable investment due to favorable regulatory support and declining pricing. The majority of acquisitions were reportedly headed by first-time purchasers, however in contrast to the pattern from 2016–19, no mega deal

above \$5 billion was reportedly completed in 2021. Deals in 2021 had a diverse range of sizes, with more of them falling into the \$500 million to \$1 billion range. The rapid growth of industry insurgents across sectors, regions, and business domains was another important trend in 2021. These businesses are working hard to upgrade their capacities to give customers a thorough Omni channel experience. For instance, EdTech challenger BYJU has acquired over 11 companies for more than US\$2 billion, of which about US\$1 billion was used to purchase offline test prep company Aakash Educational Services to create an omni channel learning offering for its test-prep business. (www.india-briefing.com). The merger and acquisition business deals in India amounted to \$ 64519 billion during the year 2021 as revealed in table 1.

Table 1

Year	No. of Deals	Deal Value (\$ Billion)
2018	1267	110,972
2019	1257	61634
2020	801	49,629
2021	1260	64519
2022	1450	110,294

Source: Annual Deal Tracker, Grant Thornton

The year 2022 has been difficult for merger and acquisition activity worldwide, primarily because of the fallout from geopolitical instability brought on by the situation in Ukraine, the potential for recession in the USA, Europe, and China, skyrocketing oil prices, inflation rates, and the corresponding funding winter resulting from a fear of the impending recession. Global M&A deal volume decreased by 13% during the first seven months of 2022 compared to the same time in 2021, and deal value decreased by 32% as a result. According to the grant Thornton Report, the total value of 110294 was achieved by 1450 deals in India as depicted in Table A.

It's interesting to note that despite the unpredictability of 2022, India saw a record-breaking volume and value of strategic M&A deals. High-value transactions, such as the merger of HDFC Ltd. and HDFC Bank, the agreement between Adani and Holcim, and the Tata Group's announcement of the Vistara and Air India merger, took place in 2022.

The increase in value of strategic M&A deals in 2022 over 2021 was substantially attributed to strong domestic demand and stable corporate cash flows, which created an attractive environment for businesses looking for inorganic development opportunities. (www2.deloitte.com.) Even though there are worldwide challenges from rising interest rates and elevated inflation levels leading to increased margin pressures for corporations, transaction consultants anticipate that deal momentum will surge in 2023. Strategic M&A is anticipated to be resilient in India in 2023. Therefore, it is safe to state that inbound M&A activity in India has a bright future and will only support the nation's economic progress. Given the innovation potential, the potential for scale, and the growing dependence on the final products produced by key players within these sectors, pharmaceuticals and healthcare, technology, financial services, and infrastructure, including renewable energy, will continue to dominate such M&As in India. (www.natlawreview.com.)

Government Policies to Boost Merger and Acquisitions in India:

A few measures have been implemented by the Indian government to encourage the expansion of M&A in the country.

- The issuing of Shares with various voting rights by SEBI regulations to exert better control.
- To encourage M&A in the start-up sector, the registered start-ups received generous tax benefits and exemptions.
- The implementation of a lower corporate tax rate accelerated the expansion of M&A.
- Since the PLI plan was introduced in 2021, there has been an increase in the rate of investments made through foreign corporations
- Numerous multinational corporations have been inspired to acquire or combine with Indian enterprises as a result of India's increased privatization.

Foreign investments have been boosted by government initiatives like the Self-Reliant India Movement (Atma Nirbhar Bharat), primarily in the manufacturing sector. The start of this program resulted in successful M&A in India.

Conclusion:

It is concluded that mergers and Acquisitions have shown fluctuating trends in India as a result of various macroeconomic and global factors like Wars, Trade wars, and the COVID pandemic. But despite these, the government's efforts to grow the Indian economy always contributed to increasing the overall number of M&A transactions in India. The amount and value of M&A have significantly increased. Additionally, there has been an increased upsurge in foreign investors' interest in investing in Indian businesses and the Indian market. As a result, India would become a center for international cross-border mergers. India is expected to continue to be a popular location for international M&A in the years to come because of favorable regulatory conditions and an expanding market.

References:

1. Goyal, A., Rathi, M., (2020).A Flashback of Merger and Acquisition Trends in Indian, Pacific Business Review International, 13(4), 177-186
2. Singh,P.(2012), Mergers and Acquisitions: Some Issues & Trends, International Journal of Innovations in Engineering and Technology. 1(1), 1-9.
3. Ramanath et.al, (2018).An Empirical Study on Mergers and Acquisitions Trends in India. Aayushi International Interdisciplinary Research Journal, V(XII), 11-15
4. Aswale, S. N (2010) Analysis of Trends of Mergers and Acquisitions in India and Growth of GDP. IES, International Finance Corporation, 4-14
5. George, H.K. & Joseph, N. L. (199 Trends and Causes of Mergers and Acquisitions in Greece. SPOUDAI, 41(1), 26-39. University of Piraeus.
6. Kar. R. N. & Soni. M. (2010). Mergers and Acquisitions in India: A Strategic Impact Analysis for the Corporate Analysis in the Post Liberalization Period
7. Pandya. V. U. (2018), Mergers and Acquisitions Trends: the M&As. The Indian Experience. International Journal of Business Administration, 9(1), 44-54.
8. Bhalla, P. (2014). Mergers & Acquisitions in India: A sectoral analysis. International Journal of Business and Economic Development (IJBED), 2(2).
9. Merger and Acquisitions retrieved from (<https://www.mca.gov.in/MinistryV2/mergers+and+acquisitions.html>)
10. COVID-19 and M&A in India: Navigating Risks and Understanding Opportunities, retrieved from <https://corporate.cyrilamarchandblogs.com/2020/04/covid-19-and-ma-in-india-navigating-risks-and-understanding-opportunities/>
11. https://www.nishithdesai.com/fileadmin/user_upload/pdfs/Research_Papers/Mergers_Acquisitions_in_India.pdf
12. (<https://economictimes.indiatimes.com/markets/stocks/news/how-covid-19-disruption-created-a-blue-sky-of-opportunities-for-mas/articleshow/81690715.cms>)
13. <https://www.india-briefing.com/news/mergers-acquisitions-activity-in-india-in-2021-24074.html/>
14. <https://www.natlawreview.com/article/deal-making-india-what-to-expect-2023>
15. <https://taxguru.in/company-law/overseas-mergers-acquisition-corporate-development-india.html>