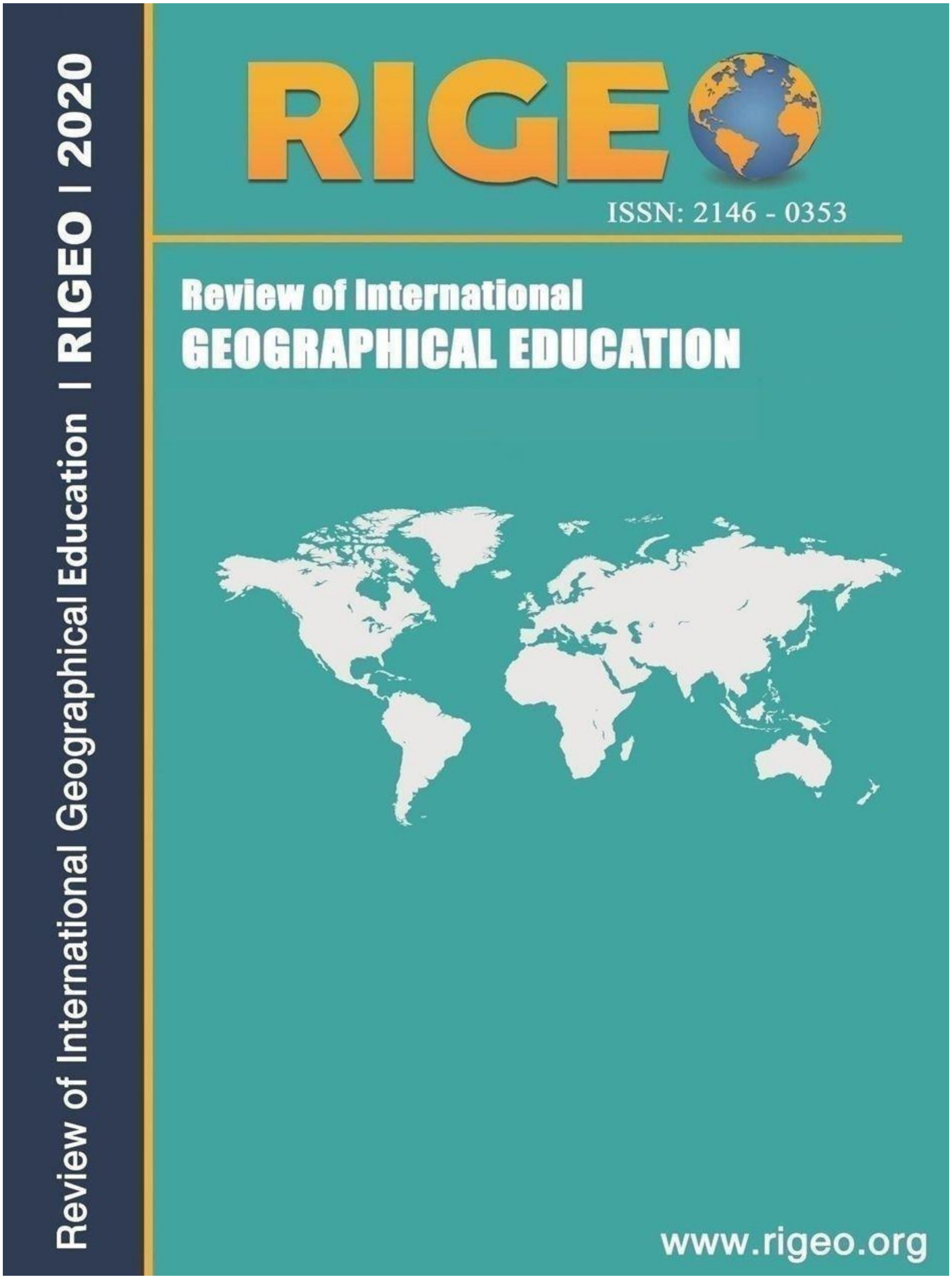
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An Analysis of Acquisitions and Mergers

Mrs. K. MEENA[1], SHAHISTA MIRZA JAHAN[2], V. SRIKANTH[3]

[1]Assistant Professor, Dept.Of MBA, SBIT, rojameena@gmail.com, 9885795480

[2]Assistant Professor, Dept.Of MBA, SBIT, Shahie.mirza@gmail.com, 9553661926

[3]Srikanth.vallu@gmail.com, 9032587651

INTRODUCTION

A merger is said to occur when two or more companies combined into one company. One or more companies may merge to form a new company or they may merge to form a new company. Law on India uses the term amalgamation for merger. In such way that all assets and liabilities of the amalgamation company or companies become assets and liabilities of the amalgamated company and shares holders holding not less than nine -tenths in value of the shares in the amalgamating company.

There are three types of mergers, based on the competitive relationships between the merging parties.

1. Horizontal mergers take place where the two merging companies produce similar product in the same industry.
2. Vertical mergers occur when two firms, each working at different stages in the production of the same good, combine.
3. Conglomerate mergers take place when the two firms operate in different industries.

An acquisition may define as an act of acquiring effective control by one company over assets or management of another company without any combination of companies. Thus in an acquisition two or more companies may remain independent, separate legal entity but there may be change in control of companies.

MERGERS AND ACQUISITIONS:

Mergers and Acquisitions is the new business mantra for the corporate restructuring, has become a major force in the financial and economic environment all over the world.

Profitability growth is one of the main objectives of all the business houses. It can be achieved 'internally' either through the process of introducing developing new products or by expanding/ enlarging the capacity of existing products. Internal growth has some advantages apart from enabling the firm to retain control with itself; it also provides flexibility in terms of choosing equipment, mode of technology, location and the like, which are compatible with its existing operations.

However, internal expansion usually involves a longer implementation period and also entails greater uncertainties particularly associated with developing new products. Above all there may be an added problem of raising adequate funds for the expansion proposal.

Alternatively, the growth process can be facilitated 'externally' by acquisitions of existing business firms. This acquisition may be in the form of mergers, acquisitions, amalgamations, takeovers, absorption, growth as the acquired firm already has the facilities or products and therefore obviously saves the time otherwise requires in building up to the firm's changing environments.

A company may feel that it is not possible to continue in every business that it has been in the past and so it must divest intelligently. And there will be other companies who will want to buy these businesses. So restructuring by way of mergers, acquisitions, and divestments are taking place. In 1997, the total value of mergers and acquisitions worldwide reached a record breaking $ 1.58 trillion. The pace is quickening and the stakes are getting higher.

Acquisitions can be powerful and a logical way for an organization to capture the resource it needs to remain flexible and competitive. At best the integration process itself becomes an opportunity to develop the skills needed by the organization to advantages.

The acquisitions will add value beyond what each entity would produce separately. Acquisitions are strategic initiatives undertaken to create value in the market and realize competitive advantage. Value can be recognized either by improving efficiency or increase scope. One should have clear goal and should not buy a horse when he actually wants a cow. One should start off by building an ideal candidate profile. Then the field ha to be narrowed by identifying specific candidates based on company's strengths and weaknesses and how it can add value. The role of deal making should be clear.

We have been learning about the companies coming together to from another company and companies taking over the existing companies to expand their business. With recession taking toll of many Indian businesses and the feeling of insecurity surging over our businessmen, it is not surprising when we hear about the immense numbers of corporate restructurings taking place, especially in the last couple of years. Several companies have been taken over and several have undergone internal restructuring, whereas certain companies in the same field of business have found it beneficial to merge together into one company. In this context, it would be essential for us to understand what corporate restructuring and mergers and acquisitions are all about.

Many have argued that mergers increase value and efficiency and move resources to their highest and best uses, thereby increasing shareholder value. To opt for a merger or not is a complex affair, especially in terms of the technicalities involved. We have discussed almost all factors that the management may have to look into before going for merger. Decision has to be taken after having discussed the pros & cons of the proposed merger & the impact of the same on the business, administrative costs benefits, addition to shareholders' value, tax implications including stamp duty and last but not the least also on the employees of the Transferor or Transferee Company.

The factors responsible for making the merger and acquisition deals favorable in India are:

- Dynamic government policies
- Corporate investments in industry
- Economic stability
- "ready to experiment" attitude of Indian industrialists

Sectors like pharmaceuticals, IT, ITES, telecommunications, steel, construction, etc, have proved their worth in the international scenario and the rising participation of Indian firms in signing

M&A deals has further triggered the acquisition activities in India.

SCOPE OF THE STUDY

1. The scope of the study is restricted to IIFL is confined to PSU's.
2. The scope of the project is also restricted to limited period.
3. Mergers & Acquisition have gained popularity throughout the world in the recent times. They have become popular due to globalization, liberalization, technological developments & intensely competitive business environment.
4. Mergers and acquisition are a big part of the corporate finance world. This process is extensively used for restructuring the business organization

METHODOLOGY

RESEARCH DESIGN:

This is a systematic way to solve the research problem and it is important component for the study without which researches may not be able to obtain the format. A research design is the arrangement of conditions for collection and analysis of data in a manager that aims to combine for collection and analysis of data relevance to the research purpose with economy in procedure.

MEANING OF RESEARCH DESIGN:

The formidable problem that follows the task of defining the research problem is the preparation of design of the research project, popularly known as the research design, decision regarding what, where, when, how much, by what means concerning an inquiry of a research study constitute a research design. A research design is the arrangement of conditions for collection and analysis of data in a manager that aims to combine for collection and analysis of data relevance to the research purpose with economy in procedure.

Research in common pursuance refers to a search for knowledge in a scientific and systematic way for pursuant information on a specified topic.

Once the objective is identified that next step is to collect the data which is relevance to the problem identified and analyze the collected data in order to find out the hidden reasons for the problem. There are two types of data namely.

- Primary Data
- Secondary Data

Primary data collection:

Most of the data about ''MERGERS AND ACQUISITIONS'' has been provided by the ''IIFL''

Secondary data collection:

The data has collected from various sources.

Books, Magazines, Internet, Newspapers and Financial reports of the company.

METHODOLOGY USED:

1. **TYPES OF FINANCIAL STATEMENTS ADOPTED:**

   Following two types of financial statements are adopted in analyzing the firm financial position

   a. BALANCE SHEET.
   b. Profit and Loss statements.

2. **TOOLS OF FINANCIAL STATEMENT ANALYSIS USED**

   The following financial analysis tools are used in order to interpret the financial position of the firm.

Techniques:

1. P/E ratio.
2. Book value.
3. Market value.

COMPANY PROFILE

This is to inform you that pursuant to Composite Scheme of Arrangement, India Infoline Finance Limited has been merged with IIFL Finance Limited (formerly known as IIFL Holdings Limited) with effect from 30th March 2020.

Please note that there has been no change in core team and in range of products and services that we offer. The merger shall not impact our ongoing partnership and agreed terms.

Please update your records with new details of IIFL Finance Limited as given below and use this new name henceforth in your correspondence with the company:

Name of company IIFL Finance Limited

New GSTN 27AABCI0745G2ZS

New TAN MUMP08978E

New PAN AABCI0745G

New Registered Address IIFL House, Sun Infotech Park, Road No. 16V, Plot No. B-23, Thane Industrial Area, Wagle Estate, Thane 400604. Tel: (91-22) 41035000 •Fax: (91-22) 25806654

Our vendors should note that all invoices issued from 31st March 2020 onwards should be in name of IIFL Finance Limited with details as mentioned above. The invoices already issued will be processed as per usual process. For any other documents & GST no of other states, please get it touch with respective team for the same.

Board of Directors:

Mr. Nirmal Jain

(Chairman, India Info line Ltd).

Mr. R. Venkataraman

(Managing Director , India Info line Ltd).

Mr. Arun Kumar Purwar

(Independent Director of India Info line Limited since March 2018).

Mr. ChandranRatnaswami

(Non Executive Director of India Info line Limited since May 2017).

Mr. KrantiSinha

(Independent Director of India Info line Limited since January 2005).

Mr. Mahesh Narayan Singh

(Independent Director of India Info line Finance Limited since September 2019).

Mr. NileshVikamsey

(Independent Director of India Info line Limited & India Info line Finance Limited sinceFebruary 2005).

Dr. Subbaraman Narayan

(Independent Director of India Info line Limited since July 2017).

Mr. Vijay Kumar Chopra

(Independent Director of India Info line Finance Limited since June 2017).

We have sought to provide premium financial services and information, so that the power of investment is vested with the client. We equip those who invest with us to make intelligent investment decisions, providing them with the flexibility to either tap into our extensive knowledge and expertise, or make their own decisions. We made our debut into the financial world by servicing Institutional clients, and proved its high scalability of operations by growing exponentially over a short period of time. Now, powered by a top-notch research team and a network of experts, we provide an array of financial products & services spanning entire India. Our strong support, technology-driven operations and business units of research, distribution, advisory, wide array of products & services coalesce to provide you with a one-stop solution to cater to all your investment needs.

Our group companies:

- India Infoline Finance Ltd.
- India Infoline Insurance Brokers Ltd.
- India Infoline commodities Ltd.
- IIFL Alternate Asset Advisors Ltd.
- IIFL (Asia) Pvt Ltd.
- IIFL Wealth Management Ltd.
- IIFL Inc US Advisors Ltd.
- IIFL Securities Ceylon Ltd.
- IIFL Asset Management Company Ltd.
- IIFL Housing Finance Ltd.

DATA ANALYSIS & INTERPRETATION

Profit & Loss Account of IIFL from March (2020-2022)

(Rs. in Crores)

Particulars	Mar-21	Mar-20	Mar-19
Sales Turnover	291701.1	329792.31	270323.25
Other Income	6623.67	4781.97	4626.45
Stock Adjustments	5044.25	-1974.56	1958.19
Total Income	302869.02	332899.72	276917.79
Raw Materials	239629.93	273292.89	222405.44
Excise Duty	21834.76	22773.5	23582.49
Power & Fuel Cost	525.20	598.02	498.75
Other Manufacturing Expenses	9323.77	8497.53	7516.73
Employee Cost	5736.17	5692.67	2917.26
Selling and Administration Expenses	5039.19	3984.85	3919.45
Miscellaneous Expenses	1874.52	6828.98	1997.85
Less: Preoperative Expenditure Capitalized	0	0	0
Profit before Interest, Depreciation & Tax	18905.58	16431.28	19379.82
Interest & Financial Charges	2072.35	4020.98	2089.72
Profit before Depreciation & Tax	20333.23	7220.3	17790.1
Profit After Tax	20220.55	2949.55	6962.58
Adjustment below Net Profit	0	0	0
P & L Balance brought forward	5305.18	5305.18	0
Appropriations	20525.63	2949.55	1957.5
P & L Bal. carried down	0	5305.18	5305.18
Equity Dividend	3206.34	920.48	655.81
Preference Dividend	0	0	0
Corporate Dividend Tax	518.83	204.74	76.48

Equity Dividend (%)	180	75	55
Earning Per Share (Rs.)	40	23.44	57.75
Equity shares	255.51	175.83	170.56
Book Value	218.21	368.82	344.58
Extraordinary Items	-351.16	-605.41	-231.41

Balance sheet of IIFL from (2018-2022) (Rs. in Crores)

Particulars	Mar2022	Mar2021	Mar 2020	Mar 2019	Mar 2018
Sources of Funds :					
Share Capital	1692.37	1692.37	1668.01	1668.01	1668.01
Reserves & Surplus	39893.88	33664.92	28184.66	24819.35	21879.40
Total Shareholders Funds	42086.25	34857.29	29302.67	25984.36	23047.41
Secured Loans	6420.78	5671.42	7793.54	2491.23	3205.21
Unsecured Loans	29207.39	21916.27	18620.77	19829.01	9003.35
Total Debt	35523.20	27182.69	26404.31	20320.24	17208.56
Total Liabilities	76619.42	61939.98	55716.98	43304.60	35225.97
Application of Funds :					
Gross Block	56832.26	54836.96	43694.96	39869.26	36388.30
Less: Accum. Depreciation	24160.44	21966.74	18671.54	19488.47	19341.69
Net Block	32771.82	33370.22	25023.42	23380.79	22046.61
Capital Work in Progress	9200.22	4394.30	9645.83	8733.91	5286.57

Profit & Loss Account of IIFL from (2018-2022) (Rs. in Crores)

Particulars	Mar2022	Mar2021	Mar 2020	Mar 2019	Mar 2018
Sales Turnover	6645.00	6425.96	6290.35	4994.44	3196.68
Other Income	84.75	45.03	37.17	27.51	22.37
Stock Adjustments	209.96	32.17	50.27	49.18	97.56
Total Income	6889.71	6503.16	6377.69	5171.18	3319.61
Raw Materials	5290.75	4950.52	4873.79	3471.66	2262.88
Excise Duty	619.33	644.26	655.51	445.73	281.28
Power & Fuel Cost	3.21	2.62	2.36	2.02	1.97
Other Manufacturing Expenses	219.19	221.21	240.58	201.23	77.99
Employee Cost	193.20	191.45	167.95	203.98	99.53
Selling and Administration Expenses	167.84	203.26	200.64	205.39	99.82
Miscellaneous Expenses	17.29	65.02	7.64	7.84	7.19
Less: Preoperative Expenditure Capitalized	0.20	0.00	0.00	0.00	0.00
Profit before Interest, Depreciation & Tax	489.20	324.72	319.22	718.23	485.98

Interest & Financial Charges	20.45	18.19	20.20	4.19	20.99
Profit before Depreciation & Tax	478.70	316.58	301.17	719.04	469.99
Depreciation	30.51	36.38	33.80	31.86	30.16
Profit Before Tax	448.19	275.20	267.27	677.18	439.88
Tax	203.89	90.22	92.51	198.88	186.18
Profit After Tax	294.30	184.98	204.76	478.30	303.75
Adjustment below Net Profit	0.00	0.00	0.00	0.00	0.00

P & L Balance brought forward	0.00	0.00	0.00	0.00	0.00
Appropriations	294.30	184.98	204.76	478.30	303.75
P & L Bal. carried down	0.00	0.00	0.00	0.00	0.00
Equity Dividend	99.91	69.94	53.95	239.78	203.86
Preference Dividend	0.00	0.00	0.00	0.00	0.00
Corporate Dividend Tax	19.98	16.89	7.57	32.74	19.71
Equity Dividend (%)	50.00	35.00	27.00	170.00	77.00
Earning Per Share (Rs.)	18.88	8.66	8.37	22.30	19.21
Book Value	57.66	48.78	43.62	37.95	27.67
Extraordinary Items	-1.28	-28.54	0.00	0.00	0.00

Analysis:

The swap ratio was 4:37 i.e 37 shares of IIFL gets 4 shares of IIFL on March 25th

Market Price :

The price of IIFL: Rs.45

The price of IIFL: Rs.430

45*37 Shares = Rs.1965

430*4 Shares = Rs.2020

As we can analyses from the above calculation that the shareholders are profited of

Rs55/- per share {2020-1965=55}.which would mean post the Merger of both the companies of IIFL, it was a beneficial aspect the shareholders of both the companies as it derived profits.

At no point of time, would the shareholders be attributed to lessened share value in terms of share capital, which is an important aspect to be looked at while merging two companies always.

Face Value:

The face value of IIFL shares are Rs.20/- each.

Face Value * No of shares

BPRL=20*37= Rs.370

IIFL=20*4= Rs.40

Loss [370-40] = Rs.330

By calculation of the price the IIFL share holders will get no loss. How ever this company merged with big company the share holders of IIFL will get profits only.

Also an important aspect to be noted while calculating the Face Value of the company of the shares that are going to be merged is , the positive re-inforcement of the shareholders holding a lower price value in terms of no of shares held . In this scenario, IIFL stocks valued at Rs 4 and IIFL valued at Rs37 , ensuring there is no loss actually happening when the merger happened.

FINDINGS

SUGGESTIONS

CONCLUSION

FINDINGS

1. The share holders of both the firms are benefited as the sales turnover increased by 8% after the merger.
2. According to sources, while the Indian Oil group is making fast moves in improving crude availability in its refineries in Assam, higher crude processing would inflate IIFL's sales tax under-recoveries now amounting to approximately Rs 80 core a year generated out

of double taxation during the inter-State transfer of products.

3. Unlike many other commodities, oil products do not enjoy Modvat (modified value-added tax) benefits
4. The 2.35-million tonne refinery is currently processing 2 million tonnes of crude. Since North Eastern region has a much lower appetite for refined products compared to the existing refining capacity, larger part of the products are transferred to IIFL for marketing through the latter's Siliguri terminal in West Bengal, leading to double taxation of products of which only half is recovered from the customer.
5. Merger of IIFL & BPRL both are (PSC) upgrading the performance.
6. According to sources, though IIFL has already established logistics for supply of cheaper imported crude through Indian Oil-owned crude pipeline between Barauni in Bihar and Assam, IIFL is importing a mere 0.3 million tonnes of crude, primarily for replacing the use of Assam crude.
7. The imported crude supply logistics would improve with the commissioning of Paradip-Haldia crude pipeline connected up to Barauni through the existing Haldia-Barauni pipeline.
8. While studies are underway for further improving the crude supply logistics in Assam, IIFL may be waiting for the merger for implementing the proposals.
9. Since refining capacities in Assam avail 50 per cent excise duty exemption, leading to very high refining margin, better crude supply and product evacuation plans may also offer IIFL the opportunity of using Guwahati and Bongaigaon as refining hubs.
10. Meanwhile, IIFL has ended the last fiscal with 58 per cent higher net profit of Rs 294 crore. The higher profits came on a mere 3.41 per cent increase in turnover to Rs 6,645 crore. Gross refining margin was $19.8 a barrel of which approximately $8 a barrel was generated due to duty exemption.
11. The profitability of the standalone refinery continues to be good in the current quarter of 2019-20 on the back of approximately $20-a-barrel refining margin posted during April and May.
12. The EPS has been increased by 71 % in 31st march 2021
13. The MPS has been decreased by 24 % in 31st march 2021
14. The BPRL Share holders are benefited.EPS increased to 71%
15. The cost after merger increased by 18% which indicates that the Merger was a successful amalgamation of two entities which had a common business terms.

SUGGESTIONS

- The company has to take measures to reduce the cost.
- The market price after the mergers is low due to recession in the global market & domestic market hence investors are advised to hold the shares till the market recognizes the inherent value (actual value).
- As the crude prices have gone up, it had its impact on both the profitability of the two companies involved. Both the companies had to reside on the subsidies from the Government as they were Govt. Aided companies.

- The acquirers need to identify appropriate target that has complimentary fit within the acquirers own organizational structure, product portfolio and work culture. Post merger integration issues may be one significant reason for failure of M&As to improve long term operating and financial performance of acquirer companies.
- Acquirers need to find out if they are overpaying for their acquisitions as it is one of the most important reasons for failure of mergers and acquisitions in creating shareholder value.

CONCLUSION

The financial performance of the firm is good after the merger. Steep fall in market price of the merged company due to the macro economic factor such as global recession. Synergy gain in achieved in terms of earnings and therefore we can conclude that, the performance of the firm is good.

The companies, in their petitions, further said that the amalgamation has enabled pooling of financial, managerial and technical resources, personnel capabilities, skills, expertise, technologies, etc., resulting in logistic advantages and cost reduction.

To end up, the word "**Merger**" may be taken as an abbreviation which means:

M---Mixing
E---Entities
R---Resources for
G---Growth
E---Enrichment
R---Renovation

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