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Impact of Merger and Acquisition on Financial Performance of Corporate Sector in India

Shukla Dutta[a] Supriyo Kundu[b]

[a]University of Calcutta, Kolkata, India [b]University of Calcutta, Kolkata, India

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Merger and acquisition (hereinafter referred to as 'M&A') is a great way to boost a company's growth. It is one of the most accepted methods adopted by companies to secure their existence in the competitive market. Like the other countries, it has gained potential importance in India after the economic reforms. This research paper analyses how M&A has impacted the financial performance of the corporate sector in India. At first, it provides an introduction to the entire paper, and then it provides the meaning of the terms' Merger' & 'Acquisition'. After that, this research paper discusses the differences between the said terms, followed by reasons attributed to M&A, classification of M&A, and advantages and disadvantages of M&A. This paper also analyses some top M & A deals in India that took place in the recent past and the financial performance of the companies after that. At last, the conclusion concludes the whole research paper, indicating the effects of M&A in India.

Keywords: *mergers, acquisition, financial performance, economic reforms.*

INTRODUCTION

Due to globalization, liberalization, privatization, and technical advancements, M&A has gained massive popularity in recent years. In today's corporate world, this strategy has relevant importance. It is one of the well-accepted techniques companies use to increase their profitability, market share, growth, and survival in the competitive market. Over the years, we have witnessed a large number of companies growing steadily and making it to the top using M&A.[1] A company's expansion plan might be organic or inorganic. A hike in M&A transactions has given companies another opportunity to expand their growth,[2] market coverage, or any other strategic need.[3] Currently, the global business market is becoming more competitive.[4] Several reasonable and uncertain reasons such as limiting competition;[5] utilizing the under-utilized market power, human and physical resources, and managerial skills;[6] overcoming the slow growth and profitability problem; achieving diversification;[7] gaining economies of scale; displacing existing management; circumventing government regulation;[8] changing P/E ratio are responsible for the occurrence of M&A.[9]

The Indian economy has undergone economic reforms, deregulation, and globalization, putting significant competitive pressure on Indian firms.[10] Like foreign countries, Indian companies consider M&A a crucial strategic choice to accelerate their growth.[11] Indian companies are trying to compete with foreign companies. In the last few decades,[12] M&A transactions have increased significantly in India. In India, the first M&A wave took place at the end of the 1990s, and it hit the highest point in 2006-07.[13] In the last decade of the 20th century, the number and volume of

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[1] Bijoy Gupta & Dr. Parimalendu Banerjee, 'Impact of Merger and Acquisitions on Financial Performance: Evidence from Selected Companies in India' (*International Journal of Commerce and Management Research*, 2017) <http://www.managejournal.com/up/conference/20170210153824.pdf> accessed 02 August 2022
[2] *Ibid*
[3] Ashish Gupta & Dr. Gajraj, 'A Study of Financial Performance of Merger and Acquisition Corporate Sector in India' (*International Journal of Advance Research and Innovative Ideas in Education*, 2018) <http://ijariie.com/AdminUploadPdf/A_Study_of_Financial_Performance_of_Merger_and_Acquisition_Corporate_Sector_in_India_ijariie13589.pdf> accessed 02 August 2022
[4] *Ibid*
[5] Bijoy Gupta (n 1)
[6] *Ibid*
[7] Ashish Gupta (n 3)
[8] *Ibid*
[9] Chandra Prasanna, 'Financial Management : Theory and Practice' (*WorldCat.Org*, 18 January 2012) <https://www.worldcat.org/title/financial-management-theory-and-practice/oclc/221562350?referer=di&ht=edition> accessed 02 August 2022
[10] *Ibid*
[11] Ashish Gupta (n 3)
[12] *Ibid*
[13] I M Pandey, 'Financial Management' (*Course Hero*) <https://www.coursehero.com/file/p53alha1/Financial-Management-Ninth-Edition-I-M-Pandey-Vikas-Publishing-House-Pvt-Ltd/> accessed 02 August 2022

M & A activity have grown significantly.[14] Indian companies wish to expand beyond India's borders.[15] M & A has become a popular method to enter the global market rapidly.[16]

WHAT IS AN M&A TRANSACTION?

In general, the main motive of a company to go for an M&A transaction is to combine two companies through economic transactions such as taking over the assets of another company or combining their shares with the shares of another company to raise the merged company's valuation.[17] The term 'acquisition' or 'amalgamation' or 'takeover' refers to when a company buys the majority of another company's shares to seize control of that company. The other company's stock ceases to exist, but trading in the owner's name continues through its shares. On the other hand, a 'merger' occurs when two companies agree to join forces and merge the value of their shares to form a new company.[18] The newly formed company is legally identified and mutually operated.

KEY DIFFERENCES BETWEEN MERGERS AND ACQUISITION

- A merger is a kind of corporate strategy in which two companies combine to form a new company. On the other hand, an acquisition is a corporate strategy by which one company buys another company and gains control over the same.[19]
- In a merger, two companies dissolve to form a new enterprise. But, in an acquisition, no company loses its existence.
- In the event of an acquisition, the acquired company's Board of Directors is immediately removed from its positions. In comparison, when a merger occurs, the Boards of Directors

[14] *Ibid*
[15] Bijoy Gupta (n 1)
[16] Shrabanti Pal, 'A Study to Evaluate – the Impact of Merger and Acquisition on Financial Performance of Indian Companies" (*Research Gate*, September 2009) <https://www.researchgate.net/publication/275969994_A_study_to_evaluate_-_the_Impact_of_merger_and_acquisition_on_financial_performance_of_Indian_companies> accessed 02 August 2022
[17] Ashish Gupta (n 3)
[18] Shrabanti Pal (n 16)
[19] S Surbhi, 'Difference Between Merger and Acquisition (with Example and Comparison Chart) - Key Differences' (*Key Differences*, 4 May 2015) <https://keydifferences.com/difference-between-merger-and-acquisition.html> accessed 03 August 2022

of both companies retain their roles and work together to make decisions in the best interests of the new company.[20]

- Two companies of similar nature and size go for a merger. However, in an acquisition, a large company overpowers a small company.
- There is a minimum of three companies involved in a merger. On the other hand, a minimum of two companies are involved in an acquisition.[21]
- A merger may occur voluntarily. In contrast, an acquisition may occur either voluntarily or involuntarily.
- In a merger, there are more legal formalities compared to an acquisition.[22]

REASONS FOR M&A

Economies of Scale: Like 1+1=2, when two companies merge into one, it becomes more potent with more significant resources. The newly created company gains access to better-qualified personnel, allowing it to expand its scale of operations. Through M&A, the company can get benefits on a large scale. Such economies arise as a result of efficient product usage, optimum distribution of networks, research and development facilities, and so on. Only in the case of a horizontal merger do economies of scale function perfectly.

Synergy: It refers to the combined firms' total higher worth in terms of the sum of their units. A synergy merger occurs when two companies unite to increase efficiency or scale. Synergy can also provide a company with many advantages, such as increased revenues, combined talent, robust technology, cost reduction, and so on.

Diversification of Products and Services: One of the most important reasons for M&A is that it helps in diversification. For example, if a clothing company merges with a technology company, the former may explore new commercial opportunities. Furthermore, it makes it easier for a company to merge with an existing entity, lowering the risk of failure.[23]

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[20] *Ibid*
[21] *Ibid*
[22] *Ibid*
[23] Bijoy Gupta (n 1)

Elimination of Competition: As a result of M&A, competition shall be eliminated. It reduces the competition and advertising costs of the company. In the end, it reduces the amalgamated company's production costs. It also benefits customers as they can purchase goods at a lower price.[24]

Better Financial Planning: When companies plan to go for M&A, they might strategically arrange their resources.[25] The combined funds and finances of a merged company would be more significant, and their use might be better than in separate divisions.[26] It aids in bridging the gap between companies with short gestation periods and those with long gestation periods.[27]

Increase Supply-Chain Pricing Power: A company can eliminate an entire layer of expenditures by purchasing one of its suppliers or distributors. Specifically, buying out a supplier or a vertical merger allows a company to save the margins that the supplier previously added to its costs.[28] Additionally, a company frequently acquires the ability to ship goods at a low price after buying a distributor.[29]

Growth of the Company: Every company wants to grow. M&A is one of the simplest ways to expand a business. A company may choose to acquire or merge with one of its rivals, which is generally known as a horizontal merger, rather than putting effort into growing its market share. If a company wishes to enter a market where another company has already achieved success, expanding through a merger is normal.

Reduce Risk in Foreign Markets: The principal objective of an M&A between companies operating in foreign markets is risk mitigation through diversification. A company can mitigate

[24] Ashish Gupta (n 3)
[25] Shrabanti Pal (n 16)
[26] Dashmeet Kaur, 'Top 5 Reasons for Merger and Acquisition- Benefits of M&A' (*Swarit Advisors*, 25 December 2019) <https://swaritadvisors.com/learning/what-are-the-top-5-reasons-for-merger-and-acquisition/> accessed 03 August 2022
[27] *Ibid*
[28] Barclay Palmer, 'Why Do Companies Merge With or Acquire Other Companies?' (*Investopedia*, 7 February 2022) <https://www.investopedia.com/ask/answers/why-do-companies-merge-or-acquire-other-companies/> accessed 04 August 2022
[29] *Ibid*

risk by merging with or acquiring a company in a foreign market. This will shield the company from exchange rate fluctuation as well as a recession in either location.

Tax Benefits: M&A can provide companies with alluring tax advantages by participating in the transaction. For instance, if one company in a merger experiences net losses, these losses may be offset by the profits of the other company. The company is lured in by its loss, but the other company only benefits if the merger leads to long-term advantages. Mergers can also be a solution for larger companies looking to lower their tax burden. For example, if a larger company is in a country with a high corporate tax rate, it could merge with a company in a location with a lower rate.[30] While this tactic is often criticized, it is very effective in lowering a company's taxes.[31]

TYPES OF MERGER

1. *Vertical Merger*

Vertical mergers are well-known and straightforward. It has been done to combine two companies that provide similar or common goods or services to bring together various supply chain operations that either organization might operate. The companies involved in these mergers want to boost their synergies so that the merged company may operate more effectively, benefiting more well-known companies from the expansion of assets and supply chain activities. In some circumstances, these two companies are not rivals, but their joining forces makes logistical sense. For instance, a car manufacturer and a parts supplier might combine to perform their routine tasks more conveniently and visibly. The manufacturer has more control over the cost of the parts, while the parts supplier profits from a steady stream of business.

[30] 'Why Do Mergers and Acquisitions Occur?' (*UpCounsel*) <https://www.upcounsel.com/why-do-mergers-and-acquisitions-occur#:~:text=Improving%20Both%20Companies,-If%20you%20do&text=Synergy%20is%20the%20most%20often,reason%20for%20mergers%20and%20acquisitions.> accessed 04 August 2022

[31] *Ibid*

2. *Horizontal Merger*

Different from vertical mergers are horizontal ones. A horizontal merger will occur between two or more companies that are competitors instead of two companies that may or may not be competitors in a vertical merger. These companies operate in the same area and typically provide the same products or services. Due to increased competition, these are more prevalent in industries where fewer businesses sell the same product. The potential profits from a successful M&A in this area are substantial. Imagine, for instance, that Burger King and McDonald's were to merge.[32] Two businesses that operate in the same industry merging to form a new company with a "supersized" market share would be a textbook example of a horizontal merger.[33]

3. *Conglomerate Merger*

A merger that is neither horizontal nor vertical is known as a conglomerate merger. It combines businesses in different industries or firms that operate in different regions.[34] Even though it might seem the opposite, mergers like these are advantageous. This kind of merger allows companies to cross-sell commodities, grow their market share, diversify their service, asset, and stock portfolios, and more.[35]

The conglomerate merger is divided into two parts:

- **Pure**: In this case, there are no similar goods or services between the participating organizations.
- **Mixed**: In this case, the organizations involved may have a few similar goods.

[32] 'A Guide to the 5 Types of Mergers and Acquisitions' (*Global Expansion*, 11 December 2020) <https://www.globalexpansion.com/blog/the-types-of-mergers-and-acquisitions> accessed 04 August 2022

[33] *Ibid*

[34] 'Conglomerate Merger' (*Wikipedia*) <https://en.wikipedia.org/wiki/Conglomerate_merger> accessed 05 August 2022

[35] *Ibid*

Disney's acquisition of Pixar is a well-known instance of a conglomerate merger that was successful.[36] A merger of this kind may ultimately be about portfolio diversification. It is hoped that the other products or sectors would compensate for any losses when one performs poorly.

1. *Product Extension Merger*

Product extension mergers are similar to market extension mergers. These involve two or more companies that deal in similar or related products and operate in the same market. In such a merger, a company can group its products, share expertise, technology, and designs, and gain access to a more extensive customer base. This could ultimately result in significantly higher profits.[37] For instance, Broadcom acquired Mobilink Telecom Inc to merge the handset product designs of the latter with the wireless, Bluetooth products of the former in 2002.[38]

2. *Market Extension Merger*

A merger between businesses that sell the same goods or services but do business in different markets is known as a market-extension merger. Gaining access to a broader market and, consequently, a more extensive client/customer base is the goal of a market-extension merger.[39] A fantastic illustration of such a merger seen in 2002 was the acquisition of Eagle Bancshares Inc by RBC Centura. Currently, Canadian-owned RBC Centura (RBC Bank) is expanding its activities in North America. The best course of action was to acquire Eagle Bancshares Inc, which gave them access to the metropolitan Atlanta region. It provided RBC Centura with access to an additional 283 personnel's skills and expertise, about 90,000 accounts, and assets worth up to $1.1 billion.[40]

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[36] *Ibid*

[37] 5 Types of Mergers and Acquisitions (n 32)

[38] *Ibid*

[39] 'Types of Mergers - Learn About the Different Types of M&A' (*Corporate Finance Institute*, 2 May 2022) <https://corporatefinanceinstitute.com/resources/knowledge/deals/types-of-mergers/> accessed 05 August 2022

[40] *Ibid*

TYPES OF ACQUISITION

- *Friendly Takeover:* Additionally known as a "negotiated takeover." A friendly takeover is acquiring the target business through discussions between the current promoters and potential investors. This type of takeover is used to advance some shared goals of both parties.
- *Hostile Takeover:* If the board rejects the offer but the bidder persists in pursuing it, or if the bidder makes the offer without informing the board first, a hostile takeover may occur.
- *Leveraged Buyouts:* These are a type of takeovers where the acquisition is made with borrowed money. This type of takeover occurs when the purchase is paid for with borrowed funds. The target company's assets are frequently used as loan collateral. This is a typical arrangement used by acquirers who desire to make notable acquisitions without investing a lot of money and expect the acquired company to pay off the debt that was subsequently raised.
- *Bailout Takeovers:* A "bailout takeover" is another type of takeover in which a profitable company buys out a struggling one. With the consent of lending banks and financial institutions, this type of takeover is typically carried out by a reconstruction or rehabilitation plan.[41] Setting off the losses of the ill firm against the acquirer's profits to lower the tax the acquirer must pay is one of the main reasons for a profit-making corporation to purchase a sick/loss-making company.[42] That would be accurate if two such businesses merged.[43]

[41] Monika, 'Analysis of Mergers and Acquisition in India: As a Tool of Export Competitiveness' (*International Journal of Business Management and Economics Research*, 2014) <http://www.irphouse.com/ijbmer/ijbmerv1n1_01.pdf> accessed 05 August 2022

[42] *Ibid*

[43] Monika (n 41)

ADVANTAGES OF M&A

- Combining power and market domination is the primary motivation for businesses to engage in mergers and acquisitions (M&A).[44]
- The synergy, which is the magical ability that enables the new entity to boost value efficiency, is another benefit. It manifests as cost savings and enriched profits.[45]
- Sharing resources and services create economies of scale. Due to greater purchasing power and longer production runs, the merging of two businesses results in overall cost reduction as well as a competitive advantage.[46]
- Using cutting-edge methods for managing financial risk reduces risk.
- Businesses must be forced to be on the cutting edge of technological advancements and their business applications to be competitive. A giant company will benefit from the M&A of a small business with innovative technologies.[47]
- Tax advantages are the most crucial benefit. Mergers may be induced by financial benefits, and businesses will completely develop their use of tax shields, boost financial leverage, and employ alternative tax benefits.

DISADVANTAGES OF M&A

- Aside from those in leadership roles, there has been a loss of experienced employees. This type of loss invariably results in a loss of company knowledge, but on the plus side, that understanding will either exclusively be replaced at a fair price or worry about being exchanged.[48]
- Employees of the tiny merging firm may need extensive re-skilling due to M&A.

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[44] Dashmeet Kaur (n 26)
[45] *Ibid*
[46] Barclay Palmer (n 28)
[47] *Ibid*
[48] 'Advantages and Disadvantages of Mergers and Acquisitions' (*UK Essays*, 9 July 2021) <https://www.ukessays.com/essays/economics/advantages-and-disadvantages-of-mergers-and-acquisition-economics-essay.php> accessed 05 August 2022

- The employees of the combined company are at odds with one another, and this is causing the company serious problems. In some departments, there is a concurrent risk of having surplus employees.[49]
- Combining two businesses that do similar tasks could result in duplication and excess capacity inside the firm, which might necessitate layoffs.
- If the proper modification management and the M&A deal implementation are deferred, expenses could rise.
- The lack of assurances is necessary for the merger to be approved.
- In many instances, the return on the company's shares that prompted the acquisition of other businesses was lower than the sector's return.[50]

LEGAL PROCEDURES FOR M&A

The Indian Companies Act, 1956, which operates in conjunction with numerous regulatory policies, codifies the fundamental law relating to mergers. Sections 391,[51] 392,[52] 393,[53] 394,[54] 395[55] & 396[56] of the Companies Act of 1956, which simultaneously address the compromise and arrangement with creditors and members of a firm necessary for a merger, contain the general law relating to M&A and reconstruction. A settlement or arrangement between a firm and its creditors or members may be approved by the Tribunal in accordance with the terms of Section 391 if specific requirements are met. The Tribunal has the authority under Section 392 to impose and oversee these compromises or arrangements with creditors and members.

When accepting such an arrangement, creditors and members of the relevant company must have access to the information needed by Section 393. By submitting the proper application to the Tribunal, Section 394 enables the rebuilding and merging of enterprises. Section 395 grants

[49] *Ibid*
[50] *Ibid*
[51] Companies Act 1956, s 391
[52] Companies Act 1956, s 392
[53] Companies Act 1956, s 393
[54] Companies Act 1956, s 394
[55] Companies Act 1956, s 395
[56] Companies Act 1956, s 396

the authority and responsibility to purchase the shares of shareholders who disagree with the plan or arrangement that was accepted by the majority.

Additionally, Section 396 covers the central government's ability to facilitate a merger of businesses in the service of the country.[57] Both the merging company or companies and the merged company must adhere to the conditions outlined in sections 391 to 394 and provide details of all procedures for the Tribunal's consideration in any merger scheme. If only one of the firms completes the required paperwork, it is not sufficient. The procedures and regulations that must be followed to amalgamate corporations are covered in Sections 394 and 394A[58] of the Companies Act, together with rules relating to the competence of the Tribunal and the central government in this regard.

A copy of the application must be given to the Registrar of Companies and the Regional Director of the Company Law Board under Section 394A,[59] and the Official Liquidator for the report verifying that the company's affairs have not been conducted in a manner detrimental to the interests of the shareholders or the general public after the application has been filed. The Tribunal must notify the central government of every application it receives under sections 391 to 394 before sanctioning the scheme of amalgamation. The Tribunal must also take into account any representation the government may have made to it before granting or rejecting the scheme of merger. Thus, before the Tribunal approves or rejects the scheme of amalgamation, the central government is given a chance to weigh in on the topic of company mergers.

The Company Law Board's Regional Directors represent the central government in this matter and perform its powers and duties. The Tribunal would permit the petitioner company to address all objections that might be made by shareholders, creditors, the government, and others while hearing the petitions of the companies about the merger scheme. The firm must consequently maintain its readiness to handle the numerous objections and problems. As a result, the Tribunal's order transfers the properties and liabilities of the merging company to the

[57] *Ibid*
[58] Companies Act 1956, s 394A
[59] *Ibid*

new entity. The Tribunal is particularly authorized under section 394[60] to introduce provisions in its order granting an amalgamation for the transfer of all or a portion of the properties, liabilities, etc., of the amalgamated business to the amalgamated company. Only when the Tribunal expressly orders so in its order will the rights and obligations of the combining firm's workers stand transferred to the combining company.

By virtue of the Tribunal's order approving the merger plan, the assets and liabilities of the merging firm are automatically transferred to the merged company. The Tribunal also specifies the methods of payment to the transferor companies' shareholders, the continuation of any legal actions taken by or against any transferor company against the transferee company, the dissolution (without winding up) of any transferor company, the provision to be made for any objectors to the compromise or arrangement, and any other incidental, consequential, and supplementary matters to ensure the amalgamation, if needed. Every company to which the ruling applies (i.e., the amalgamating company and the merged company) shall submit the order of the Tribunal approving the amalgamation scheme to the Registrar of Companies for registration within thirty days.

M&A TREND IN INDIA

The 3600 M&A transactions between 2015 and 2019 totaled more than $310 billion, according to a **Bain** analysis. The research claims that the industrial products, energy, telecom, and media sectors accounted for more than 60% of the deals by volume and trade. The changing environment brought on by the increased availability and use of the internet is one of the primary causes of the escalating competitiveness.[61] Companies in the e-commerce sector are particularly affected by growing competition.[62] Some of the most aggressive M&A transactions in recent times have their roots in this sector.[63]

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[60] Companies Act 1956, s 394

[61] Aron Almeida, '5 Biggest Mergers and Acquisitions in India!' (*Trade Brains*, 1 October 2021) <https://tradebrains.in/biggest-mergers-acquisition-india/> accessed 06 August 2022

[62] Monica (n 41)

[63] Aron Almeida (n 61)

Forbes identified four key trends in M&A in India: a surplus of money, gradually growing debt costs, the leadership of energy and technology, and political factors (mainly in the US) to watch for in 2017.[64] Strong political and governmental support for business expansion,[65] the aim to lessen reliance on supply chain uncertainties through backward or forward integration, taxation, and the disturbing effects of horizontal integration on the sales and marketing department are the leading causes of this.[66]

The stability of governmental policies and the capital market made 2016 a promising year for India's M&A sector. This steadiness led to a record volume, the largest since 2010, of USD 56.2 billion. As previously mentioned, 2016 was a year in which the US and Western Europe suffered a significant setback as a result of political and governmental turmoil. Government policy is the key factor influencing its performance. The Indian M&A market is dominated by domestic activity, with 505 deals totaling USD 25.1 billion in 2016. Compared to 2015, there had been a 5% increase. Oil and gas, financial services, cement, and construction materials were the main drivers of M&A activity in India, followed by infrastructure and pharmaceuticals.[67] The main drivers of these mergers were the expansion of market share, the lowering of debt, and the tax benefits (i.e., generating financial synergy).[68]

More first-time buyers than ever led M&A in India to an all-time high in 2021, accounting for more than 80% of the deals closed in 2020 and 2021—a significant rise from less than 70% from 2017 to 2019. In 2021, there were 85 strategic transactions totaling more than $75 million, with about 80% of the buyers being first-time buyers. In 2020, there were 80 strategic transactions totaling more than $75 million, with 80% of the buyers being first-time buyers. Compared to 2017–19, the proportion of first-time purchasers peaked in 2020–21. In contrast to the vast $5 billion transactions that fuelled activity in 2017–19, the composition of deals is more diverse and

[64] *Ibid*

[65] Dashmeet Kaur (n 26)

[66] *Ibid*

[67] Viral Upendrabhai Pandya, 'Mergers and Acquisitions Trends – The Indian Experience' (*International Journal of Business Administration*, 1 January 2018) <https://www.sciedupress.com/journal/index.php/ijba/article/download/12803/7927> accessed 06 August 2022

[68] *Ibid*

includes more mid-sized deals of $500 million to $1 billion.[69] In 2021, there were 85 strategic transactions totaling more than $75 million, with about 80% of the buyers being first-time buyers.[70]

TOP M&A IN INDIA & POST-M&A FINANCIAL PERFORMANCE OF THE COMPANIES

1. *ZEE Entertainment-Sony India Merger*

Zee Entertainment Enterprises Limited (ZEEL) and Sony Pictures Networks India (SPNI), two of India's biggest media businesses, agreed to merge in a multibillion-dollar merger. The two businesses' merger was approved by the Zee Board of Directors. The agreement had the potential to make the newly established company one of the biggest and most coveted in the nation. According to the agreement, Sony owns 50.86 percent of the company, while the Zee promoters own 3.99 percent. With Zee's other shareholders, the remaining 45.15 percent is held.[71] The newly merged entity received $1.575 billion[72] from Sony Pictures Entertainment.[73] In December 2021, the board of directors of Zee approved the execution of a non-binding term sheet with SPNI.[74]

2. *Vodafone-Idea Merger*

In September 2020, this merger took place. The telecom industry has been in serious trouble for a while. Government rules and market forces have hurt this sector since the allegations of the 2G Scam first surfaced. Although the two companies' merger produced a telecom behemoth, it is accurate to say that Reliance Jio's entry and the ensuing price war forced the two companies to merge. Both businesses had trouble as the telecom industry became more competitive.

[69] Peerzada Abrar, 'India's mergers & acquisitions volume in 2021 near all-time high: Report' (*Business Standard*, 21 December 2021) <https://www.business-standard.com/article/companies/india-s-mergers-acquisitions-volume-in-2021-is-near-all-time-high-report-121122100108_1.html> accessed 06 August 2022
[70] *Ibid*
[71] Krishna Gopalan, 'What the Zee-Sony Merger Will Look Like' (*Business Today*, 14 January 2022) <https://www.businesstoday.in/magazine/industry/story/what-the-zee-sony-merger-will-look-like-318083-2022-01-14> accessed 06 August 2022
[72] *Ibid*
[73] Aron Almeida (n 61)
[74] *Ibid*

Since Vodafone now owns 45,1% of the combined company, the Aditya Birla group owns 26%, and Idea owns the remaining portion, the deal was advantageous for both Idea and Vodafone. The merging of the two companies was completed when Vodafone Idea unveiled its new corporate brand, "Vi". The Vodafone-Idea group is India's second-largest telecom network, behind Airtel.[75] The projected value of this merger is $23 billion. Unlike past mergers, this one is a merger of equals.[76]

***Financial Performance after Merger*:**

In terms of customer base, Vodafone Idea retained the number 1 spot following the merger. The findings, however, are mind-boggling when compared to India's top two players on criteria like profitability, revenue, 4G data users, and the growth pattern of the operators' average revenue per user.[77] First off, Jio generated a profit of ₹891 Cr. in the June quarter, whereas Vodafone Idea, which had the largest customer base, lost ₹4,874 Cr. Average Revenue Per User (ARPU) increased in 2019–20 and 2020–21, but revenue did not rise in the same proportion because of customers leaving the company.[78]

3. *Indus Tower – Bharti Infratel Merger*

Indus Towers was a partnership between Bharti Infratel, Vodafone Group Plc, based in the UK, and Vodafone Idea that happened in November 2020. Each of Bharti Infratel and Vodafone Group owns 42% of Indus. 11.15 percent of the company is owned by Vodafone Idea, and the remaining 4.85 percent is held by the private equity firm Providence. Bharti Infratel is mostly owned by Airtel. Bharti Infratel's overall shareholding in the merged entity decreased from 53.51 percent to 36.73 percent, while Vodafone Group's shareholding increased to 28.12 percent. Bharti

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[75] Musham, 'Top 10 Biggest Mergers And Acquisitions In India' (*Inventiva*, 24 February 2022) <https://www.inventiva.co.in/trends/10-biggest-merger-and-acquisition-india/> accessed 07 August 2022

[76] *Ibid*

[77] Pavan Kalyan, 'Status of Vodafone-Idea Post Merger & SC Order on AGR Dues; Strategies Adopted to Revive Company' (*TaxGuru*, 27 March 2021) <https://taxguru.in/finance/status-vodafone-idea-post-merger-strategies-adopted-revive-company.html#:~:text=Current%20Financial%20Situation%3A&text=5%2C000%20Cr%20in%20FY21%20%26%20Rs,111%25%20of%20its%20annualized%20EBITDA.> accessed 07 August 2022

[78] *Ibid*

Airtel holds a 36.7 percent stake in the combined firm, followed by Vodafone UK (28.1 percent) and Providence Equity Partners (3.1%) with public holding (35.2 percent). For its 11.15 percent stake in Indus, Vodafone Idea Limited (VIL) was paid 3,760 crore rupees in cash. The newly combined company is referred to as "Indus Towers." According to sources from CLSA, the combined entity has 172,000 towers with a 1.83x tenancy, annualized revenue of Rs 25,400 Cr., and Ebitda (earnings before interest tax depreciation and amortization) of Rs 12,500 Cr.[79]

***Financial Performance after Merger*:**

Indus Towers reported a consolidated profit of Rs 1,360 Cr after the end of the third quarter in December 2020 as opposed to Rs 1,331 Cr during the same time in 2019.[80] For the quarter, total revenues were Rs 6,736 Cr. The business generated Rs 6,443 Cr in revenue over the same time in 2019–20.[81]

4. *Tata Steel's Acquisition of Corus*

Corus was purchased by Tata Steel in April 2007. The largest steel company in India is Tata Steel, and the biggest steel company in Europe is Corus. Following its $12.02 billion purchase of the European steel titan Corus, Tata Steel has risen to the fifth spot amongst the largest steel manufacturers in the world since 2007. With the purchase of Corus, Tata Steel had access to potential synergies in manufacturing, procurement, research & development, logistics, and back-office operations in a region of the world where value products were in high demand. The acquisition of Tata Corus by an Indian business was the largest private-sector transaction outside India. The combined company was once the fifth-largest steel producer in the world by revenue. Sadly, the combination failed, and the business suffered a loss. The tale of Tata's acquisition of Corus ended horribly.[82]

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[79] Aron Almeida (n 61)
[80] Press Trust of India, 'Indus Towers Posts Consolidated Profit of Rs 1,360 Cr in Dec Quarter' (*Business Standard*, 28 January 2021) <https://www.business-standard.com/article/companies/indus-towers-posts-consolidated-profit-of-rs-1-360-cr-in-dec-quarter-121012801909_1.html> accessed 07 August 2022
[81] *Ibid*
[82] Musham (n 75)

***Financial Performance after Acquisition*:**

Tata Steel's Indian operations generated the majority (60 percent to 96 percent) of the company's total profits (excluding extraordinary items) during FY 2008 and FY 2011, although generating less than half of the volumes of steel that European operations do. The Indian business reported net profits of Rs 5,000 Cr. in FY 2010, significantly reducing the negative cash flow from its European activities (consolidated losses of over Rs 2,000 Cr.).[83] From FY 2008 to FY 2011, net sales decreased from Rs 131,000 Cr to Rs 118,000 Cr.[84] Over the same period, adjusted net profits (excluding extraordinary items) fell from Rs 7,359 Cr to Rs 6,560 Cr.[85]

5. *Walmart's Acquisition of Flipkart*

In August 2018, Walmart entered the Indian market with the acquisition of Flipkart. In a competitive deal, Walmart outbid Amazon and paid $16 billion for a 77 percent interest in Flipkart. Walmart was able to compete with Amazon in one of its core markets because of this. As a result, Flipkart's logistics and supply chain network expanded. Flipkart is the country's leading e-commerce company. It had already bought other e-Commerce startups, including Myntra, Jabong, PhonePe, and eBay, and became India's biggest apparel e-commerce company. Walmart had put aside $2 billion for new investment as part of the deal.[86]

***Financial Performance after Acquisition*:**

After the acquisition, Flipkart had able to cut its losses by 63% to Rs 17,231 Cr. ($2.42 billion) for FY 2019 from Rs 46,895 Cr. ($6.6 billion) in 2018-19. Flipkart had seen an increase in total revenue by 42% in FY 2019 to Rs 43,615 Cr. ($6.14 billion) from Rs 30,644 Cr. ($4.32 billion) in FY 2018. But Flipkart failed in several units. It saw a significant dip to Rs 60,897 Cr. ($8.55 billion) for the year ending March 31, 2019, from Rs 77,539 Cr. ($10.89 billion) for the year ending March 31, 2018. Also, Flipkart's employee benefit expenses increased by 58% to Rs 4254 Cr. ($600 million)

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[83] *Ibid*

[84] Adarsh Gopalakrishnan, 'What Happened after Tata Steel Met Corus' (*The Hindu BusinessLine*, 8 September 2011) <https://www.thehindubusinessline.com/companies/what-happened-after-tata-steel-met-corus/article20336353.ece> accessed 08 August 2022

[85] *Ibid*

[86] Musham (n 75)

after its acquisition by Walmart. However, Flipkart's three major divisions, including Flipkart Internet (the marketplace arm), Flipkart India (the wholesale arm), and PhonePe (the payments vertical), all experienced significant losses. While PhonePe registered Rs 1,904 Cr. in net loss — 8 times its total income of Rs 245.8 Cr. in FY 2019, Flipkart India's net loss stood at Rs 3,836 Cr. for FY 2009 — a jump of 85.91% from Rs 2,063 loss for FY18 against its net income of Rs 30,931 Cr., up from Rs 21,657 Cr. during FY18.[87] For Flipkart Internet, the losses were worth Rs 1,625.7 Cr. in FY19, which increased from Rs 1,160.6 Cr. in FY18, while operational revenue stood at Rs 4,234.5 Cr. in FY19 – a 52% increase from FY18.[88]

CONCLUSION

This article provides evidence of how M&A has affected the corporate sector's financial performance in India. The company's profit and loss, market share, shareholder interest, and corporate growth all have a role in how successful an M&A is. Looking at the company's market value makes calculating the success rate simple. This study analyses some of the most significant M&A deals in India in history. From this study, we can see that despite Indus Towers, no company has seen that much growth they expected. Tata Steel-Corus merger was the most significant private-sector transaction by an Indian company outside India. However, that deal was a colossal failure. Also, after acquiring Flipkart, Walmart has not seen much growth. Sometimes, Flipkart was defeated by Amazon. So, it is clear that an M&A deal does not give profit to the company, and deals of large amounts even can fail.

[87] Sandeep Soni, 'Walmart Effect? Flipkart Cut Losses by 63%, Revenue up 42% in FY19 under New Management' (*The Financial Express*, 5 November 2019) <https://www.financialexpress.com/industry/flipkart-singpore-walmart-flipkart-revenue-loss-fy19-ecommerce-marketplace-phonepe-kalyan-krishnamurthy-flipkart-vs-amazon/1751811/> accessed 08 August 2022

[88] *Ibid*