

Team-8

# GROWTH THROUGH MERGERS AND ACQUISITIONS

# Merges and Acquisition

- ◎ **Inorganic tools of growth for an Organization.**
- ◎ **More than half of all M&As fail.**

# Most happening mergers and acquisitions in India in the year 2014

- ◎ **Flipkart- Myntra**
- ◎ **Asian Paints- Ess Ess Bathroom Products**
- ◎ **RIL- Network 18 Media and Investments**
- ◎ **Ranbaxy- Sun Pharmaceuticals**
- ◎ **TCS- CMC**
- ◎ **Yahoo- Bookpad**

# Merger

- **Is a phenomenon where two organizations of relatively equal size decide to come together to form a single new organization.**
- **The owners of both pre-merged organizations become owners of this new entity.**

# Acquisitions

- **Is the phenomenon where one organization takes over the ownership of another.**
- **The organization that has been taken over is often referred to as the 'target' in M&A parlance.**

# Friendly Acquisition versus Hostile Takeover

- ◎ **A situation in which a target company's management and board of directors agree for acquisition by another company.**
- ◎ **An attempt to take over a company without the approval of the company's board of directors.**

# Friendly Acquisitions-The Mantra

- ◎ **Five Gates to understand the checks and controls that need to be in place, in each step of the acquisition deal , to ensure success:**
- ◎ **Gate 1: Keeping the Radar vigilant**
- ◎ **Gate 2: Getting Priorities Straight**
- ◎ **Gate 3: Pre-negotiation**
- ◎ **Gate 4: Striking the Deal**
- ◎ **Gate 5: Deal Closure and Integration**

# MODES OF DEAL PAYMENT

- ◉ **Shareholders need to be appropriately compensated either by cash shares**

**Cash:**

**Ownership is acquired by Holding Company**

**Existing shareholders will get shares**

**Stock**

**Paid shares instead of cash**

**Swap ratio**

**New shareholders being added**



# ILLUSTRATION-PepsiCo's Acquisition of Quaker Oats

# ILLUSTRATIONS-The HP- Compaq Merger

- ⦿ **Due to lot of Competitors, HP and Compaq Faced a Financial issues.**
- ⦿ **On September 04, 2001, HP and Compaq were announced to merge.**
- ⦿ **HP was to buy Compaq for US\$ 24 billion in stock in the biggest ever deal in the history of the computer industry.**
- ⦿ **The merged entity would have operations in more than 160 countries with over 145,000 employees.**

- ① **The Shares of HP and Compaq are declined by 21.5% and 15.7% respectively in two days.**
- ② **The pair lost US\$ 13 billion in market capitalization in a couple of days.**
- ③ **In the next two weeks, HP's stock went down by another 17%, amidst a lot of negative comments about the merger from analysts and the company's competitors.**
- ④ **Finally it became as a Failure model.**

# Conclusion