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Consolidation of Industry through Banking Sector

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PREFACE

Following the economic reforms in India in the last few years, there is a discernible trend among promoters and established corporate groups towards consolidation of market share and diversification into new areas though acquisition and mergers of the companies but in a more pronounced manner through mergers and acquisition. Although the economic consideration in terms of motive and effect of these are similar, the legal procedures involved are different.

Mergers and Acquisition are governed more or less by economic reasons. Acquisition however is a part of checks and balances mechanism to ensure that where a direct friendly approach for M&A is spurned, a market approach could be adopted.

The term mergers and amalgamations on the one hand and acquisitions on the other are treated here synonymously or interchangeably. There are certain banks like JP Morgan, KPMG corporate finance, ICICI bank any many other help in consolidation of industry.

Chapter 3 of the report covers various aspects of consolidation and about Indian banking sector. Different banks and financial institutions are summarized in chapter 3 and these are followed by findings and suggestions.

CHAPTER- 1

INTRODUCTION

"Consolidation alone will give industries the muscle, size and scale to act like world-class industries. We have to think global and act local and search for new markets, new classes of borrower. This is heartening to note that the Indian Banks Association is working out a strategy for Consolidation among Industries."

- *P. Chidambaram*

Consolidation is the act of merging many things into one. In business, it often refers to the mergers or acquisitions of many smaller companies into much larger ones. The financial accounting term of Consolidation refers to the aggregated financial statements of a group company as consolidated account. The taxation term of Consolidation refers to the treatment of a group of companies and other entities as one entity for tax purposes.

Under the **Halsbury's Laws of England**, 'Consolidation' is defined as "a blending together of two or more undertakings into one undertaking, the shareholders of each blending company, becoming, substantially, the shareholders of the blended undertakings. There may be amalgamations, either by transfer of two or more undertakings to a new company, or to the transfer of one or more companies to an existing company". Thus, the two concepts are, substantially, the same. However, the term amalgamation is more common when the organizations are merged with the other.

Consolidation is considered to be very important in the present scenario because more and more of the industries are going for expansion in their businesses and also the banking sector is playing a very important role in financing the funds for the consolidated industries. The banks also provide advisory services to the industries. Mostly Investment Banks help in consolidation of industries.

CHAPTER-2

REVIEW OF LITERATURE

2.1 HISTORY OF CONSOLIDATION

In the history of American business, two major waves of Consolidation have swept through industry, resulting in many large and some successful enterprises. The first wave occurred in heavy industries during the late nineteenth and early twentieth centuries, when moguls such as John D. Rockefeller, J. Pierpont Morgan, and Jay Gould created the foundations for the largest corporations in the United States. The second wave occurred from the 1960's into the 1980's, when industrial and consumer conglomerates such as Beatrice, Westinghouse, and ITT amassed portfolios of up to hundreds of semi- and unrelated businesses. In the following sections, we outline the rise and fall of these two waves of Consolidation

Moguls created monopoly power through Consolidation

Beginning in the 1870's and continuing until antitrust enforcement and public sentiment turned in the 1910's, entrepreneurs were able to identify industries (generally related to heavy manufacturing) in which mergers and acquisitions could create significant economies of scale through combined operations and superior management. Economies of scale were made possible through the capital intensity created by the industrial revolution.

Among the entrepreneurs were household names like Rockefeller, Morgan, Vanderbilt, and other characters like Jay Gould. In the following pages, we highlight the strategic development and subsequent dismantling of the Union Pacific Railroad, the Standard Oil Trust, and United States Steel Corporation in order to show how individuals can drive industry Consolidation.

Earlier, there were some industries that consolidated with the other. Some of them are as follows:-

Jay Gould revolutionized the railroad industry

Prior to 1880, American railroads operated under a principle of local management for small railway systems, almost always under 500 total miles of track. Interregional shipments were accomplished through a loose network of alliances that banded railways together.

Jay Gould was almost single-handedly the catalyst to drive Consolidation. After defeating Cornelius Vanderbilt's attempt to buy the Erie Railroad, he added western routes leading to Chicago and St. Louis. He raided and combined multiple railways, moving across the country in an attempt to provide self-contained shipping across the country. He made substantial profits in the trade of railroad stocks, speculating on positions in numerous railroads. Although he built a substantial system in the East through regional Consolidation, he was forced to sell part of his system to cover losses on the stock market. He also faced a significant counter-attack by lines owned by other moguls like the Vanderbilts.

In a move to another region, he took control of the Union Pacific railway, one of the two transcontinental lines. During his time in control of Union Pacific, he expanded the railway substantially. He added territory through feeder lines to the main line, and by extending branches from the line's terminus in Ogden, Utah. He annexed the Kansas Pacific, a main competitor, and completed a second route to the Pacific through Idaho and Oregon.

By 1881, Gould controlled nearly 15% of the nation's rail mileage, the largest railroad empire in the nation. Through extremely high dividends, he was able to create significant personal wealth. However, he was a lackluster manager of the rail systems. Not all of his routes connected, and he had poor coordination between the various lines. He was unable to capture the economies of scale and scope he sought. In addition, the cash he pulled from railroads like Union Pacific left them in poor financial condition. By the mid-1880's, he pulled out of most of the railroad assets.

His single-handed impact on the railroad industry was substantial. While the lines had previously relied on a loose network for traffic flow, they now each focused on building a self-contained system to deliver freight from point to point. Competitive expansion (resulting in the construction of over 75,000 miles) throughout the 1880's drove many lines to financial failure in the 1890's. Later Consolidation by financier J.P. Morgan resulted in the creation of 25 leading lines. The Consolidation witnessed in railroads was a prelude of the Consolidation to come.

U.S. Steel gained efficiency and price advantage through aggressive Consolidation and operations

Using a strategy of growth similar to Rockefeller's early years, Andrew Carnegie built the country's largest and most powerful steel company by establishing multiple steel plants. J.P. Morgan sought to unify his own steel-related holdings with those of Andrew Carnegie, once again seeking economies of scale and scope. He designed a trust (similar to Standard Oil) in which the Morgan and Carnegie companies would be combined with eight other steel, mining, and shipping firms.

The regulatory environment for Consolidation was favorable. President William McKinley approved of business Consolidation, limiting the risk of interference by government antitrust regulators. As a result, United States Steel was formed in 1901 with a capitalization of $1.4 billion, America's first billion-dollar corporation. (This was similar to the IPO roll-up Strategy, which will be discussed later.) The firm's sheer size led to increased visibility and access to capital markets.

From immediately after its foundation, U.S. Steel launched into an aggressive acquisition campaign. From 1901 to 1910, the company added four major steel companies, shipping and railroad companies, and a host of additional minor steel-related enterprises. These acquisitions provided economies of scale and scope, combining operations across regional boundaries and creating an integrated approach to serve customers.

U.S. Steel declared a goal of competition through efficiency and price rather than monopoly power. From 1902 until the 1920's, U.S. Steel sales grew from $423 million to over $1 billion, despite significant decreases in market share. The company tried to manage external regulation through a modification of its strategy.

However, Theodore Roosevelt launched an antitrust investigation against U.S. Steel in 1905. A formal charge was made in 1911 during the Taft Administration, but a U.S. District Court decision in 1915 absolved the company from any wrongdoing. The greatest pressures on U.S. Steel were changes in the economy, the demands of corporations, and technology. The company barely survived these changes, ultimately becoming a takeover target by raider Carl Icahn. The company exists today (in the form of USX corporation), although it has transformed itself into a diversified energy and steel concern.

All these made Consolidation to be followed in the future also as earlier they proved their success so that the industries find some advantages of getting consolidated.

<u>CONSOLIDATION</u>

The merger and acquisitions scene is not exactly scorching, the temperature and is certainly on the rise. Among the darkness created by rising inflation and soaring prices, the news about possible mergers is certainly heart-warming. If stock prices are to be dragged up from the morass they are in now, and that too quickly, increased M&A activity could be the tool. Hopefully, some of the activities are translated into action and pep up the dropping market.

The unusually high level of merger talk comes after M&A activity has cooled down considerably since the second half of 2002. The declining economic activity and depressed stock prices acted as a means for M&A deals then. The value of M&A activity rose above Rs 25,000 crore. Thereafter, as economic activity improved and stock prices surged, consolidation slowed down.

In addition, IT and telecom segments, according to India Advisory Partners, accounted for a substantial proportion of the activity. The acquisition activity in the mainstream manufacturing economy has, by and large, remained unimpressive.

The Secondary producers in metals also suffer from low capacity utilization. M&A activity can as such bring down the number of producers and consolidate capacities. This would pave the way for a fresh round of investment activity.

Consolidation will also help Indian producers face competition. Free trade agreements that affect auto and auto ancillaries, a freer WTO regime for healthcare and textiles and the threat of rising metal imports suggest that the competitiveness of Indian firms needs to improve.

Studies indicate that large firms are indeed globally competitive. Their productivity and profitability are now comparable to global firms. Smaller Indian firms may, however, need to consolidate. (6)

There is steady growth of consolidation in India. Year 2007 can be called as the year of mergers and acquisitions for India. Tremendous amount of money is flowing into India on back of opening of growing economy, high liquidity levels and the continued reforms introduced by Indian government to attract foreign Investors. Not only that, Indian corporations currently loaded with excess cash are on acquisitions spree. It was already mentioned how hot the scenario was last year, but 2007 seems to have already reached that mark in less than 6 months.

ICICI bank's private research division has come out with a Global Investment Outlook report, which says the total equity deals struck by Indian companies have crossed 50 billion USD in 2007. In the same timeframe last year the equity deals stood at 13.5 billion USD. These investments are also due to tightening of rules in China regarding foreign investment in Domestic Chinese firms. So many Global Investors have turned to India instead of China. The report expects the second half of 2007 to be even better than first, which should bring total investment in India to more than 100 billion USD by year end, a five fold increase over last year.

It can be concluded that lots of Indians living abroad are coming back and becoming entrepreneurs or investing in projects that are innovative and have lot of upside potential. The investments are not just limited to technology firms but are spreading across large spectrum of sectors. (7)

A strong pitch for a greater role of banks in the game of mergers and acquisitions was made. Companies will acquire, merge and hive off businesses to the competitive. Banks must play a pivotal role in funding such activities. Banks should think of innovative schemes and products to help corporate houses to strengthen their market value. Government's only role ought to be to regulate and lay down codes of discipline for M&A by banks.

Finally, Indian banks spread have narrowed and it will affect the bottom lines of banks. Banks need to reposition their deposit products and pricing in order to have an efficient asset-liability management. Banks should also modernize their operations, make advances in delivery and build up adequate competitive strengths to withstand global competition. As if we talk about ICICI bank, it has participated in 79 per cent of the total outbound Indian merger and acquisition deals in terms of value in the first six months of the last year.

The bank has set up a dedicated global investment-banking group to take advantage of the growing M&A opportunities. The bank has become number one in M&A financing. The value of Indian M&A deals grew at 140 per cent from $8.3 billion in 2004 to $47.4 billion in 2006. "This appears to be just the beginning of the M&A wave in the country,"

Another example of bank supporting consolidation is Bank of India. BOI is planning it activities to set for consolidation course. BoI, which currently has 23 branches across the globe, proposes to set up five more overseas branches. Towards this, the bank is considering various options that include upgrading the existing representative offices in certain countries towards full-fledged branches, opening of new branches and acquiring banking operations of other banks. In the domestic market, the bank plans to open 45 branches in the next two years, taking the total branch network to around 2,650. The bank has earmarked funds of around $100 million for its overseas M&A deals. (6)

India saw an aggressive increase in mergers & acquisitions (M&As) in 2007with private equity. The total value of these deals (both PE and M&A) announced in this calendar year was $68.32 billion, up 143% against 2006's $28.16 billion. The average Indian M&A deal size was close to $77 million, while the average Indian PE deal size was around $44 million in 2007, according to Grant Thornton's annual deal tracker.

The report reveals that the total number of M&A announced in 2007 stood at 661, with a total announced value of $51.17 billion, against 480 deals in 2006 with a total announced value of $20.30 billion. The Tata-Corus, Vodafone-Hutch and Hindalco-Novelis deals accounted for 60% of total cross-border M&A during the year.

Steel and telecom sectors were the clear leaders as far as sectoral values were concerned. (8)

CHAPTER-3

CONSOLIDATION IN INDIA - THE CHANGING FACE OF INDIAN BUSINESS

A couple of year back, the news that Indian companies having acquired foreign companies was very rare. However, this scenario has taken a sudden U turn. Nowadays, news of Indian Companies acquiring a foreign business is more common than other way round.

Buoyant Indian Economy, extra cash with Indian corporate, Government policies and newly found dynamism in Indian businessmen have all contributed to this new acquisition trend. Indian companies are now aggressively looking at North American and European markets to spread their wings and become the global players.

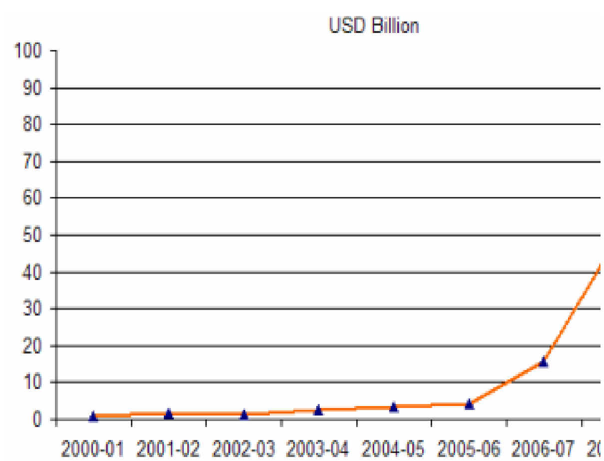
The Indian IT and ITES companies already have a strong presence in foreign markets; however, other sectors are also now growing rapidly. The increasing engagement of the Indian companies in the world markets, and particularly in the US, is not only an indication of the maturity reached by Indian Industry but also the extent of their participation in the overall globalization process.

The top 10 acquisitions made by Indian companies worldwide:

Acquirer	Target Company	Country targeted	Deal value ($ ml)	Industry
Tata Steel	Corus Group plc	UK	12,000	Steel
Hindalco	Novelis	Canada	5,982	Steel
Videocon	Daewoo Electronics Corp.	Korea	729	Electronics
Dr. Reddy's Labs	Betapharm	Germany	597	Pharmaceutical
Suzlon Energy	Hansen Group	Belgium	565	Energy
HPCL	Kenya Petroleum Refinery Ltd.	Kenya	500	Oil and Gas
Ranbaxy Labs	Terapia SA	Romania	324	Pharmaceutical
Tata Steel	Natsteel	Singapore	293	Steel
Videocon	Thomson SA	France	290	Electronics
VSNL	Teleglobe	Canada	239	Telecom

If we calculate top 10 deals it account for nearly US $ 21,500 million. This is more than double the amount involved in US companies' acquisition of Indian counterparts.

Indian outbound deals since 2000 shown on the graph:-



Mergers and Acquisitions scenario as it stands

Indian outbound deals, which were valued at **US$ 0.7 billion in 2000-01**, increased to **US$ 4.3 billion in 2005**, and further crossed US$ 15 billion-mark in 2006. In fact, 2006 will be remembered in India's corporate history as a year when Indian companies covered a lot of new ground. They went shopping across the globe and acquired a number of strategically significant companies. This comprised 60 per cent of the total mergers and acquisitions (M&A) activity in India in 2006. And **almost 99 per cent of acquisitions were made with cash payments.**

3.1 NEED FOR CONSOLIDATION

Consolidation in the industry is crucial from various aspects. The factors inducing consolidation include technological progress, excess retention capacity, emerging opportunities and deregulation of various functional and product restrictions. Especially, globalization coupled with technological development has shrunk the boundaries by which financial services and products are being provided to the customers residing at any part of the globe. Further, due to innovations and improvements in service delivery channels, the trend of global banking has now been marked by twin phenomena of consolidation and convergence. The trend towards consolidation has been driven by the need to attain meaningful balance sheet size and market share in the face of intensified competition, whereas the trend towards convergence is driven across the industry to provide most of the financial services such as banking, insurance, investment, cash management, etc to the customers under one roof.

In this scenario, if companies are to be made more effective, efficient and comparable with their counterparts functioning abroad, they would need to be more capitalized, automated and technology oriented, even while strengthening their internal operations and systems.

Similarly, in order to make them comparable with their competitors from abroad with regard to the size of their capital and asset base, it would be necessary.

3.2 MOTIVES BEHIND M&A

1. Market entry: -

Mergers and acquisitions is a common strategy employee to enter new, particularly to foreign market. For example, L.N. Mittal group entered several foreign countries by acquision and has become one of the largest steel producer in the world. Acquisition provides instant access to market and distribution network. Many years ego, the general electric, USA, took over Hungries light bulb maker. Instead of started a green field operation in Hungry by building a new factory in hiring the people needed. Why did the multinational giant takeover Tungsram, a typical hungrarian enterprise walk down with so many problems calling for a pain-full restructuring? The answer is that Tunsgram gave general electric entry to the east European liable market, from which it had been virtually excluded by Philips and Ozram. Tunsgrams share of market in the 1980's was respectable 9 to 10 %.

2. Possession of marketing infrastructure:

As one of the most difficult areas in International business is marketing infrastructure, light distribution network, this is often a very important consideration for merger and acquisition. Vijay Malya's UB Group, India's largest brewing and distilling group acquired a small British company, Wiltshire Brewery. The attraction of Wilshire for UB is that the former offers a readymade chain of pubs throughout England which would be used for the marketing of UB's bear brand like Kingfisher, UB lager and kalyani in the UK.

3. Achieving economics of Scale

This is one of the important reasons of horizontal merger and acquisition.

4. Increasing the Market Power

Increasing the market share and consolidating the competitive strength is an important motive of many horizontal merger and acquisitions. For example, acquisitions enabled Essel Propack to become the largest laminated tube manufacturer in the World.

5. Diversification

Merger and acquisition is sometime the preferred strategy to enter new businesses. Merger and acquisition leads to provide number of benefits to the company in diversification of the product vis-à-vis; capturing market in-depth.

6. Acquisition of Technology

Access to technology or R&D facilities is a measure benefit of some of the merger and acquisition for example the acquisition of the Italian steel major Ilva Laminati Piani by the Essar Gujrat give it access to downstream steel technology, enter alia.

7. Use of surplus funds

Some of the merger and acquisition are prompted by the desire to make productive use of surplus resources, as in the case the merger of BrooKbond India – Lipton with Hindustan lever, referred to earlier.

8. Optimum of utilization of resources and facilities

Sometimes mergers and acquisition are resorted to with the objective of achieving optimum utilization of the companies under utilize resources, including managerial expertise and facilities. The merger of Brook bond and Lipton, both of which were in the same lines of business facilitated elimination of duplication, unhealthy competition and optimization of resources used.

9. Product mix optimization

Some M&A help fill the product mix gap. This has been true of several acquisitions in the pharmaceutical industry.

10. Pre-emptive strategy

M&A is also used as a strategy to pre-empt the competitor that would give the competitor an entry to a business or market or license the competitive strength. There were several cases of competitors bidding for the same firm.

11. Vertical Integration

Backward or forward integration that will benefit the current business of the company is another important motive of merger and acquisition.

12. Tax Benefits

Sometimes merger and acquisition are encouraged by the tax benefit.

13. Logistical factors

Improving the logistical efficiency is another important benefit of merger and acquisitions. For example, the acquisition of the Singapore based Nat Steel by Tata steel and the federal forge-Inc. USA, by Bharat forge (which has become a major global player by acquisitions) have given them some logistical advantages among other things.

14. Acquisition of Brands

Speaking at a session on consumer goods at the Indian Economic Submit, Mr. ADI B Goderej , MD, Goderage soaps said, “ building brands in India for a new company would be extremely difficult as has been obvious in many cases already. In such a situation, a lot of international corporate would find that the best entry strategy would be acquisition of Indian brands”. Indian companies also have been eager to acquire foreign brands.

15. Minimization of Risk

There is also a view that acquisition are less risky than green field ventures because when an acquisition is made, it amounts to a bying of asset of assets and known revenue streams.

16. Regulatory factors

Some acquisitions also help overcome certain regulatory hassles for example, acquisition of a FDA (Fruit and Drug Administration) approved firm will free a company from the cumbersome procedures of getting the FDA approval necessary for marketing pharmaceuticals products in USA.

3.3 STEPS FOR MAKING SUCCESSFUL M&A

Making an M&A successful is no child's play. There are certain steps that should be kept in mind while going for M&A. These steps help in making M&A successful. Some of them are as follows:-

1. While doing an M&A transaction per se might be an ego booster for many businesses, it is critical for companies to have clarity on their long term objective for such a transaction. For example, companies might want to get strategic entry into a specific geographic region or might want to acquire companies only to attain size in top line etc.
2. Irrespective of the objective, the bottom line is that the transaction should be value accretive to shareholders. A successful game plan requires a right mix of risk taking (valuation), risk mitigation (due diligence) and action orientation (post transaction integration).
3. While going for an M&A a company must look into cultural issues, (especially in case of overseas acquisitions), it should have greater insight into management bandwidth with stronger management professionals, should check on the regulatory issues and have proper technical understanding.
4. In case of cross border or overseas M&A in any industry, experts suggest, one needs to be aware of the intricacies of doing a transaction in another country especially since the laws governing that sector differs from country to country. For instance, the laws relating for pharma pricing, pharmacist's substitution, dispensing, pharma labor and trade unions etc need to be closely studied and evaluated before taking the plunge.

3.4 CHALLENGES IN M&A

The three most important challenges in closing a successful M&A deal are

1. Right valuation
2. Complete and effective due diligence
3. Post closing integration

While each of these challenges is interlinked, they need to be addressed in a manner so as to reduce risks of loss while maximizing value from the transaction.

The right valuation helps in mitigating the risk of over paying for a business. The benefits of a transaction can only be felt over a period of time when the transaction has been completed and the team works towards achieving the original objective of the transaction.

This is where integration plays a vital role. However, there are instances where deals have been considered to be unsuccessful despite the right valuation and due diligence since integration was not smooth and up to the mark.

As 2008 unfolds, one major strategic acquisition on the cards is the delayed Sun-Taro deal, awaiting shareholder approval. No doubt Indian pharma players have many more cards up their sleeves. Experts maintain that it might be next to impossible to find the ideal transaction but the essence lies in minimizing risks and maximizing benefits.

3.5 BENEFITS OF CONSOLIDATION

✓ **Bigger Size:-**

As competition heats up, many companies having bigger size, will command more in the market. A bigger company would have more staff strength, greater geographical reach, more financial resources, more delegated power and less operational and transactional costs due to economies of scale. A bigger financial conglomeration can easily withstand external assaults more effectively.

- **Complimentary Expertise:-**

Mergers and acquisitions can help companies with complimentary expertise to boost up their combined talents as well as on presenting a vastly improved performance. For instance, a foreign bank with proven merit in treasury operations when merged with a bank with investible surpluses could generate substantial profits.

- **Expansion:-**

The geographical and regional spread would get widened when companies with different strongholds merge. Based on the principles of synergy, the business volume and geographical reach of consolidated entity automatically increases by many folds.

- **Increase in Market size & brand name: -**

The market image and brand name of the consolidated entity will always likely to get a boost in comparison to the individual banks. This will lead to a better market image, which in turn translates to better performance expectations by the investors and the analysts, thus finally leading to better valuations in the market. We know, that better market valuations mean better shareholder returns leading to an even better market image. Thus, a reinforcing vicious cycle would set in.

- **Better Bargaining Power: -**

The larger size, greater geographical penetration and enhanced market image and other synergic factors would inevitably increase the bargaining power of the new company. In a competitive world where the battle is fierce, a better bargaining power position is always an invaluable asset.

- **Better Way of Serving: -**

The consolidated entity can serve the end user i.e. the customer in a better way through providing single window service by offering a variety of services. Under one umbrella leading to innovation and origin of new hybrid products and services.

The business in near future is unlikely to remain localized but bound to go global. In view of the saturating environment at domestic front, companies will have to venture overseas without any hesitation. Initial foray into overseas markets are always made through strategic alliances and joint ventures. A merged entity with bigger market size, greater geographical spread, sound financial position, good image, greater resistance etc. would necessarily be successful in the overseas. All these virtues also help in acquiring tenders and bids.

3.6 RISK ASSOCIATED WITH CONSOLIDATION

There are several risks associated with consolidation and few of them are as follows: -

1. When two companies merge into one then there is an inevitable increase in the size of the organization. Big size may not always be better. The size may get too widely and go beyond the control of the management. The increased size may become a drug rather than an asset.
2. Consolidation does not lead to instant results and there is an incubation period before the results arrive. Mergers and acquisitions are sometimes followed by losses and tough intervening periods before the eventual profits pour in. Patience, forbearance and resilience are required in ample measure to make any merger a success story. All may not be up to the plan, which explains why there are high rate of failures in mergers.
3. Consolidation mainly comes due to the decision taken at the top. It is a top-heavy decision and willingness of the rank and file of both entities may not be forthcoming. This leads to problems of industrial relations, deprivation, depression and demotivation among the employees. Such a work force can never churn out good results. Therefore, personal management at the highest order with humane touch alone can pave the way.
4. The structure, systems and the procedures followed in two companies may be vastly different. A thorough overhauling and systems analysis has to be done to assimilate both the organizations. This is a time consuming process and requires lot of cautions approaches to reduce the frictions.

5. There is a problem of valuation associated with all mergers. The shareholder of existing entities has to be given new shares. Till now a foolproof valuation system for transfer and compensation is yet to emerge.
6. Further, there is also a problem of brand projection. This becomes more complicated when existing brands themselves have a good appeal. Question arises whether the earlier brands should continue to be projected or should they be submerged in favour of a new comprehensive identity. Goodwill is often towards a brand and its sub-merger is usually not taken kindly.

3.7 PRESENT SCENARIO OF M&A

The total M&A deals for the year during January-May 2007 have been **287 with a value of US$ 47.37 billion**. Of these, the total outbound **cross border deals have been 102 with a value of US$ 28.19 billion**, representing 59.5 per cent of the total M&A activity in India.

The total M&A deals for the period January-February 2007 have been 102 with a value of US$ 36.8 billion. Of these, the total outbound cross border deals have been 40 with a value of US$ 21 billion.

There were 111 M&A deals with a total value of about US$ 6.12 billion in March and April 2007. Of these, the number of outbound cross border deals was 32 with a value of US$ 3.41 billion.

There were 74 M&A deals with a total value of about US$ 4.37 billion in May 2007. Of these, the number of outbound cross border deals was 30 with a value of US$ 3.79 billion.

The sectors attracting investments by Corporate India include metals, pharmaceuticals, industrial goods, automotive components, beverages, cosmetics and energy in manufacturing; and mobile communications, software and financial services in services, with pharmaceuticals, IT and energy being the prominent ones among these.

3.8 CONSOLIDATION THROUGH BANKING SECTOR

Now a days, banks become very popular on the course of consolidation. Mostly Investment Banks help in merger and acquisition of the industries. These banks play advisory role or provide advisory services to the industries at the time of M&A. These banks provide necessary funds to the acquiring company if it has low cash capacity with them. Most recent example of such bank is ABN Ambro. The two third debt for financing TATA Corus deal was provided by ABN Ambro. There are various other banks that help in financing M&A activities. Some ot them are as follows:-

1. JP MORGAN

JPMorgan is one of the leading merger and acquisitions advisory firms today, ranking atop many of the rankings for this sector. The firm's in-depth expertise extends to a wide range of strategic M&A transactions, including asset purchases and dispositions, restructurings and reorganizations. With its strong relationships with many of the leading financial sponsors groups, JPMorgan is also able to help clients gain access to today's growing pool of private equity financings.

The M&A business is a critical component underpinning the firm's global integrated model and leading financing franchise.

JPMorgan's dedicated corporate defense team also has significant expertise and experience in providing corporate defense advisory services to clients in public and private situations.

Market Leadership

- Advised on 54 transactions globally
- Advised on over $186 billion of M&A transactions, a 22% market share
- Consistent top advisor globally in both number of deals and overall volume
- Advised on 2 of the top 5 deals announced globally
- Geographic presence in over 20 countries

2. DSP MERRILL LYNCH

DSP Merrill Lynch is one of the leading advisors for M&A transactions in India and is focused on offering exemplary services to clients; be it in terms of innovation, quality of advice, strict adherence to compliance, confidentiality or a strong commitment towards meeting strategic client goals.

DSP Merrill Lynch M&A team consist of dedicated industry specialists with extensive experience in capital markets. Close interaction with Merrill Lynch worldwide translates into seamless service for clients. We provide clients with financial advice and assist them in restructuring, divestitures, acquisitions, de-mergers, spin-offs, joint ventures, privatization, and takeover defense mechanisms. We have executed several landmark M&A transactions.

M&A deals:-

In 2005

- Acquisition of stake in ACC Ltd by Holcim through ACIL - US$ 800 mn
- Merger of IDBI Bank with IDBI - US$ 19 mn
- Acquisition of 10% stake in Mid-Day Multimedia by Indian Express Newspapers Ltd - US$ 6 mn
- Acquisition of 21% stake in Hispano Carocera by Tata Motors - US$ 16 mn

In 2004

- Acquisition of Escotel Mobile Communication by IDEA Cellular - US$ 257 mn
- Star Group's JV with Tata Group for launching DTH - US$ 300 mn
- Avaya Mauritius acquisition of Tata Groups's Holding in Tata Telecom - US$ 17.5 mn
- Sale of 74% stake in Anand Bazar Patrika by star Group - US$ 17 mn

3. MORGAN STANLEY

A global leader in investment banking, Morgan Stanley consistently ranks among the top firms in mergers and acquisitions, equity underwriting and debt financings. Our Investment Banking Division offers unsurpassed financial advisory and capital-raising services to corporations, organizations and governments around the world. It provides various services like:-

1. Global coverage by industry & region
2. Expertise in advisory service.
3. Provide funding facilities for M&A deals.

4. AVENDUS:-

Avendus is an investment bank based in India with offices in Mumbai and Bangalore. The firm was founded in 1999 by three investment bankers Ranu Vohra, Gaurav Deepak and Kaushal Kumar, who had worked for large global financial institutions and wanted to offer knowledge and research oriented capital raising and M&A solutions to international firms with a strong India connection. Over the last five years Avendus has served more than 100 corporates and funds in M&A, Private Equity and debt rising and in strategic advisory.

Avendus clientele ranges from small fast growing technology firms to large international BPO players and established private equity funds. Besides a strong network of relationships in India, Avendus works with clients in US, Europe and Asia Pacific to deliver financial solutions essential for growth and profitability. Each transaction in Avendus is led by a senior resource to maximize chances of closure. Avendus uses its extensive track record in deal closure to offer solutions which promote long term interest of its clients.

5. KPMG CORPORATE FINANCE

Whether a company needs to expand its product line, enter international markets, secure key supplier relationships, or take out a competitor, an acquisition is often the solution. KPMG's professionals assist companies in assessing their market position, developing an acquisition strategy, identifying and screening potential targets, determining value, and navigating the complex acquisition process. The industry focus allows us to identify targets that strategically fit our client's criteria and our transactional experience can yield the best terms possible.

Some other banks & financial institution supporting consolidation:-

- ✓ ICICI Bank
- ✓ SBI
- ✓ IIFC
- ✓ USB Investment Bank
- ✓ Goldman Sachs & others

3.9 FUTURE TREND OF CONSOLIDATION

In the Indian banking sector consolidation is likely to gain prominence in the near future. Despite the liberalization process, state- owned banks dominate the industry, accounting for three-quarter of bank assets. The consolidation process in recent years has primarily been confined to a few mergers in the private sector segment, although some recent consolidation in the state- owned segment is evident as well.

Efforts have been initiated to iron out the legal impediments inherent in the consolidation process. As the bottom lines of domestic banks come under increasing pressure and the options for organic growth exhaust themselves. **B**anks in India will need to explore ways for inorganic expansion. This, in turns, is likely to unleash the forces of consolidation in Indian banking.

There are two caveats.

First, any process of consolidation must come out of a felt need for merger rather than as an imposition from outside. The synergic benefits must be felt by the entities themselves.

Second, the process of consolidation does not mean that small or medium sized banks will have no future. Many of the Indian banks are of appropriate size in relation to the Indian situation. Actual experience shows that small and medium sized banks even in advanced countries have been able to survive and remain profitable. These banks have survived along with very large financial conglomerates. Small banks may be the more natural lenders to small business.

3.10 NEED OF BIGGER BANKS FOR CONSOLIDATION

Recently some articles have challenged the need for consolidation in the Indian state-owned banking sector. They argue that the global experience with mergers has been poor and the majority of mergers have destroyed shareholder value.

In the Indian context they believe that post-merger integration problems will be accentuated because of the muted autonomy public sector banks enjoy, and suggest that the integration would be unlikely to lead to many synergies. Globally, while many mergers have not created shareholder value, every large player operating today has grown through acquisition.

In fact, every large bank in the world is big because it has acquired repeatedly and integrated well. Today, these banking titans dominate the financial services landscape. Thus, it seems an opportune time to debate the way forward for Indian banking.

A review of the international banking scenario over the past decade reveals that consolidation has been a dominant feature of the banking sector in most countries. In fact most countries have higher levels of concentration in their banking industry than India.

The largest banks in terms of asset size are now over a trillion dollars and some like Citi, JP Morgan Chase, HSBC and Bank of America have a market capitalisation of over $150 billion. The US had one of the most fragmented systems because of stringent regulations preventing consolidation but over the past decade the market share of top five banks has risen to about 45 per cent today from about 26 per cent in the 1990s (see chart).

Asia has seen much greater government activism in consolidation. In Malaysia, Singapore, Taiwan, Thailand, Indonesia and South Korea, the governments have supported consolidation. They are keen to build national champions that can at least obtain regional size.

Malaysia has reduced the number of banks from 55 to 10, Taiwan aims to bring down the number of state banks from 12 to six this year, and Singapore government guided the system down to three players with DBS being supported to become a regional leader. Similar initiatives are in place in Indonesia, South Korea and Japan.

Australia has always had greater concentration and the four big Chinese banks are over $400 billion in assets size. The market capitalisation of the entire Indian banking sector is about $40-45 billion, which would make the entire banking sector rank after the 30 largest banks in the world.

Citi, HSBC, Santander and DBS have spent between $8 billion to $25 billion in the past three to four years on acquisitions. I don't argue that small banks can't be strong performers; in fact, we find no correlation between size and profitability, only that small banks, because of their small market capitalisation, typically cannot fend off a predator that is large and eager.

Thus, all our banks are vulnerable. The risk is especially galling given that the rapid growth in the Indian banking sector is making it one of the most attractive banking markets in the world. Would it not be wrong in the circumstances to bet the survival of the domestic industry on the crutches of a protective regulatory framework for all time to come?

Given that the Reserve Bank of India (RBI) has indicated that the sector will open up in 2009, it would be foolish not to anticipate foreign governments putting their weight to press the case of their banks to enter and acquire our dwarf-like domestic champions.

Many argue that consolidation will lead to poorer customer service because branches will be rationalised to enforce efficiencies. Others argue that because of banks' inability to reduce staff, there will be no synergies on cost but increased complexity in operations, which will lead to poorer service and higher cost.

The Indian banking market is growing at about 17 per cent annually and yet does not reach out to many people - that will require people and more distribution points. The current overstaffing of PSBs is independent of this.

If we agree that there is rapid growth in the sector, that PSBs are currently doing little on street marketing, together with the fact that the average age of bank employees is high (close to 48), in the next five years this situation will change without any forced attrition.

Services should improve because people will be available to serve customers and as no premium (for state owned mergers) will be paid, the cost should actually reduce on account of sourcing synergies especially in IT. All this does not take into account the improvements in revenue that should arise due to improved density of branch coverage in specific localities.

It is true mergers will be difficult to execute, but we cannot avoid consolidation just because the process is tough. It is not so much the complexity of the exercise that is a deterrent, but the reduction in the number of positions of general secretary of employee unions and chairman and managing directors of banks that creates greater opposition.

The industry today is in better shape than before to undertake consolidation and the government should start to create the nucleus of regional champions from among the current players. India desperately needs bigger banks and a less fragmented banking structure. The need to move fast is paramount.

CHAPTER-4
RESEARCH METHODOLOGY

RESEARCH OBJECTIVES

The objectives of the study:-

- ✓ To study various aspects of consolidation for industries.
- ✓ To study about banks and financial institution supporting consolidation.
- ✓ To Study various aspects of mergers and acquisition.
- ✓ To analyze the Case Study.

RESEARCH METHDOLOGY

RESEARCH TYPE: DESCRIPTIVE (SOURCE: KOTHARI C.R.)
TYPE OF DATA USED: SECONDARY DATA
METHOD OF ANALYSIS: CASE STUDY METHOD

The data is collected from journals, internet sites, magazines and books.

CHAPTER - 5
CASE STUDY - 1
TATA STEEL'S ACQUISITION OF CORUS

CASE DETAILS

Organization: Tata Steel Limited, Corus Group Plc
Industry: Iron & Steel
Countries: India, Netherlands

ABSTRACT

On January 31, 2007, Tata Steel Limited (Tata Steel), one of the leading steel producers in India, acquired the Anglo Dutch steel producer Corus Group Plc (Corus) for US$ 12.11 billion (€ 8.5 billion).

This acquisition was the biggest overseas acquisition by an Indian company. Tata Steel emerged as the fifth largest steel producer in the world after the acquisition. The acquisition gave Tata Steel access to Corus strong distribution network in Europe.

Corus expertise in making the grades of steel used in automobiles and in aerospace could be used to boost Tata Steel's supplies to the Indian automobile market. Corus in turn was expected to benefit from Tata Steel's expertise in low cost manufacturing of steel. However, some financial experts claimed that the price paid by Tata Steel (608 pence per share of Corus) for the acquisition was too high.

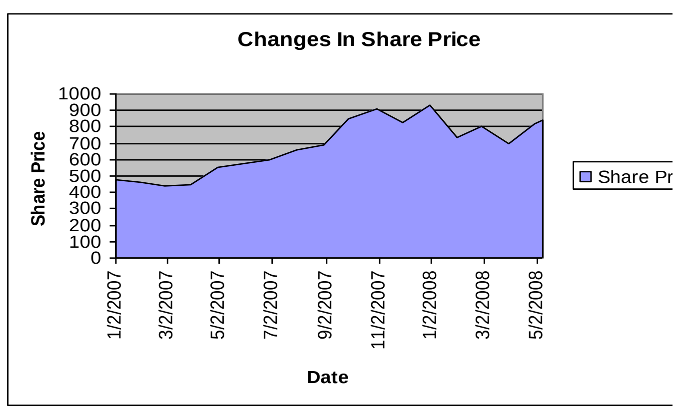
Corus had been facing tough times and had reported a substantial decline in profit after tax in the year 2006. Analysts asked whether the deal would really bring any substantial benefits to Tata Steel. Moreover, since the acquisition was done through an all cash deal, analysts said that the acquisition would be a financial burden for Tata Steel.

Issues

1. To study the impact of deal on share price of Tata Steel
2. Market Share of Tata Steel after acquiring Corus
3. To find out the reasons for fluctuation in Sales
4. To study the reason behind decline in Number of Contracts
5. Critically examine the rationale behind the acquisition of Corus by Tata Steel.
6. Understand the advantages and disadvantages of cross-border acquisitions.
7. Consolidation trends in global and Indian steel
8. To find out the banks involved in the transaction.

Analysis

1. Impact of Deal on Share Price of TATA Steel



Just after the deal, shares of TATA Steel was tanked 10.5% in next 15 days and they continued to fall for around 3 to 4 months because, the deal was firstly considered as the financial burden on TATA and assumed that TATA will not be able to pay all the cash outflows of Corus.But this was not the lasting impression on the buyers. With in few months TATA gained its position back in the market and its share price again reached on new hikes because of the following reasons:-

1. The acquisition opened new markets & product segments for TATA steel, which helped the company to de-risk its business through wider geographical reach.

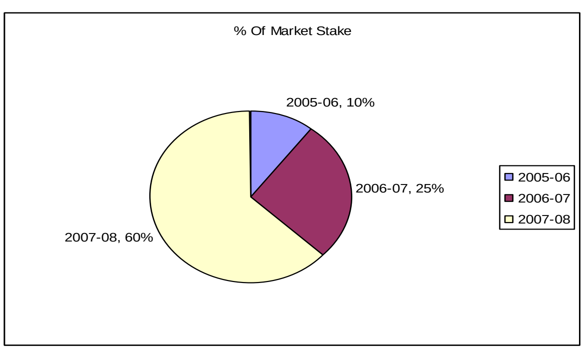
2. Corus being the second largest steel maker helped TATA Steel to approach to the largest steel buyers.

3. Corus also helped TATA Steel in making long term deals with buyers and to explore opportunity for pushing branded product.

All these factors helped TATA Steel to regain its position in the market and also gave a subsequent rise to the shares of TATA Steel in the stock market.

2. Market Share of TATA Steel after acquiring Corus

In 2005-06 it had market share of only 10%. It was then increased to 25% in the year 2006-07.Now it is planning to capture 60% market share of supplies in 2007-09 after acquiring Corus.



For the purpose of increasing market share TATA Steel undergoing into certain activities some of them is as follows:-

1. It is planning to modify its processes in its Jamshedpur steel plant.

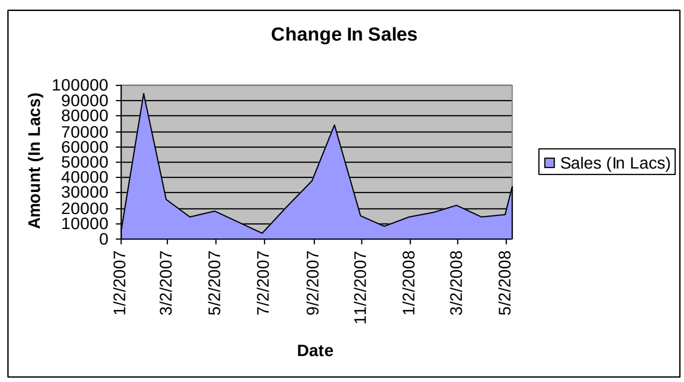
2. TATA Steel has also proposed to set up finishing facilities for steel in different parts of the world.

3. TATA had also made long term contracts with the largest buyers of steel.

All these reason help it to gain maximum share of steel industry in the market globally.

3. Impact on Sales

There was subsequent impact on sales of TATA Steel. Just after the acquisition deal there was a great fall in the aggregate sales. The acquisition was completed on 31st January 2007. At that time the sales were amounted to Rs. 94981 lacs and at the end of next month i.e. on 28th February 2007 sales were amounted to Rs. 25696 lacs. Again this was not the lasting trend in the industry.



As TATA acquired Corus this leads to increase in the production of the industry in the next 6 months which gave rise to the sales of TATA Steel. At present the total sales of TATA Steel is amounting to Rs. 34321 lacs.

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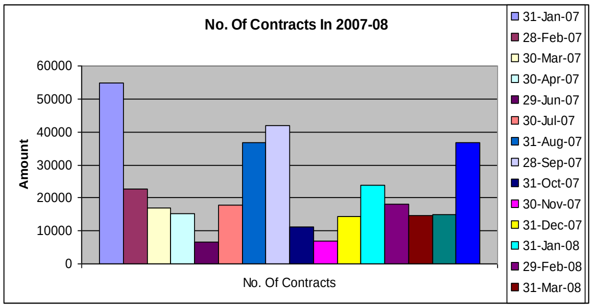
4. Number of Contracts



Before the acquisition TATA Steel had total 54944 contracts. But the deal had impact on its contract from buyers. Acquisition with Corus also decreased it number of contract to 22794. The impact was due to increasing financial burden of Corus on TATA. Buyers thought that TATA would not be able to meet their requirements and because of that TATA did not get much contracts. But there is small increase in the number of contract this year; TATA Steel recently has 36695 contracts in their hand.

5. The rationale behind the acquisition of Corus by Tata Steel -

Corus acquisition deal was rather expensive for Tata Steel and this move overvalued the steel industry world over. Despite the worries of the deal being expensive for Tata Steel, industry experts were optimistic that the deal would enhance India's position in the global steel industry with the world's largest and fifth largest steel producers having roots in the country.

The acquisition did make strategic sense for Tata Steel. After successfully acquiring Corus, Tata Steel became the fifth largest producer of steel in the world, up from fifty-sixth position.

There were many likely synergies between Tata Steel, the lowest-cost producer of steel in the world, and Corus, a large player with a significant presence in value-added steel segment and a strong distribution network in Europe. Among the benefits to Tata Steel was the fact that it would be able to supply semi-finished steel to Corus for finishing at its plants, which were located closer to the high-value markets.

6. Cross-border M&A -

Advantages

The rise of globalization has exponentially increased the market for cross border M&A. This rapid increase has taken many M&A firms by surprise because the majority of them never had to consider acquiring the capabilities or skills required to effectively handle this kind of transaction. In the past, the market's lack of significance and a more strictly national mindset prevented the vast majority of small and mid-sized companies from considering cross border intermediation as an option which left M&A firms inexperienced in this field. This same reason also prevented the development of any extensive academic works on the subject.

Disadvantages

Due to the complicated nature of cross border M&A, the vast majority of cross border actions have unsuccessful results. Cross border intermediation has many more levels of complexity to it then regular intermediation seeing as corporate governance, the power of the average employee, company regulations, political factors customer expectations, and countries' culture are all crucial factors that could spoil the transaction.

7. Consolidation trends in the Indian and global steel industries -

One of the surest signs of inadequate pricing power and bargaining power is volatile earnings driven by supply and demand dynamics on either side of the producers. Indeed, steel prices fluctuate greatly, causing their producers to make massive profits during upswings and losses during down periods. This has been experienced by companies such as HG Metal, which experienced the former over 2004 to mid-05 and then the latter after mid-05. Such change of fortune over 2 years. Steel-making used to be seen as a strategic industry and a symbol of a nation's industrial strength. However, such thinking has become backdated and governments are no longer averse to outsiders acquiring their steel plants.

The trend for the major steel producers is to seek low-cost producers in new markets, or acquisitions which consolidate their positions in existing markets. That is why TATA Steel acquired Corus group, their operations complement each other.

Surely the next region for steel industry consolidation would be China. The steel industry in China has grown rapidly these few years and made China a net crude steel exporter over the space of two years (hence causing steel prices to collapse). If the aim is to organize the steel industry into an oligopoly of producers and create an equal playing field with the ore producers and major steel consumers, China's steel industry would be one for major consolidation. The problem, of course, will be regulatory restrictions from their central government.

8. Banks Involved

There were two banks involved in the M&A activities of the industries.

1. ABN Ambro
2. Deutche Bank. Two third debt for the deal was financed by ABN Ambro Bank.

CASE STUDY -2

THE HUTCHISON ESSAR ACQUISITION: VODAFONE'S FORAY INTO AN EMERGING MARKET

CASE DETAILS

Organization: - Vodafone plc
Industry: - Telecom
Countries: - India, UK
Year of Acquisition: - 2007

Abstract

In the year 2007, the world's largest telecom company in terms of revenue, Vodafone Plc (Vodafone) made a major foray into the Indian telecom market by acquiring a 67 percent stake in the Indian telecom company, Hutchison Essar Ltd (Hutchison Essar), through a deal with the Hong Kong-based Hutchison Telecommunication International Ltd. (HTIL). It was the biggest deal in the Indian telecom market. Vodafone's main motive in going in for the deal was its strategy of expanding into emerging and high growth markets like India. In 2007, India had emerged as the fastest growing telecom market in the world outpacing China. But it still had low penetration rates, making it the most lucrative market for global telecom companies.

Though Hutchison Essar was one of the established players in this market, HTIL had exited India as the urban markets in the country had become saturated. Future expansion would have had to be only in the rural areas, which would lead to falling average revenue per user (ARPU) and consequently lower returns on its investments. HTIL also wanted to use the money earned through this deal to fund its businesses in Europe.

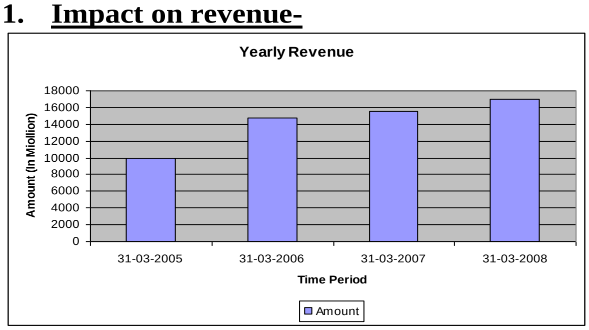
Vodafone had to face face many obstructions in clinching the deal - initial opposition for the Indian partner of HTIL, Essar Ltd., aggressive bidding by competitors, as well as regulators who took their time to approve the deal. But in the end, Vodafone bagged the deal outbidding other competitors. Though some critics felt that Vodafone had overpaid for Hutchison Essar, Vodafone contended that the price was worth paying as the deal would help it get a massive footprint in one of the most competitive telecommunication markets in the world.

Issues-

1. To study the impact on revenue of Vodafone in previous years.
2. To study the fluctuation on share price after the deal.
3. To study the industry ranking of Vodafone.
4. To find out the bank involved in the transaction

Analysis

1. Impact on revenue-



As the above chart depicts that there has been a constant increase in overall revenue of Vodafone after the acquisition. Reasons for this might be stated as below:-

1. After acquiring 67% stake (around rs. 250 crores) in Hutchison Essar from Hong Kong based Hutchsion Whampoa, Vodafone Essar has touched over 35 million customers across 4 lakh shops and thousands of

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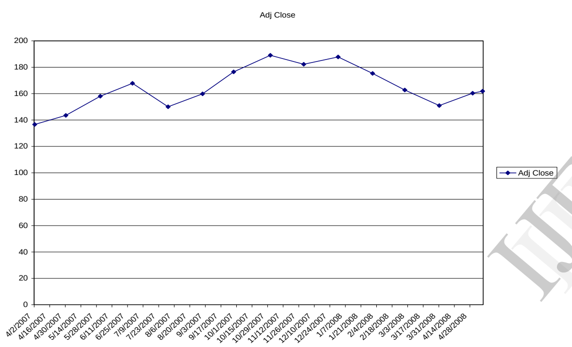
Hutch's own employees along with employees of its own business associates.

2. Vodafone introduced their sets. This gave their customers an option to buy connection and set together at relatively cheaper prices.

3. Hutch already had a large market share in telecom industry in India. When Vodafone acquired Hutch it also acquired its customers. The already users of the Hutch connection accepted the connection as before with just a name change and couple of better services.

4. Hutch has not only been good fit for Vodafone's portfolio but the robust growth in India has also helped offset slowing growth in the group's traditional west-European market.

2. <u>Impact on share prices-</u>



The share prices of Vodafone have seen many ups and downs after the acquisition. The quarter from October 2007 to January 2008 has seen Vodafone share prices peaking high but after that there was slump in the share market prices of Vodafone. The reasons could be -

1. Customers were familiar to Hutch as a brand name, sudden change to Vodafone left them wondering.

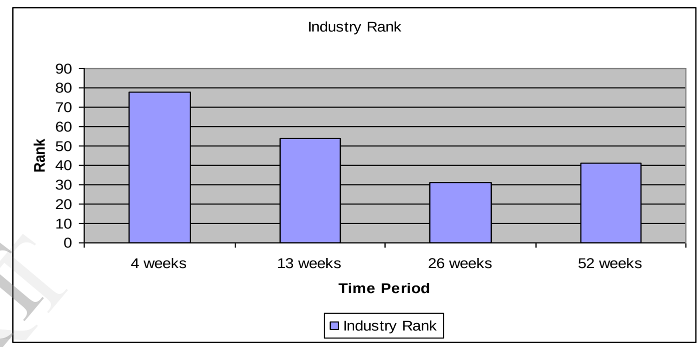
2. Though Hutch was a major player there are so many brands in Indian telecom industry that Vodafone's entry has been very challenging.

3. Tougher regulations which have led to mobile firms reducing the amount they charge each other and landline firms for putting callers through to their customers.

4. Some critics felt that Vodafone had overpaid for Hutchison Essar, this made some of the stake holders think that company might go into losses and made them to sell their shares.

3. <u>Industry Ranking-</u>

Indian telecom industry has witnessed a flurry of merger and acquisition activities in the past 12-18 months but none of the deal so far remotely compares with this sale either in terms of acquisition value, strategic significance or implication for the industry.



Before the acquisition the acquisition Vodafone was ranked on 78 due to its individual performance. But soon after the acquisition it was first ranked at 54 & then reached to 31st position. This had a great impact on the other telecommunication industries. The competition then becomes so tough that Vodafone again reached to a lower rank. Presently Vodafone is on 41 rank among the various other industries.

4. <u>Bank involved</u> -

The USB Investment Bank was involved in financing its M&A activity. The bank provided the funds and advisory services to Vodafone at the time of deal.

<u>FINDINGS</u>

On the basis on data collected I have find some points these are as follows:-

1. Falling interest rates have eased the burden of borrowing to finance acquisitions. Initially higher interest rates on borrowings made industries to think over their plans to borrow funds from financing institutions for consolidation purpose but nowadays decreased rates of interest has made borrowings more affordable.

2. Public leveraged buyouts, perhaps the fastest growing segment of M&A business are largely the result of innovations in financing instruments and investors increased tolerance to high leverage.

3. Some argue that investment bankers themselves generate M&A activity and there can be no doubt that the personal motivations of individual corporate executives are one important factor.

4. Indian government's regulations regarding international consolidation are quite liberal, but some of the countries have very restrictive regulatory restrictions, such as China. They need to open up.

5. Indian financing companies do not concentrate much on post merger facilities like payment of the debts of the company acquired.

6. Banks only approve the consolidation projects when they are convinced that the project will bring profits to the acquiring company and it will be able to pay back their dues.

CHAPTER - 6
CONCLUSION & RECOMMENDATIONS

CONCLUSION

Consolidation is the act of merging many things into one. In business, it often refers to the mergers or acquisitions of many smaller companies into much larger ones. Mergers are undertaken to provide a strategic benefit or financial benefit to the industries. The financial and other results of the industries are not always as positive as expected and its effect can be devastating. The merger has an impact on various areas such as accounting, auditing, acquiring of funds, allocation of funds and their investment in a proper manner so that the company could gain advantage of its merger with the other.

Consolidation in the industry is crucial from various aspects. The factors inducing consolidation include technological progress, excess retention capacity, emerging opportunities and deregulation of various functional and product restrictions.

The consolidation or mergers & acquisition the industries are benefited to various reasons such as inevitable increase in organization size, helps in capturing big market share, help in advancement of technology, and the industries even have the option of diversification available with it and there are many other advantages.

Consolidation even has been a very important market entry strategy and expansion strategy. A number of foreign firms have entered the Indian market through mergers and acquisitions.

The Indian Banking industry plays a vital role in consolidation of industries. We find that the choice to use an investment bank depends on the complexity of the transaction, the type of transaction (takeovers versus acquisitions of assets), the acquirer's prior acquisition experience, and the degree of diversification of the target firm. Although acquisition announcement returns are lower for firms using investment banks, this difference can be explained by differences in transaction characteristics. These results suggest that transaction costs are the main determinant of investment banking choice, followed by contracting costs and asymmetric information costs.

RECOMMENDATIONS

After studying the whole data I have found certain relevant points. These are as follows:-

1. Banks, to strengthen their market value, should think of innovative schemes and products to help corporate houses.
2. Banks should reposition their deposit products and pricing in order to have an efficient asset liability management so that it should not affect the bottom line of the bank.
3. Banks should provide sufficient post merger facilities to the acquiring companies, so that they do not face any problems regarding future payments.

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