

Cross Border Merger And Acquisition In India: A Review Of Successful Cases

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Abstract

In the liberalised economy era the Indian corporate sector has fully changed its activities and functions through different type of amalgamation and consolidation strategies such as cross border acquisition and mergers to remove the various constraint and issues existed because of globalisation and liberalisation. It is caused for the integration of national and International Organisation all over the world. Indian corporation Sector is not exception for this. Through the presence study and attempt has been made to take a review of some successful cases cross border merger and acquisition in India; during the last two decades. through the study successful cross border merger and acquisition cases pertaining to Tata Group, auto component manufacturing sectors ,Pharmaceutical sectors, IT sector and some companies from engineering sector have been highlighted.

Keywords - Cross border Merger/ acquisition, case studies, at component manufacturers, Tata Group, pharmaceutical companies, engineering companies.

Introduction

Today in the Europe globalisation and economic liberalization the Indian corporate sector is restructure in through mergers and acquisition. Strategy in every country is economy Indian economy is not exception for this. The trend of merger and acquisition has seen in Indian corruption sector from 1990 and onwards. since the last two decades there is an increasing Trends of cross borders and acquisitions almost in every sectors such as manufacturing sector, service sector, Pharmaceutical sector, it, automobile sector ITC. the merger and acquisition are considered as an important aspects in corporate strategy, corporate finance etc. nowadays majority of the companies are following the mechanism of cross border merger and acquisition with a view to achieve growth in business. Many Indian organisations from every sector are now refocusing on the line of core competence, market share, and global competitiveness. On the basis of microeconomic indicators Indian corporate sector is on a developing trajectory through the process of cross border and acquisition. the main purpose of this study is to take a review of some successful cross borders and acquisition cases from various sectors in India.

Significance of the study

In terms of in-depth study and Research the topic of cross border merger and acquisition in Indian corporate sector have not received much attention from the researchers and academicians thus it is significant to study the cross border merger and acquisition process in every sector in India. This process showing increasing trend since the last two decades. Several Industrial and business organisation have experienced mode of Corporate restructuring in India. Reliance, Infosys, Tata Group, Mahindra and Mahindra etc. are known as Global leaders in various business segments. In the post liberalisation these organisations are having acquisition in USA, UK and in some European countries. Therefore it is equally significant to take a review of the organisation performance after acquisition.

Aim of the study

The major aim of the study is to study the financial performance of the TATA Group and some selected companies from manufacturing service, Automobile, IT, Pharmaceutical sectors etc. in post cross border merger and acquisition.

Methodology of the study

The study is exploratory in nature and secondary information has been referred for a study purpose and to draw conclusion. The required information has been collected through the annual reports of the companies, web sources, reports of BSE, published studies papers etc.

Review of literature

1. Harjeet Singh and Abdul Wajid (2018) - Have attempted to fill the gap in existing literature by analysing the motivation for cross border mergers and acquisition in engineering organizations. The author has concluded that cross border acquisition by Indian Engineering organisation resulted in the growth of customers and increase in the wealth of shareholders.
2. Zehsen Ye (2021) - Has attempted to highlight the characteristic of Chinese organisations through analysing the case of TCL merged in Thomson Limited. According to the Capacity Theory author has analysed the reason of failure of merger transaction of TCL and Thomson. Author has pointed out that the major reason of the failure are over confidence, market differences and poor execution of merger process.
3. Nikunj Gupta (2022) - Has attempted to investigate host merger performance from an acquirer standpoint. Through the study author has found that acquisition had a positive impact on the profitability of Tata Motors. Through the study Author has explained whether these Overseas mergers and acquisition add value for the acquiring organisations.
4. Pathak Agarwal and Rahul Mittal (2014) - Have given an idea of loss pertaining to the mergers and acquisition in India. Author has studied the case of merger between the Reliance Industries Limited and Indian petrochemical Corporation Limited. Through the study authors have found that IPCL and RIL considerably from the Merger.

Case studies

1. Tata Group of Companies

Tata Group is involved in 7 business sectors like IT sector, iron and steel, heavy vehicles, engineering equipment's, power and energy, telecommunication etc. The major acquisition transaction of Tata Group was with the Titely group of UK, Daewoo commercial vehicles of UK, Corus steel of UK and city group Global Services of USA. Tata Group is continuously acquiring some other foreign companies as a mode of growth and improvement for more than 100 million dollars. Through the study it is found that the financial performance of Tata Group indicated a marginal downfall in liquidity solvency and profitability position. The TATA Group indicated a decrease in return on capital and return on net worth only. In the following table showing details of cross border acquisition by Tata Group of Companies.

Table No.1

Acquirer Organisation	Acquired organisation	Acquired share	Country	Year of Acquisition
Tata Global Beverages Ltd	Tetley Group	100%	UK	Feb 2000
Tata Motors Ltd	Daewo Commercial Vehicle co.	100%	UK	Mar. 2004
Tata Chemicals Ltd	Indo Macro Phosphorus SA	50%	Morocco	Mar 2005
Indian Hotels Ltd	Starwood Group (W Hotel)	100%	Australia	Dec 2005
Tata Steel Ltd	Corus Ltd	100%	UK	Jan 2007
Tata Chemical Ltd	General Chemicals Industrial Products	100%	USA	Jan 2008
Tata Consultancy Ltd	Citi Group Global services	100%	USA	Dec 2008
Tata Global Beverages	Grand Ltd	33.20%	Russia	Mar 2009
TRF Ltd	Dutch Lanka TrailorMgf	51%	Sri Lanka	July 2009
Tata Motors	HaspanoCorrocera SA	79%	Spain	Oct 2009
Tata Communication Ltd	BT groups, Mosaic Business	100%	UK	Jan 2010

2. Tata Motors, Jaguar and Land Rover

In the year 2008 Tata Motors acquired UK based manufacturing company Jaguar and landlord for 2.8 billion dollars from Ford Motors. The four Motors faced a financial loss of 15 billion US dollars in the year. This cross border acquisition has proved helpful for Tata Motors as well for Ford Motors. Tata Motors paid 2.3 billion US dollars for the Jaguar and Land Rover brands of Ford Motors. It is observed that the cell of Tata Motors as during the year 2003 to 2007 was explicitly clear that prior to acquisition of Jaguar and Land Rover had made a positive effect on the profitability of Tata Motors with increasing revenue.

3. Auto component manufacturing sector

Nowadays there are several Indian auto component manufacturing companies attempting to integrate themselves with the Overseas auto component manufacturing companies through export acquiring plants in foreign countries in collaboration with foreign countries. There are many companies who are the major suppliers to the Overseas automobile manufacturing company Bharat forge Limited is also one of them. this company dealing with leading International automobile companies such as Toyota, Fort Motors, Honda, Volvo etc. Bharat forge has 50 % US market for its products. The following table indicates cross border acquisition made by Indian auto componentsHave manufactures.

Table No.2
Cross border acquisitions by Indian Auto Components Manufacturers

Indian Organisation	Acquired organisation	Country	Value of deal
Amtek Auto	Smith Jones Inc	USA	20 Million dollar
Amtek Auto	GWK Group	UK	37 million dollars
Bharat Forge	Carl Dan peddinghaus GMBH	Germany	16 Million dollers
Sundaram Fasteners	Dana Spicer Europe	UK	2.6 Million dollers
G.G. Automotive Gears	Name of target organization has not disclosed this is us based organisation, Manufacturing high precision custom gears and planetary gears	USA	110 million dollars

Cost benefits, proper infrastructure, research and development, availability of skilled and trained manpower, Information Technology etc. are some of the important factors that are responsible for the growth of cross border dealings by Indian auto component manufacturers. China, Thailand and Mexico are considered competitive so far as cost concerns.

4. Pharmaceutical sector

Due to liberalization and globalisation the Indian companies in the pharmaceutical sector are able to export their products to countries such as Russia, USA, South Africa, Singapore, Nigeria, Vietnam etc. many Indian pharmaceutical companies have made mergers and acquisitions of foreign companies during the last decade. Torrent Pharma has merged into Elder Pharma. As per the review of secondary information it is found that per share earnings of Torrent Pharma before the merger period was 45.25 million Rs Whereas Elder Pharma was 40.82 million. After the merger period the Profitability has increased up to 63.43 million carores. Paras Pharmaceutical has acquired byReckitt Ban ckiserFor 3260 crore. Apart from this there are some other overseas dealings in the Indian Pharmaceutical sector during the last two digits which are indicated in the following table.

Table No.3
Important acquisition concerned with pharmaceutical sector in India

Target Indian Organisation	Acquirer organisation	country	Year	Value of Deal US dollar
Ranbaxi Laboratories	Daichisankyo	Japan	2009	4600 M dollars
Matrix Laboratories	Mylan Laboratories	USA	2009	736 mn dollars
Shantha Biotechnies	Sanofi	France	2010	625 mn dollars
Orchid Chemicals & Pharmaceuticals	Hospira	USA	2009	381 mn dollars
Dabur Pharma	Fresenius Kabi	Germany	2009	274 mn dollars

Laurus Labs	Aptuit	USA	2008	100 mn dollars
Medreich	meiji	Japan	2015	290 mn dollars
Aventis pharma	sanofi	France	2010	90 mn dollars
Adler mediequip	Smith and Nephew	UK	2014	70 mn dollars

Source - Venture Intelligence Database

5. Engineering sector

in the post liberalisation Period there is an increase in cross border merger and acquisition in Indian Engineering sector. in 2018 precision camshaft limited has acquired a German company Motoren and FahrzeugTechnikGambhi (MET) The Precision camshaft Limited generates its major revenue from export in Europe, Asia and South American countries. This company also acquired EMOSS (Netherland). The acquisition of Amity has proved helpful in expanding business and customer base. This company is now able to supply components to the automobile manufacturers which it was not catering earlier. the shareholders of Precision Camshaft Limited have responded positively to the acquisition of MFT as cumulative abnormal returns are at 5% level.

6. Information Technology Sector

There are many cross border mergers and acquisition dealings in the Indian Information Technology Sector. Growth in market competition led to realisation of the importance of mergers and acquisition in the IT sector. The Indian IT sector accounts for 67% of the US market. HCL Technologies had entered in 10 deals of cross border mergers acquisition in 2001 and in 2005. Wipro has acquired IT companies during the last decade in 2011 dealings in IT sector of India. Serco and internet global service limited; and headstrong corporation USA in 2015 Infosys Limited has acquired US based organisation WHOOP etc. the following table shows some significant cross border and acquisition dealings during the year 2002 to 2008

Table No.4

Acquirer Company	Acquired Company	Year of Acquisition	Value of Deal in US dollars
HCL Technologies Ltd	LiberataFiancial services	2008	2 Million US dollars
Mastek Technologies	Vector Insurance	2007	9 Million US dollars
Mphasis Technologies	Princeton	2005	15 Million US dollars
Mphasis Technologies	Eldorado	2005	16.5 Million US dollars
HCL Technologies Ltd	Control point system	2008	21 Million US dollars
Tata Consultancy Services	Comicron	2006	23 Million dollars
Infosys Technologies	Expert Information systems	2003	24.9 Million US dollars
NIIT Technologies	Room solutions	2007	25 Million US dollars

3I Infotech	J and B Software INC	2007	25.25 Million dollars
Tata consultancy services	Financial Services	2006	26 Million dollars
Wipro Technology	American Management System	2002	26 Million dollars
Infosys Technologies	P Fianancial services Hodings BK	2008	28 Million dollars
Wipro Technologies	Mpower	2003	28 Million dollars
Mastake LTD	System Task Group	2008	29 Million dollars
First source Technologies	BPM	2007	30 Million dollars
Satyam Computers	Bridge strategy group	2008	34.4 Million dollars
Mascom Global Ltd	E Businessware INC	2008	35 Million dollars
Hexawaretechnologies	Focus Fram	2006	35 Million dollars
HCL technologies Ltd	Capital Stream	2008	39.5 Million dollars
Rolta India Ltd	TUSC	2008	45 Million dollars
Quintegra Solutions	PA corporations	2007	49 Million dollars
Mascon Global Ltd	Jass& Associates INC & SDG Corporation	2008	55 Million dollars
Accentia Technologies	GSR Physicians	2007	63 Million dollars
Accentia Technologies	Den med	2007	66 Million dollars
3I Infotech	Regulars group	2008	80 Million dollars
Tata Consultancy Services	TKS tekno soft	2007	80 Million dollars
HOV Services	BPO Lason	2007	108 Million dollars
Subex Technologies Ltd	Azure	2007	140 Million dollars
Subex Technologies Ltd	Syndesis Ltd	2007	164 Million dollars
Firstsource Technologies	Med assist	2006	130 Million dollars
Wipro technologies	Infocrossing	2007	600 Million dollars
HCL technologies Ltd	Axon Group PK	2008	750 Million dollars
NIIT technologies	SoftechGMBh	2008	NA

Source :Deltatraker - Saxena and sen (2013)

The following table indicates some important cross border merges and acquisition cases in other Indian sector during the last two decades.

Table No.5

Year	Sector	Target Organisation/ Country	Acquirer organisation/ country	Cost of Transaction US dollars
2007	Steel	Corus steel pic- UK	Tata steel Ltd- India	12.20 Billion
2007	Telecom	Hutchison EssarIndia ltd/India	Vodafone pk- UK	11.10 Billion
2011	Oil & Gas	Reliance petrol - India	British Petrol - UK	7.20 Billion
2007	Aluminum	Novelis - USA	Hindalco - India	6 Billion
2008	Oil & Gas	Empirical energy - UK	ONGC - India	2.80 Billion
2010	Mining	Linc Energy ltd/Galitee Basin coal Tenements- Australia	Adani Mining Pvt Ltd	2.70 Billion
2011	Power	Hancock coal / australia	GVK power - India	1.26 Billion
2007	Cement	Ambuja cement Pvt Ltd - India	Holcim cement - switzerland	1.30 Billion
2007	Energy	Kaltim Prima coal - Indonesia	Tata power India	1.30 Billion
2007	Breweries	Whyte & Mackay - UK	United spirits- India	1.20 Billion
2012	Entertainment	UTV software communications Ltd India	The waltdisney southeast Asia - singapore	0.50 Billion
2012	Financial services	Reliance capital assets managements pvt ltd	Nippon life insurances co. Japan	0.29 Billion
2009	Financial services	UBS India services Center Pvt ltd India	Cognizant technology solutions ltd - USA	0.07 Billion
2010	Steels	JSW steel LTD India	JFE holdings INC Japan	1.00 Billion
2010	Telecom	Zain Africa BV/ Kuwait	Bharti airtel Ltd- India	10.70 Billion

Source : Paul and Bhalvsar, Thomsons Returns etc.

Conclusion

The Indian corporate sector is in a new transforming phase. it is changing its nature of functions and operations through mergers and acquisitions. In the post liberalization Era cross border mergers and acquisition dealings increased in India in terms of frequency and size. On the basis of study of secondary information the cross border mergers and acquisition have taken place in various sectors such as automobile information and technology, Pharmaceutical and Engineering sectors with a view to remain competitive and innovative by resources and to improve abilities. It is found that the automobile, engineering, Pharmaceutical and information technology sectors are mostly involved in overseas mergers and acquisition transactions during the last two decades. Tata group companies are the major companies involved in more than 30 cross borders and acquisitions. Dealing through the study and attempt has been made to focus on some important cases of cross border and mergers and acquisition D-Link done by Indian companies from different sectors. it is concluded that as a

consequence of globalisation and liberalisation the majority of the Indian corporate organizations have registered themselves in the list of cross border acquirers in their domain area of business.

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