Relevance of M & A in Corporate Restructuring: Indian Scenario

The World is in a flux and is shrinking. In the era of cut-throat competition survival is important for the business players. They cannot afford to ignore essentials like economies of scale, technology, and cost bearing capacity. One size doesn't fit all; many companies believe that the best way to get ahead is to expand ownership boundaries with the help of corporate restructuring. The best thing about this practice is that it offers plethora of opportunities through diverse modes. Corporate Restructuring is the wide umbrella giving shelter to terms like:

- Mergers / Amalgamation
- Acquisition and Takeover
- Demerger (spin off / split up / split off)
- Divestiture
- Leverage Buyouts (LBO)
- Buy back of Securities
- Reduction of Capital
- Joint Ventures

Out of all ways to restructure, Merger and Acquisition (M&A) is the most popular. The phrase mergers and acquisition refers to the aspect of corporate strategy, corporate finance and management. It is about dealing with the buying, selling and combining of different companies that can aid, finance, or help a growing company at its best. It is the tool to develop and exploit synergy in the most effective manner possible. Mergers and Acquisitions lend helping hand to corporates in following ways:

- When a firm wants to achieve economies of scale
- When a firm wants to introduce new products
- When a firm wants to enter a new market
- For industry know how and positioning
- To improve profitability and EPS
- To gain higher competitiveness
- To increased market share
- For upgraded technology
- For Financial leverage

For a business deal (M&A) to achieve the expected outcomes, it is necessary to acknowledge various factors influencing the success of transaction. The onus to make such transaction successful lies with the term SYNERGY; it is to be attained with new business. Again, during the process of merging the two businesses various crucial success factors should be taken into consideration:

- Clarity of transaction backed by reasonable rational
- Bridging organizational cultural differences
- Understand drivers, behaviors, outcomes
- Whose command – what approach
- Action instead of verbal diarrhea
- Opportunity for Opportunities
- Clear road map of transaction
- Know to buy it or build it
- Effective communication
- Governance alertness

Having mergers and acquisitions activities indicate a strong economy. Since the world economy is in the retrieval stage, and economic crisis narrowing down, companies in India has been looking for opportunities for growth. M&A is favorite tool across industries. Various surveys conjure that India is among top five most favored investment destinations in the world for almost a decade now. Investors, big companies, industrial houses view the Indian market in a growing phase.

According to tax and advisory major Grant Thornton, India Inc. announced 582 M&A deals amounting to $41.5 billion till December 15, 2012. However, as per E & Y, on account of the ongoing global recovery of financial markets, a stunning jump is expected in the number of M&A deals in the year 2013. The sectors likely to see more significant revival in 2013 include retail, telecom, information technology and healthcare. Experts believe that the creation of deal making attitude need to continue in 2013 as well which would bring International Investors back to their favorite destination, which still is one of the fastest growing economies globally.

Disclaimer:

I hereby declare that this write up is entirely piece of my mind and the thoughts are given words after reading various newsletters of leading companies.

Thank You!