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RECENT MERGERS IN INDIA

AUTHORED BY - KHUSHI SINGH

ABSTRACT

Indian enterprises were subjected to strict control regime before 1990s. This has led to haphazard growth of Indian corporate enterprises during that period. The reforms process initiated by the Government since 1991, has influenced the functioning and governance of Indian enterprises which has resulted in adoption of different growth and expansion strategies by the corporate enterprises. In that process, mergers and acquisitions (M&As) have become a common phenomenon. M&As are not new in the Indian economy. In the past also, companies have used M&As to grow and now, Indian corporate enterprises are refocusing in the lines of core competence, market share, global competitiveness and consolidation. This process of refocusing has further been hastened by the arrival of foreign competitors. In this backdrop, Indian corporate enterprises have undertaken restructuring exercises primarily through M&As to create a formidable presence and expand in their core areas of interest. This research paper states three mergers and acquisitions that have taken place in last 5 years, including the strategic objectives of the acquiring company and how did the transaction benefit the target company And also post-merger integration challenges and the strategies employed by the merged entities to overcome them.

INTRODUCTION: MERGERS AND ACQUISITION IN INDIA

Mergers and Acquisition is becoming a trend in modern world. In short term we can define it as consolidation of companies. Merging means two companies are combined to form a new company where as acquisition means one company is taken over by the other company. In corporate finance world M&A is one of the major aspects. ¹One of the main reasons which motivate the companies to M&A is the value created from this process. The companies go for M&A with the objective of wealth maximization, increasing market share and some other reasons. M&A can takes place by several methods, some of them are by purchasing common

¹ Bhalla, P. (2014). Mergers & Acquisitions in India: A sectoral analysis. International Journal of Business and Economic Development (IJBED), 2(2).

stock of the company, by purchasing asset of the targeted company and so on.²The main reason for M&A is to diversify the risk, to increase the market share of the company, to increase the plant size and to improve company's performance.³In India during the past two years several M&A has happened and some of them has caused a rapid change in the market. There are four types of mergers and acquisition, they are horizontal, vertical, conglomerate and concentric merging. Even though M&A has certain advantages, this process involves certain challenges.⁴Employee retention, culture and communication are some of the major challenges faced by the companies who undergo this process. From a survey conducted it is found out that communication is one of the major challenges which led to M&A failure.⁵

CASE STUDY I: THE WALMART-FLIPKART DEAL



FACTS AND BACKGROUND

This deal of Walmart with Flipkart can bring about making a worldwide retailer on the lookout. The brand value of Flipkart is notable and well established in India. As India is a huge market promising appealing long-haul development, this obtaining has given Walmart an edge in turning into a worldwide retailer by giving it admittance to roughly 10 crore online clients. This arrangement speeds up the progressive globalization of supply chains across differentiated classifications of items.⁶The arrangement will assist the clients with having better admittance to

² Sinha, P., & Gupta, S. (2011). Mergers and Acquisitions: A pre-post analysis for the Indian financial services sector.

³ Kar, R. N., & Soni, A. (2008). Mergers and acquisitions in India: A strategic impact analysis for the corporate enterprises in the post liberalisation period. *Indira Gandhi Institute of Development Research*.

⁴ KUMAR, A. (2015). Merger and Acquisitions in India: Economics of Overseas Deals by Indian Companies. *Studies in Humanities and Social Sciences*, 13(2).

⁵ Stahl, G. K., & Voigt, A. (2008). Do cultural differences matter in mergers and acquisitions? A tentative model and examination. *Organization science*, 19(1), 160-176.

⁶ Mukul. P. (2018). How Walmart's acquisition of Flipkart may impact the Indian e-tail market. *Indian Express*. Retrieved from <https://indianexpress.com/article/explained/how-walmarts-acquisition-of-flipkart-may-impact-the-indian-e-tail-market-5170569/>. 10.05.2018

different merchandise, that too at a lesser cost, giving Walmart an upper hand against Amazon.⁷

- **PARTIES TO THE DEAL**

Walmart: Walmart Inc is an American global retail organization which was started by Sam Walton in the year 1962 and consolidated in the year 1969. It is settled in Bentonville. It works number of hypermarkets, Rebate divisions and supermarkets. At present Walmart has 11718 stores working under 59 unique names in 28 nations. In monetary year 20918 it produced an income of roughly of \$500.3 billion. It has skill in the space of retail market and production network the executives. One of the greatest opponents of Walmart is Amazon.

Flipkart: Flipkart is an online business organization which was established by Delhi IITians and previous Amazon workers Sachin Bansal and Binny Bansal with just rupees 4 lakhs in year 2007. It is settled in Bengaluru, Karnataka. It utilizes almost 8000 super durable representatives and in excess of 20,000 provisional laborers. Its revenue expanded over the period from under \$1 millions of every 2008-09 to \$75 million out of 2011-12 and increased, with different take overs enroute to reach \$3 billion in year 2016-17. Today Flipkart is one of the most esteemed internet business organizations which is forcing a pinnacle valuation of more than \$15 billion.

- **THE DEAL**

Walmart has wrapped up Flipkart acquisition for \$16 billion (about Rs 1.05 lakh crore) to buy a 77% stake in Flipkart. The decision to buy a greater part stake in on the web retailer Flipkart marks the greatest e-commerce business bargain in the World. Out of the \$16-billion speculation, Walmart will contribute \$2 billion in real money and buying shares worth \$14 billion from existing investors of Flipkart. Remaining business of Flipkart will be held by existing investors of the organization, who are organizer Binny Bansal, Tencent Holding Ltd, Tiger Worldwide Administration ltd and Microsoft Corp.⁸

⁷ Sarkar, A (2018), 'Acquisition of Flipkart by Walmart: A Process of Transforming Retail', Economic and Political Weekly, Vol. 53, No. 26-27, June.

⁸ Sarkar, A (2018). Acquisition of Flipkart by Walmart: A Process of Transforming Retail. Economic and Political Weekly, 53, 26-27.

RULE OF LAW

The Walmart-Flipkart deal was subject to various legal and regulatory frameworks in India. The following are the relevant laws and regulations that governed this transaction:

- **Companies Act, 2013:** The Companies Act, 2013 the primary law that governs the incorporation, management, and operation of companies in India. The Walmart-Flipkart deal was structured as an acquisition of shares, and hence, it had to comply with the provisions of the Companies Act, 2013.⁹
- **Competition Act, 2002:** The Competition Act, 2002 is the law that governs the competition regime in India. The Competition Commission of India (CCI) scrutinized the Walmart-Flipkart deal to determine whether it violated anti-trust laws and led to a concentration of market power.¹⁰
- **Foreign Exchange Management Act (FEMA), 1999:** The Foreign Exchange Management Act (FEMA), 1999 is the law that governs foreign exchange transactions in India. The Walmart-Flipkart deal involved the transfer of shares of Flipkart, held by foreign investors, to Walmart, and hence, it had to comply with FEMA regulations.¹¹
- **Income Tax Act, 1961:** The Income Tax Act, 1961 is the law that governs the taxation of income in India. The Walmart-Flipkart deal was subject to taxation, and hence, it had to comply with the provisions of the Income Tax Act, 1961.¹²

ANALYSIS

The CCI approved the deal in August 2018 subsequent to directing an examination, expressing that it was not likely to have any adverse impact on competition in the Indian market. The arrangement was finished in August 2018, with Walmart getting a 77% stake in Flipkart. This arrangement was viewed as a huge development in the Indian e-commerce area and pulled in a great deal of consideration both in India and worldwide.¹³

• WHY WAS FLIPKART ACQUIRED BY WALMART?

Walmart initially entered India through a wholesale partnership with Bharti Enterprises, but this venture failed and dissolved in 2013. Despite being present in India for over a decade with 21 Best Price wholesale stores, Walmart has been unable to break into the Indian retail market for

⁹ The Companies Act, 2013.

¹⁰ The Competition Act, 2002.

¹¹ The Foreign Exchange Management Act (FEMA), 1999.

¹² The Income Tax Act, 1961.

¹³ Competition Commission of India (hereinafter, CCI), Order on Combination Registration No. C-2018/05/571 (2018).

more than 15 years due to the country's FDI restrictions on multi-brand retail. With India now allowing 100% FDI in the wholesale sector but only 51% in multi-brand retail, Walmart has identified e-commerce as its only viable path to enter the Indian market. Flipkart, with its estimated 100 million customers, represents Walmart's most promising investment opportunity in the Indian e-commerce segment.¹⁴

India, following the US and China, is projected to become the next major and rapidly expanding market for online retail, with a predicted growth to \$200 billion by 2026. As the last large, untapped market globally, India presents a significant opportunity for Walmart, as analyst firm Morgan Stanley asserts. Walmart's investment in Flipkart aligns with the company's vision for future growth, as e-commerce currently accounts for less than 4% of India's retail market but is poised for substantial expansion as smartphone (and internet) penetration rapidly increases over the next decade.¹⁵

Walmart and Amazon, fierce rivals in the US, mirror their competitive dynamic in India. While Walmart dominates brick-and-mortar stores in the US, Amazon reigns supreme in the e-commerce arena.¹⁶ By acquiring Flipkart, Walmart extends this rivalry to India, opening a new front in their ongoing battle for market supremacy. Notably, Amazon lags behind Flipkart in terms of gross merchandise value (GMV).

Flipkart's robust supply chain arm, e-Cart, serves over 800 cities and executes 500,000 deliveries daily, further bolstering Walmart's decision to acquire the company. Additionally, Flipkart's strong market position in smartphones (40% share) and fashion (60% share, including its subsidiaries Jabong and Myntra) further enhances its attractiveness as an investment partner.¹⁷ Flipkart stands as India's third most funded private company, having raised over \$7 billion from renowned investors such as Softbank, Morgan Stanley, DGT Global, and Accel Partners, among others. India's online grocery market is poised for significant growth in the coming years, with Flipkart well-positioned to capitalize on this trend. Currently, only a handful of players, such as Grofers and BigBasket, operate in this market, but other retailers have begun to invest in this

¹⁴ Sarkar, A (2018), 'Acquisition of Flipkart by Walmart: A Process of Transforming Retail', Economic and Political Weekly, Vol. 53, No. 26-27, June.

¹⁵ Sumit Chakroborty (2017). Flipkart Story a timeline of funding from 2007 to 2017.

¹⁶

¹⁷ Singh, R and M. Kasi, Advertising Strategies of Flipkart and their Effects on Students of BHU, project report, BHU.

segment, recognizing its potential.¹⁸

• **IMPACT ON INDIAN ECONOMY**

Positive Impacts:

- Employment: Walmart's investment is expected to create new jobs and boost the e-commerce sector, which is currently less than 4% of India's retail market.
- Low prices, more variety: Competition between e-commerce giants will lead to lower prices and more product variety for consumers.
- Research and development: Walmart's expertise in research and development could benefit Indian companies and help to improve the quality of Indian products.
- Efficient supply chain: Walmart's experience in logistics and supply chain management could improve efficiency and reduce costs for Indian businesses.
- Economic growth: The expansion of e-commerce could stimulate economic growth in India.

Negative Impacts:

- Data privacy concerns: The acquisition raises concerns about the privacy of Indian consumers' data.
- Impact on sellers: Smaller businesses could be squeezed out of the market by Walmart's lower prices.
- Threat to brick and mortar stores: Walmart's presence could lead to the closure of some brick and mortar stores.
- Threat to small players: Small businesses could be driven out of business by the increased competition.
- Pan India protests: The deal has already sparked protests from trade unions and retailers.
- Backdoor entry for Walmart: The acquisition could allow Walmart to bypass restrictions on foreign direct investment in multi-brand retail.

¹⁸ Walmart, Walmart to Invest in Flipkart Group India's Innovative E-commerce Company (2018), <https://news.walmart.com/2018/05/09/walmart-to-invest-in-flipkart-group-indias-innovative-e-commerce-company>.

POST-MERGER INTEGRATION CHALLENGES

The Walmart-Flipkart merger marked a pivotal moment in the Indian e-commerce landscape, bringing together two powerhouses with the potential to transform the sector. However, this merger also presented a unique set of challenges that required meticulous planning and strategic execution to ensure a successful integration.

One of the primary challenges was cultural integration. Walmart and Flipkart, both global brands with established corporate cultures, needed to seamlessly blend their distinct values and practices to foster a cohesive and productive work environment. Open communication, mutual respect, and a willingness to adapt were essential in navigating this cultural convergence.

Technology integration posed another significant challenge. Walmart and Flipkart operated on different IT systems, which needed to be seamlessly integrated to facilitate seamless data exchange, streamlined operations, and a unified customer experience. This undertaking demanded a deep understanding of both systems, meticulous data migration, and rigorous compatibility testing. Leadership and talent management also required careful consideration. The merger necessitated the formation of a new leadership team capable of navigating the complexities of the merged organization, driving synergies, and fostering innovation while adapting to the unique demands of the Indian market.

Finally, managing change and uncertainty was paramount. Mergers often bring about a period of disruption and uncertainty, which can negatively impact employee morale and productivity. Walmart and Flipkart implemented a robust communication strategy to keep employees informed about the integration process, address concerns openly and transparently, and foster a sense of ownership and engagement among the workforce. By effectively addressing these post-merger integration challenges, Walmart and Flipkart laid the foundation for a thriving merged entity that was well-positioned to capitalize on the immense growth potential of the Indian e-commerce market. Their experiences and lessons learned will undoubtedly inform future mergers and acquisitions in the sector.¹⁹

¹⁹ Vanitha, S. (2006). Mergers & Acquisitions in the Manufacturing sector: An Evaluation Study. Ph.D. Dissertation, Bharathidasan University, Tiruchirappalli.

CASE STUDY II: THE HDFC BANK AND HOUSING DEVELOPMENT FINANCE CORPORATION MERGER



FACTS AND BACKGROUND

As competition increments intensively this consolidation is probably going to have significant ramifications for the monetary area. Accordingly, Housing Development Finance Corporation Limited (HDFC Ltd) the biggest Housing Finance company in India will be merged into HDFC Bank Ltd the largest private bank. where HDFC Ltd has Rs 5.3 trillion worth of Resources Under Management (AUM) and Rs 4.45 trillion worth of market cap HDFC Bank Ltd has Rs 8.35 trillion worth of market cap. The element will get the strength of a joined monetary record of 18 trillion (18 lakh crore) and a total asset of 3.3 trillion (3.3 lakh crore). Around 9 million homes were given or funded by Housing Development Finance Corporation Limited Restricted in the excursion of 45 years.²⁰

While this consolidation will give a huge client base to sell the items, HDFC bank will get influence of circulation of their items across metropolitan, semi-metropolitan, and rustic regions. After the consolidation Investors of HDFC Ltd. Will claim around 41 % of HDFC Bank Ltd., and HDFC Ltd shareholdings will be smothered in HDFC Bank Ltd.²¹

²⁰ https://www.hdfcbank.com/content/bbp/repositories/723fb80a-2dde-42a3-9793-7ae1be57c87f/?path=/Footer/About%20Us/News%20Room/Press%20Release/Content/2023/pdf/Press_Release_HDFC_Ltd_to_merge_into_HDFC_Bank_effective_July_1_2023.pdf.

²¹ Devarajappa, S. (2012). Mergers in Indian banks: A study on mergers of HDFC bank Ltd and centurion bank of Punjab Ltd. International Journal of Marketing, Financial Services & Management Research, 1(9).

ANALYSIS

On fourth April 2022, The Leading body Housing Development Finance Corporation Limited (HDFC Ltd) endorsed the proposition to blend its auxiliaries and partners with HDFC Bank. According to the declarations made by substances, HDFC Ltd and HDFC Bank will consolidate. One element will be broken down as HDFC Ltd. After this declaration Offer Costs of HDFC Bank Ltd and Housing Development Finance Corporation Limited Restricted acquired the pace of 1656 rupees and 2680 rupees individually. As per HDFC Bank, this consolidation needs to finish every one of the exchanges and endorsements from legal specialists, different guidelines, investors, and lenders under material regulations. In this way, as the intricacy engaged with the²²arrangement and all auxiliaries of HDFC Ltd will overlap into the HDFC bank that requires numerous administrative authorizations. The consolidation will require 15 to year and a half; this arrangement is probably going to be finished toward the finish of 2023.

- **THE REASON BEHIND THE MERGER**

The merger of HDFC Limited and HDFC Bank has been in the works for several years, but it was not finalized in 2015 due to regulatory restrictions. However, on April 4, 2023, the HDFC Board announced that the two companies will enter into an agreement under which the parent company will transfer a portion of its loans to the bank every quarter. This will make HDFC Bank the sole provider of home loans for HDFC Limited customers.

One reason for the merger is that RBI has been pushing NBFCs to operate more like banks. This includes requiring them to hold reserves against their assets and liabilities, similar to banks. Additionally, NBFCs are now required to have a broader base of liabilities. As a result, some NBFCs have found it difficult to operate under these new regulations, which has led to mergers with banks.

Another reason for the merger is that HDFC Bank, while a strong private sector lender, has been weak in the mortgage lending space. In 2021, only about 6.2% of HDFC Bank's loan book consisted of home loans, and another 4.5% consisted of loans against property. These types of loans are considered sticky assets, meaning that once a customer acquires a home loan from a

²² https://www.hdfcbank.com/content/bbp/repositories/723fb80a-2dde-42a3-9793-7ae1be57c87f/?path=/Footer/About%20Us/News%20Room/Press%20Release/Content/2023/pdf/Press_Release_HDFC_Ltd_to_merge_into_HDFC_Bank_effective_July_1_2023.pdf.

bank, they are more likely to stay with that bank for 15-20 years. The merger will allow HDFC Bank to gain access to the large customer base of HDFC Limited, which will give it a stronger presence in the mortgage lending market. This is important because mortgages are a sticky asset that can help to retain customers. The merger will also make HDFC Bank a more formidable competitor in the overall banking market.

Overall, the merger of HDFC Limited and HDFC Bank is a positive development that is expected to benefit both companies and their customers. The merger will make HDFC Bank a more diversified and stronger institution, and it will give it a larger share of the lucrative mortgage lending market.

- **HOW IS THE MERGER BENEFICIAL TO BOTH?**

This consolidation might lessen the extent of unstable advances given by HDFC Bank. The consolidation of HDFC Ltd and HDFC Bank Ltd will be advantageous for the two substances. The blend of the two substances gives solidarity to HDFC Bank by adding to the ruling place of HDFC Ltd in the housing finance area.

By working on the versatility, conveyance, and strategically pitch of items (like housing money and banking). The declaration of this consolidation gives a positive effect on share costs and this shows that individuals have a faith in this consolidation to contribute.

It will assist the organization with expanding productivity. Since the 2018 Foundation Renting and Monetary Administrations (IL&FS) emergency RBI pushing (NBFCs) to fill in as a bank, subsequently this consolidation became important to HDFC ltd and give a benefit over the opposition.

Working a non-banking monetary organization (NBFC) with around a net Deal turnover of 50 crores turns into a test and by this consolidation, HDFC Bank will find support to construct its housing credit portfolio. By adding to this HDFC Bank gets areas of strength for an in the housing market which furnishes a got resource class with generally safe.

Generally speaking this consolidation will become helpful for both the substances by making expanded scale, exhaustive item offering, accounting report flexibility, and the capacity to drive

cooperative energies across income open doors, working efficiencies, and endorsing efficiencies. For the HDFC Bank piece of home credits expanded from 11% to 33% in its total book. This would make HDFC India's second biggest bank.

POST-MERGER INTEGRATION CHALLENGES

EFFECTS ON SHAREHOLDERS

The merger between HDFC Limited and HDFC Bank will have several effects on stakeholders. Firstly, Sashidhar Jagdishan, the CEO of HDFC Bank, will lead the merged entity. After the merger, the subsidiary or associates of HDFC Limited will be transferred to HDFC Bank. As a result, HDFC Limited's shareholding in HDFC Bank will be completely lost, and HDFC Bank will be fully owned by public shareholders. Existing shareholders of HDFC Limited will receive 41% shares in HDFC Bank. Moreover, the diversified structure of the merged entity will help mitigate risks associated with specific loan segments such as agriculture loans or loans to micro, small, and medium enterprises. Therefore, any issues in these segments are less likely to impact the overall asset quality after the merger.

COST EFFECTIVENESS OR NOT?

The merger between HDFC Limited and HDFC Bank is expected to bring long-term benefits. It will result in cost-effectiveness, reducing the cost of pricing, running the business, and operations. However, achieving operational efficiency will take time.

Initially, the merger may lead to a rise in the cost of statutory reserves, and the combination of a slightly low-yielding housing finance book with a loan book may impact HDFC Bank's net interest margin.

According to Fitch ratings, the proposed merger is advantageous for both HDFC entities. HDFC Bank will gain around 500 new branches, increasing its operating efficiency. Currently, HDFC Limited has a cost-to-income ratio of 10%, while HDFC Bank's ratio stands at 36%. After the merger, operational effectiveness is expected to improve.

EFFECT ON SHARE PRICE:

The announcement of the proposed merger between HDFC Limited and HDFC Bank resulted in a significant increase in their share prices, rising by over 7% in early trading hours. This merger

has the potential to create India's third-largest company based on market capitalization, following Reliance Industries and TCS.

- **EFFECT ON BORROWERS AND DEPOSITORS:**

Customers of HDFC Bank are unlikely to experience any significant changes as the proposed entity will be that of HDFC Bank itself. However, customers of HDFC Limited may see revisions in interest rates on home loans. HDFC Bank may also require HDFC Limited customers to update their KYC details and provide new NACH mandates, particularly for those making loan repayments through post-dated cheques. HDFC Chairman Deepak Parekh believes that the merger will benefit customers by strengthening the combined entity, making mortgage offerings more competitive.

- **IMPACT ON PUBLIC SECTOR BANKS:**

The ongoing merger of HDFC Limited with HDFC Bank will further intensify the competition faced by public sector banks from private sector banks. Private sector banks have been steadily gaining market share over the years. The merger will reduce the difference between the loan books of State Bank of India (SBI) and HDFC Bank, potentially impacting SBI's market share. In the long run, private sector banks may surpass SBI in terms of market share. SBI will need to improve its efficiencies, focus on increasing market share, and enhance profitability to maintain its position as the leading public sector bank. The successful integration of HDFC Bank and HDFC Limited requires addressing the identified challenges comprehensively. By focusing on cultural integration, harmonizing systems and processes, retaining talent, effective communication, and achieving planned synergies, the merged entity can realize its strategic objectives while ensuring minimal disruption to stakeholders. Continuous monitoring and adjustment will be essential throughout the integration process.²³

²³ Yusuf, A. K. Al-Hroot. (2015). Pre and Post-Merger Impact on Financial Performance: A Case Study of Jordan Ahli bank. *European Journal of Business and Management*, 7(36).

CASE STUDY III: THE ZEE-SONY MERGER



FACTS AND BACKGROUND

While industry investigators conjecture that the consolidation might actually emerge inside the following 2 to 90 days, the course of events stays subject to different variables, presenting a component of vulnerability. In the unique scene of consolidations and acquisitions, expectation is met with alert. ²⁴The seeds of this organization were planted back in 2021 when both amusement juggernauts, Sony and Zee, produced a consent to pool their mastery, computerized resources, and broad organizations. With this aggressive arrangement, another part in media outlets appears to be unavoidable.

Under the provisions of this essential arrangement, the Sony bunch stands ready to guarantee a controlling stake of roughly 51% in the beginning substance. In the meantime, the pioneers behind Zee are set to hold a striking 4% offer. The excess value will be nicely distributed among the current investors of Zee, taking into consideration an expanded possession structure intelligent of the organization's underlying foundations. This consolidation is a crossroads of vital importance, offering complex benefits for the new combination. By synergizing their ²⁵assets, these organizations expect to brace their strategic advantage on the lookout. This huge achievement is presently ruined by the legitimate snags that have raised critical worries.

²⁵https://economictimes.indiatimes.com/industry/media/entertainment/sony-comes-to-zees-rescue-signs-term-sheet-for-merger-punit-goenka-to-remain-md-and-ceo-of-merged-entity/articleshow/86415933.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst.

- **PARTIES TO THE DEAL**

Zee Telefilms:

Zee was launched as Zee Telefilms in December 1991, then in 1999 it launched a Nickelodeon-branded programming block which was a part of their deal with Viacom International. Zee Telefilms acquired 51% and 50% stakes in ETC Networks and Taj television by the end of 2006. In the same year, it was renamed as Zee Entertainment Enterprises. In 2008, Zee Motion Pictures and Zee Studios (then Zee Limelight) were launched, which were an attempt to develop, produce and market films in different Indian languages including Hindi, Marathi, Bengali, Tamil, Telugu etc.

Sony Pictures Networks India Pvt Ltd : Sony Pictures Networks India Pvt Ltd. is a wholly owned subsidiary of Sony Group Corporation which was founded on 18th September, 1995 as Sony Entertainment Television India private limited whose first channel which was launched was Sony Entertainment Television. Sony Max, being the second channel to be launched, broadcasted Hindi movies and sports events. In 2005, it bought SAB TV and rebranded it as Sony SAB. In the following year, the English movie channel Sony Pix was launched. In December 2015, the company was rebranded as Sony Pictures Networks India (SPNI).²⁶

ANALYSIS

The proposed merger between ZEE and SPN, two of India's leading media and entertainment conglomerates, has been a tale of twists and turns, navigating legal challenges, navigating stakeholder concerns, and ultimately, forging a path towards a unified entity poised to redefine the industry landscape.

- **Why the Merger: The Driving Forces:** The merger between ZEE and SPN is rooted in a convergence of factors that have shaped the dynamics of the media and entertainment industry in India. The rapid evolution of consumer preferences, the emergence of digital platforms, and the growing demand for high-quality content have all propelled the need for consolidation and strategic partnerships among industry players.

²⁶ Business Today (2020). Why is SBI's market cap so low compared to HDFC Bank? Check here. Business Today, Jul 17. Accessed online from: <https://www.businesstoday.in/industry/banks/story/why-is-sbis-market-cap-so-less-compared-to-hdfc-bank-263324-2020-07-07> Chakravarty, M. (2016). Why the banks are in such a mess? The Mint, March 14.

This merger presents an opportunity for ZEE and SPN to leverage their complementary strengths and create a powerhouse in the Indian media and entertainment landscape. ZEE's dominance in news and entertainment, coupled with SPN's prowess in movies and sports, presents a synergistic ²⁷blend that can cater to the diverse tastes and preferences of Indian audiences.

- **Navigating the Complexities of Corporate Law:** The path towards a united ZEE-SPN has been punctuated by legal challenges that have tested the resolve of both companies. In February 2022, IndusInd Bank initiated Corporate Insolvency Resolution Proceedings (CIRP) against ZEE, citing a financial debt of over Rs. 90 crore. This move threatened to derail the merger plans and cast a shadow over ZEE's financial stability.²⁸

The CIRP proceedings underwent a series of legal twists and turns, with the NCLT (National Company Law Tribunal) initially approving the CIRP and then staying it. The NCLAT (National Company Law Appellate Tribunal) intervened, terminating the CIRP and paving the way for the merger to proceed. Amidst these legal battles, the merger also faced objections from some creditors who questioned the fairness of the deal. However, the NCLT dismissed these objections, affirming the merger's viability.²⁹

- **Impact on the Industry: A Shift in the Media Landscape:** The completion of the ZEE-SPN merger will undoubtedly reshape the Indian media and entertainment industry, creating a formidable competitor that can rival the likes of Disney+ Hot star, Amazon Prime Video, and Netflix. This consolidation will undoubtedly lead to a more competitive landscape, driving innovation and raising the bar for content quality.

The merger will also open up avenues for cross-promotion and collaboration between ZEE and SPN's various platforms and properties, expanding the reach of their content and

²⁷ https://nclt.gov.in/gen_pdf.php?filepath=/Efile_Document/ncltdoc/casedoc/2709138081482022/04/Order-Challenge/04_order-Challenge_004_1691750743105139567564d61157a7c97.pdf.

²⁸ The Economic Times (2022). HDFC Bank reports a healthy balance sheet and showed resilience, says CEO. Check here. The Economic Times, Jun 22. Accessed online from <https://bfsi.economictimes.indiatimes.com/news/banking/hdfc-bank-reports-healthy-balance-sheet-showed-resilience-says-ceo/92385869>.

²⁹ Bandelier, G. N.; Jaffe, J. F.; and Agrawal, A. (2018). Reexamining an anomaly: The post-merger performance of acquiring corporations. 1605–1621 in Journal of Finance, 47(4). S. Agarwal and S. Ramaswamy.

enhancing consumer engagement.

- **Benefits for Both Companies: Synergies and Strategic Advantages:** The combined entity will benefit from a broader audience reach, a wider range of content offerings, and a stronger financial position. Synergies will be achieved through cost optimization, efficient resource allocation, and cross-pollination of ideas and expertise. The merger will also enhance ZEE and SPN's competitive edge in the digital media space, allowing them to capitalize on the growing demand for streaming services and on-demand content. The ZEE-SPN merger is not just a strategic move for two companies; it's an industry game-changer. It will foster innovation, drive investment, and raise the overall quality of content production. The merger will also create new employment opportunities and boost the economic contribution of the media and entertainment sector.³⁰

The successful completion of the ZEE-SPN merger marks a pivotal moment in the Indian media and entertainment industry. The combined entity, poised to become a global media powerhouse, will undoubtedly reshape the landscape, driving innovation, enhancing consumer experience, and contributing to the economic growth of the country.³¹ As the industry embraces this new era of consolidation and strategic partnerships, the ZEE-SPN merger stands as a testament to the power of collaboration and the pursuit of excellence in the ever-evolving world of media and entertainment.³²

POST-MERGER INTEGRATION CHALLENGES

The proposed merger between Sony and Zee Entertainment Enterprises (Zee) has the potential to create a global media and entertainment powerhouse. However, the deal also faces a number of challenges that will need to be addressed in order to ensure a successful integration.

Post-merger integration challenges: One of the biggest challenges will be integrating two very different cultures and corporate structures. Sony is a Japanese multinational corporation with a long history of innovation and quality control, while Zee is an Indian entertainment company

³⁰ Handbook of mergers and acquisitions, edited by D. Faulkner, S. Teerkangas, and R. Joseph (pp. 40–70). Oxford University Press, Oxford, UK.

³¹³¹ <https://www.icle.in/resource/zee-sony-merger-assessing-the-competition-concerns/>.

³² <https://www.bqprime.com/business/sebi-confirms-order-barring-zees-subhash-chandra-punit-goenka-from-company-boards>.

with a focus on local content and audience preferences. Finding a way to bridge the gap between these two cultures will be essential for the success of the merger. Another challenge will be integrating the two companies' IT systems and infrastructure. Sony and Zee have different IT systems and processes, and these will need to be standardized in order to ensure seamless communication and data sharing. This could be a complex and time-consuming process, as it will require careful planning and execution. In addition, the merger will need to be approved by various regulatory bodies, including the Competition Commission of India (CCI). The CCI will need to be satisfied that the ³³merger does not create a monopoly in the Indian media and entertainment market.

Strategies to overcome challenges: To overcome these challenges, the merged units will need to employ a number of strategies. These include:

- Establishing a strong leadership team: The merged company will need to have a strong leadership team that is committed to the success of the merger and has the skills and experience to navigate the integration process.
- Communicating effectively: Open and transparent communication is essential for building trust and ensuring that all stakeholders are kept informed about the progress of the merger.
- Addressing cultural differences: Sensitizing employees to the different cultures involved will help to mitigate any potential conflicts and ensure a smooth transition.
- Standardizing IT systems: A phased approach to IT integration will minimize disruption and ensure that the new systems are fully functional before the merger is completed.
- Gaining regulatory approvals: Working closely with the CCI and other regulatory bodies will help to expedite the approval process and ensure that the merger is completed on time.

By addressing these challenges proactively, the merged units can increase their chances of a successful integration and create a world-leading media and entertainment company.³⁴

³³ M. Shaven and H. G. Brakeman (2018). The importance of organizational restructuring in maximizing the benefits of acquisitions. *The Academy of Management Journal*, 51(4), 696-722.

³⁴ <https://www.obhanandassociates.com/blog/zee-sony-merger-no-privy-of-contract-no-objections/>.

CONCLUSION

Indian corporate enterprises have undergone a significant transformation and structural change following the economic reforms of 1991. This has been driven by the need to globalize, compete, and achieve economies of scale and scope. Mergers and acquisitions (M&As) have played a major role in this transformation, as they have allowed companies to expand into new markets, acquire new technologies, and gain access to new skills and competencies.

The Indian economy is currently at a crossroads. On the one hand, the country has a large and growing market, a young and increasingly educated workforce, and a supportive government. On the other hand, the country faces challenges such as poverty, corruption, and infrastructure bottlenecks.

M&A activity is likely to continue to play a major role in India's economic development. However, companies need to be careful when selecting targets and integrating acquisitions. They also need to be aware of the regulatory and political landscape, as well as the social and environmental consequences of their actions.

Overall, M&A activity has been a key driver of India's economic growth and transformation in the post-reform era. However, companies need to be strategic and responsible in their approach to M&A to ensure that it continues to deliver benefits for all stakeholders.

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