International Journal of Information Technology and Management

Vol. V, Issue No. I, August-2013, ISSN 2249-4510

ACQUISITIONS THROUGH EMERGING MARKET CORPORATIONS INSIDE CREATED MARKETS: A DETAIL ANALYSIS

AN INTERNATIONALLY INDEXED PEER REVIEWED & REFEREED JOURNAL

International Journal of Information Technology and Management
Vol. V, Issue No. I, August-2013, ISSN 2249-4510

Acquisitions through Emerging Market Corporations inside Created Markets: A Detail Analysis

Pallavi Singhvi

Research Scholar Sai Nath University, Ranchi Jharkhand

Abstract – The emerging markets are segmented from the developed world capital markets making portfolio optimization across these markets difficult. Segmentation of emerging markets is as a result of inefficiency of the capital markets, in particular the inability of foreign investors to enter and exit the local capital markets at no extra costs. Mergers and acquisitions have become a common phenomenon in recent times. Companies have been actively involved in mergers and acquisitions domestically as well as internationally. This paper analyzed the merger and acquisition (M&A) activities of Indian corporate.

Keywords: Market, Acquisitions, Economic

---------------------------♦-----------------------------

INTRODUCTION

Emerging Markets (EMs) are defined as low-income, rapid growth economies that have experienced in the past years radical institutional changes, such as increased openness and liberalization (Hoskisson et al., 2000). EMs certainly shares several characteristics, which justify the common “label”. For instance, they have in general less functioning institutional contexts compared to advanced markets, low average income and costs levels, low markets efficiency and diffused network-based behaviors (e.g. Hoskisson et al., 2000; Fisman and Khanna, 2004; Xu and Meyer, 2012, Meyer, K. E. & Tran 2006).

REVIEW OF LITERATURE:

India has experienced extensive economic changes in its past history. In 1948 the Industrial Policy Resolution formulated a program of planned development and in 1951 the Industries Act established the complete governmental control on the Indian industries (Fisman and Khanna, 2004). From these past years until the early 1980s India has been characterized by heavy governmental involvement in production and critical constraints on firms’ expansion, foreign capital and competition (Ray and Gubbi, 2009). That resulted in low growth rates, closure to trade and investment, and an instable economic context (Kochhar et al., 2006), so that in 1991 the government decided to restructure several sectors of the economy, creating a more open and competitive economy.

The union budget for 2009-10 has proposed changes to encourage M&As action by characterizing the tax treatment in admiration of amalgamations, de-mergers and droop deals. In the event of amalgamations, the bill had given procurement for unwinding the conditions needed to be satisfied by an amalgamated company to benefit the profits of set off and convey forward of collected misfortunes and unabsorbed devaluation. The budget guaranteed that the increases emerging out of such deals would be dealt with as capital additions and taxed likewise, this element alongside the activities of the financial foundations to define exhaustive approach for subsidizing & empowering M & A have brought about the maximum number of M&A in 2009-10. M & A action is an element process and numerous companies do take part in an arrangement of M & A exercises over the long run. Consequently, it is amazingly hard to detach the impact of a solitary M & A occasion and measure the effect. Along these lines, a relative analysis of the pre and post M & A has been done by financial years of happening of the occasion. The quantities of M & A cases differ for the sampled companies for the period of study. For instance, Sun Pharmaceuticals and EID Parry help six and five instances of M & A to the specimen. Altogether, forty two M & A cases have been researched for point by point examinations, which happened among these fifteen companies spreading over the time period of the study. Consequences of bivariate regressions utilizing OLS estimation method with unique data was not empowering whereas results with changed data give some critical hints on the M & A process in the post reform time in India.

ACQUISITIONS THROUGH EMERGING MARKET CORPORATIONS INSIDE CREATED MARKETS:

Indian mergers and acquisitions (M&A) is the search for top-line revenue growth through new capabilities and assets, product diversification and market entry. This trend is not driven purely by opportunistic factors: Indian companies are in many cases motivated to look abroad in response to newly competitive, complex or risky domestic markets or to find capabilities and assets that are lacking in India. A new class of business leaders fuels India's current success in overseas acquisitions. The confidence within the Indian business community, combined with its natural entrepreneurial zeal and intuitive ease with global business models, creates a formidable force. India's economic liberalization in 1991sparked fears that the country would be overrun by foreign multinationals. However, Indian companies have not only managed to fight off competitors on their home ground, they also have taken the commercial battle abroad. Moreover, India's M & A activity is anticipated to accelerate dramatically in the immediate future. A recent Grant Thornton study found that 94 percent of Indian companies that expect to do a deal in the next three years expect it to involve foreign acquisitions. As Indian companies mature, overseas acquisitions offer the most tangible evidence yet of their new found readiness to compete on the global stage.

The Indian auto component manufactures are moving up the value chain to integrate them with the global auto component industry. In recent times, the industry has adopted three-pronged strategy to go global. First, giving thrust to exports. Exports are growing at a compounded annual rate of 20-25%. Second, Indian companies have started acquiring plants abroad. Third, many Indian manufacturers have started collaborating with foreign players. By collaborating with foreign companies, the Indian companies are learning the high-end designing and development skills of the major auto component manufacturers in the world. Reverse engineering is one area where the Indian auto component manufacturers have proved successful. Recently, the Pune based Commercial Vehicles Systems Research Center of Anand Group added two new products - a self-steer axle and an air suspension for its partner Dana Corporation of US. These products were developed within seven and nine months respectively, against the 22 months it takes to manufacture these products in the US. Ten more products are under development in the research labs of Anand Group for its partner Dana Corporation. Many Indian companies are trying to become Tier I suppliers to the global automakers. Bharat Forge, India's largest auto component exporter is trying to exploit its available resources and expertise to become a Tier I supplier. The company has indigenous design and development capability; it has the world's largest single location plant. Bharat Forge has some inherent strengths like it takes 3-4 weeks to market a product against the global standard of 6-12 months and it has the experience of working with the world's leading clients like Toyota, Ford, Honda and Volvo. Bharat Forge has 50% of the US market for front axle beams for trucks. Recently the company has made some overseas acquisitions to expand its customer base in original equipment market. In the auto component industry original R&D is a highly capital intensive.

CONCLUSION:

It is analyzed that the profitability of a firm depends directly on its size, selling efforts and exports and imports intensities but inversely on their market share and demand for the products. In other words, firms larger in size or having greater selling efforts or higher presence in the international market or larger proportion of imported goods in the selling basket experience greater profitability.

REFERENCES:

- Hoskisson RE, Eden L, Lau CM, Wright M. 2000. Strategy in Emerging Economies. The Academy of Management Journal 43 (3): 249-267.
- Fisman R, Khanna T. 2004. Facilitating development: the role of business groups. World Development 32 (4): 609-628.
- Xu D, Meyer KE. 2012. Linking theory and context: strategy research in emerging economies after Wright et al., 2005. Journal of Management Studies DOI: 10.1111/j.1467-6486.2012.01051.x
- Meyer, K. E. & Tran, Y. T. T. (2006). Market Penetration and Acquisition
- Ray S, Gubbi SR. 2009. International acquisitions by Indian firms: implications for research on emerging multinationals. The Indian Journal of Industrial Relations **45** (1): 11-26.
- Kochhar K, Kumar U, Rajan R, Subramanian A, Tokatlidis I. 2006. India's patter of development: what happened, what follows? Journal of Monetary Economics **53** (5): 981-1019.