

Paper 14 – CORPORATE MERGERS AND ACQUISITIONS

Unit I - Introduction, Forms of Corporate Restructuring : Expansion, Sell-offs, Corporate Control. Changes in Ownership structure, Issues Raised by Restructuring, Effects of Concentration.

Theory of the Firm and Corporate Activity : Rationale for the Existence of the Firm. Organisational Forms – Vertical Structure. Horizontal Structure, Organisational Behaviour.

Strategy, Diversification, and Mergers : Strategy, Diversity in Strategic Planning Process, Approaches to Formulating Strategy, Evaluation of the Alternative Approaches, Formulating a Competitive Strategy, Diversification strategy.

Unit II – Merger Types and Characteristics : Economic Rational for Major Types of Mergers. A Framework for Analysis of Mergers, Managerial synergy and Horizontal and Related Mergers. Financial Synergy and Pure Conglomerate Mergers, The role of the Industry Life Cycle.

Theories of Mergers and Tender Offers : Efficiency Theories, Information and Signaling, Agency Problem and Managerialism. The free Cash flow Hypothesis, Market Power, Tax considerations, Value Increases by Redistribution.

Unit III – Sell-off and Divestitures, Divestiture, Spin-offs, Equity Carve-outs, Explanations and Rationale for Gains to Sell-offs, Motives for Divestitures, Voluntary Liquidation and takeover Bust Ups.

Joint Ventures : Joint Ventures in Business Strategy, Rationale for Joint Ventures.

Unit IV ESOPs and Master Limited Partnerships (MLPs) :

Nature and History of ESOPs, The use of ESOPs, Worksheet Analysis for ESOPs, and Alternatives, MLPs, Going Private and Leveraged Buy-outs.

International Mergers and Restructuring.

Share Repurchase.

Unit V : Corporate Control Mechanisms :

Internal and External Control Mechanisms, Managerial Ownership and Corporate Performance, Voting rights and Value of Control, Dual-Class Recapitalisations, Proxy Contests.

Takeover Defenses : Financial Defensive Measures, Coercive Offers and Defense, Poison Pill Defense, Targeted Share Repurchase and Standstill Agreements, Strategic Reactions by Targets.

Regulatory Environment in India: Provisions of Companies Act – Sec 394 to sec 396 A, Sec 494.

Prescribed Text :

Fred J.Weston, Kwang S.Chung, and Susan E.Hoag, Mergers, Restructuring and Corporate Control, Prentice Hall India, 1997.

Reference:

1. Shiva Ramu, S., Corporate Growth Through Mergers and Acquisitions, Response Books, 1998.
2. S.Ramanujam, Mergers et al-, Tata McGraw Hill, New Delhi.