

## MERGERS ACQUISITIONS AND JOINT VENTURES

What's an **Acquisition**? The terms mergers and acquisitions are often used interchangeably, however, they have slightly different meanings.

When one company takes over another and establishes itself as the new owner, the purchase is called an acquisition.

On the other hand, a merger describes two firms, of approximately the same size, that join forces to move forward as a single new entity, rather than remain separately owned and operated. This action is known as a **merger** of equals. Case in point: Both Daimler-Benz and Chrysler ceased to exist when the two firms merged, and a new company, DaimlerChrysler, was created. Both companies' stocks were surrendered, and new company stock was issued in its place.

A purchase deal will also be called a merger when both CEOs agree that joining together is in the best interest of both of their companies.

Unfriendly or hostile takeover deals, in which target companies do not wish to be purchased, are always regarded as acquisitions. A deal can be classified as a merger or an acquisition based on whether the acquisition is friendly or hostile and how it is announced. In other words, the 3 difference lies in how the deal is communicated to the target company's board of directors, employees, and shareholders.

**Joint Venture** is a business preparation in which more than two organizations or parties share the ownership, expense, return of investments, profit, governance, etc. To gain a positive synergy from their competitors, various organizations expand either by infusing more capital or by the medium of Joint Ventures with organizations.

In short, when two or more organizations join hands together for creating synergy and gain a mutual competitive advantage, the new entity is called a **Joint Venture**. It can be a private company, public company or even a foreign company.

### CASE STUDIES ON MERGERS

#### **Vodafone-Idea**

A lot of things can be attributed to the probable reason of this one, while the industry by itself was facing a ton of challenges operating in India, the advent of Jio was like the final nail in the coffin for both the company's individual ventures.

Vodafone was still fighting the tax case with India back then, a while both companies were still reverberating from the 2G scam. The combined entity, Vodafone-Idea stood second only to Airtel now. In terms of compensation, the companies both hold an almost equal stake in the post-merger company, while Idea holds 54.9%, Vodafone holds 45.1%.

#### **Bank of Baroda-Vijaya Bank-Dena Bank**

In what could be termed as the first three-way amalgamation in India, Vijaya Bank and Dena Bank both merged with Bank of Baroda, effective from April 1, 2020, resultantly forming the third largest bank in India.

Since all three of the banks happen to be at least semi-government owned, compensation here is not applicable, but the government did infuse Rs 5042 Cr to enhance Bank of Baroda's capital base and help it meet the new expenses.

## CASE STUDIES ON ACQUISITIONS

### **Flipkart-Myntra**

Flipkart, the proud Indian e-commerce giant funded by Singapore based companies, acquired the fashion label 'Myntra' in 2014 whose product offering spanned across fashion and life-style products. This deal was made for a whopping Rs 2000 crores, however Myntra still continues to operate as a fashion apparel wing of Flipkart.

Flipkart, like its peer Amazon had started with selling books online and then proceeded to various other products. This could be termed as a product extension, however Flipkart continues to have its 'Flipkart fashion' wing, its products available both on the site itself and Myntra. Flipkart was later acquired by Walmart in 2018, beating Amazon to it and removing its chances of a potential monopoly in Indian E-commerce market.

### **Zomato-Uber Eats**

In January 2020, Zomato acquired Uber Eats beating the only competition Swiggy to it, for a deal of Rs 2492 crores. Uber Eats, along with being late to the market, also didn't have any exclusive point that made it stand out, resultantly had meagre success in the Indian market.

At the same time, both Zomato and Swiggy's steep competitive drives resulted in huge profits for both of them, along with eating up market shares for any potential competitions. In the deal, however, Zomato received already established clientele and supply chains, and Uber Eats, well effectively cashed out.

## CASE STUDIES ON JOINT VENTURES

### **TATA STARBUCKS**

Tata Starbucks Private Limited, formerly known as Tata Starbucks Limited, is a 50:50 joint venture company, owned by Tata Consumer Products and Starbucks Corporation, that owns and manages Starbucks outlets in India. The outlets are branded Starbucks "A Tata Alliance". India.

### **AIRASIA AIRLINES**

AirAsia India is a joint venture between Malaysia-based AirAsia Berhad and Tata Sons. The airline ranks as the fourth largest Low-Cost Carrier (LCC) in India. AirAsia India is also the second JV in the airline industry of Tata Sons.