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Analyzing the mergers and acquisitions: a comprehensive Study

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Abstract

Mergers and Acquisitions have emerged as critical strategies for organizational growth, competitive advantage, and market consolidations in the globalized economy. It offers a comprehensive analysis of mergers and acquisition trends of the Indus Towers Ltd. It presents the motivational factors and theoretical background of mergers and acquisitions. It shows the challenges faced by an entity while doing mergers and acquisitions. The present research paper highlights the pre-acquisition and post-acquisition financial positions of Bharti Infratel Limited and Indus Tower Limited over the last five years. Using the multidisciplinary approach, the research integrates financial, managerial, and strategic perspectives to evaluate the success factors and risks associated with mergers and acquisitions. The study aims to analyze the successful key aspects of the Indus Tower and Bharti Infratel i.e. Revenue, Current Assets, and Current Liabilities of the respective companies. By identifying patterns and lessons that shape the future of mergers and acquisitions in a dynamic business landscape

Keywords: (*Mergers and Acquisition, Indus Towers and Bharti Infratel, Trend Analysis)*

1. Introduction:

The universal economy globalization has created a vastly competitive atmosphere where a large number of companies believe that involvement in transactional mergers and acquisitions is essential for economic growth, increased market share, and a competitive market. If two companies coalesce it enhances their worth and more as a single element rather them different element. The merger and acquisition is an agreement that represents the transfer of ownership and changes in the control of ownership. Mergers and acquisitions are the primary methods of centralization and attentiveness of capital and production on a global scale. The mergers and acquisition process is complex, involving strategic planning, due persistence, and post-merger alliances, all of which require careful implementation to enhance success. Mergers and acquisitions are two different strategies made by the company: where the merger is a process of amalgamation of two existing companies. A merger is an intended and permanent combination of two enterprises that incorporate their operations and identities with each other. Then Mergers Company's working as a new company. An acquisition is a purchase of an existing business venture. Through the purchase of assets and shares of another venture. The major purpose of the acquisition is to diversify the acquiring company into another industry and build a strong market position in the target market.

Definition of Mergers and Acquisition:

Gaughan (2010) defines M&A as: "Mergers and acquisitions (M&A) are the consolidation of companies or assets through various types of financial transactions, including mergers, acquisitions, and tender offers. M&A refers to the process of one company combining with another or one company acquiring another, aiming to achieve strategic business objectives such as increasing market share, gaining access to new technologies or products, and realizing synergies."

Jemal (2014) provides a more detailed definition: "Mergers and acquisitions (M&A) refers to the combination of two companies or organizations through various types of financial arrangements, including mergers, acquisitions, or buyouts. M&A strategies are primarily driven by the desire to achieve growth, improve competitive advantages, and enhance efficiencies.

2. Theoretical Background of Mergers and Acquisition:

Types of Mergers and Acquisitions:

- Horizontal Merger: The horizontal merger occurs between the two existing companies operating in the same industry. And two companies delivering the same product are in the direct competition market. E.g. Pepsi & Coke.
- Vertical Merger: Two companies that are producing products of one single finished product. It involves the companies at different stages in the same supply chain or production. E.g. Automobile industry.
- Market Extension Merger: The two companies are selling the same products in different markets in the targeted market. E.g. Eagle Bancshares.
- Conglomerate Merger: In this case, the two companies do not havethe same product line and both companies are unrelated. E.g. Walt Disney and American Broadcasting.
- Hostile Acquisition: Hostile acquisition means when the company acquires the target company when management does not agree to the acquisition but acquires through the proceeds of company shareholders or to gain control of the venture.
- Bolt-On Acquisition: In this case a large company acquiring a small company to complete its existing operation.
- Leveraged Buyouts: In the Leveraged Buyouts acquisition the company acquiresa significant amount of borrowed money. The assets of the acquired company often serve as collateral for the loan.

Motivation for Mergers and Acquisition:

The mergers and acquisitions are the strategic tools to achieve the company's kinds of objectives. Whether to expand the market shares, increase the production line, or realize financial efficiency, the motivation for the mergers and acquisition are entrenched in growth ambition and competitive essential.

- Diversification: The mergers and acquisitions can help to reduce the risk of company through the diversification. This strategy will help to mitigate the risk associated with market fluctuation, changes in customer preferences economic recession, etc. Diversification also creates more opportunities for cross-selling products and services.
- Competitive advantages: Mergers and acquisitions are enhancing the market share and influence within its industry. By acquiring competitors, it can reduce the market competition, enable to set of prices, improve profit margins, and control over the supply chain. Such consolidation can also create barriers for new competitors, by strengthening the company's market position.

- Growth and Expansion: The primary motives of the mergers and acquisitions are expansion of the market and organic growth of a company. Whereas acquiring the company can provide immediate access to new markets, customers, and products. And it enables the companies
- to
- extend their product line and services. A company may acquire its competitors or complementary business to acquire its portfolio.

Success Factors in Mergers and Acquisition:

- Market position: One of the major factors of success is market position. Through the merger and acquisition, the company is able to enhance its market position, which it can identify through the sales of the business venture
- Cost reduction: The cost reduction can be done through merger and acquisition, when two or more companies work together it reduces the cost. Allowing the combined entities to negotiate better terms with suppliers, reduce manufacturing costs, and achieve more efficient resource utilization.
- Due diligence: Due diligence is difficult to uncover the potential risks that the transaction is based on accurate information. This process involves the critical analysis of the target company's financial statement, legal standing, technology, operations, and corporate culture. The over-stated liabilities and revenues can prevent costly surprises post-acquisition.

Challenges of Mergers and Acquisition:

- Debt levels: The merger company often requires significant financing, and the company has to evaluate the target company's debt carefully. A high level of debt can affect the company's creditworthiness and financial stability. If the company fails in debt evaluation it negatively impacts on cash flow or leverage ratio.
- Employee Concerns: While mergers and acquisition of companies, employees feel uncertain about their future during the mergers and acquisition process. Changes in management, job insecurity, and shifts in changes in the company's strategies lead to disquiet and reduced performance.
- Combination Cost: The integration cost which includes employee severance packages, income tax upgrades, and facility consolidation can be important. While merging the company it has to maintain the cost of budget or else it leads to financial strain. A well-planned integration process can lead to reduce the financial burden.

3. Objectives of the Study:

The objectives of the article are to show the theoretical background of the merger and acquisition. It studies the types, motivations, and success factors of mergers and acquisitions and the challenges faced by an organization while doing the mergers and acquisitions. The present study has been undertaken to analyze the pre and post-acquisition trends on the financial positions of Bharti Infratel Ltd., and Indus Tower's Ltd., companies.

4. Research Methodology:

The present research paper is empirical, for the study data is collected from secondary data i.e. articles, journals, pre and post acquisitions financial reports of Bharti Infratel and Indus Tower's companies from the company's respective websites. The sampling unit consists primarily of the wealthiest recent mergers and acquisitions in the telecom industry. To analyze the data we use tables and graphs and to know the trends of the pre and post-acquisition period, we use trend analysis through the Excel worksheets.

Mergers and Acquisition Trends and Insights: Indus Towers Limited and Bharti Infratel Limited

Introduction about Indus Towers and Bharti Infratel Limited: (Pre-acquisitions)

Indus Towers:

Indus Towers Limited was established in 2007, it was a joint venture formed by Bharti Airtel, Vodafone Group, and Aditya Birla Group. It was build to address the forming demand for telecom infrastructure in India by offering shared towers models. Indus Tower's goal is to effectively utilize optimum resources by reducing duplicate infrastructure, enabling telecom operators to share passive infrastructure such as towers and associated facilities. With operations spread across 15 telecom circles, Indus Towers become one of the world's largest telecom infrastructure providers globally.

Bharti Infratel Limited:

Bharti Infratel Limited was established in 2006, Bharti Infratel Limited was a subsidiary of Bharti Airtel, which is India's leading telecom operator. The company focused on building, and managing the telecom towers and other related infrastructure to support and growth of the telecom industry in India. The company infrastructure plays a crucial role in enhancing the reliability and communication of the network to reach multiple telecom operators. The Bharti Infratel presently has an 11-telecom circle that connects a rural and underserved area. Bharti Infratel is a green green-friendly company that always focuses on green energy solutions to ensure operational efficiency and environmental sustainability.

Indus Towers (Post-acquisition):

After the merger of Indus Towers in 2020, Indus Towers is the emerged integrated entity combining the strengths of Bharti Infratel and Indus Towers. The Indus Towers become the largest telecom infrastructure provider in India and globally. The aim of the consolidation is to increase the efficiency of the operations, optimize cost, and enhance the performance of service for telecom operators.

As part of the research paper, we use two tower infrastructure businesses i.e. Indus Tower Ltd. and Bharti Infratel Ltd. The following mergers were announced in the year 2018, and the procedure was completed in the year 2020. The allied business paid-in capital increased to INR 2,69,93,69,500.

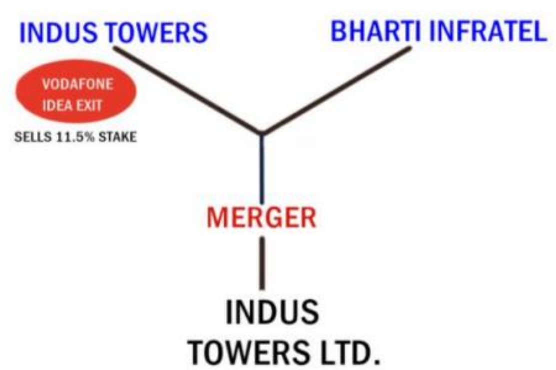

Figure 1: IRJMETS Journals

Here an attempt is made to disclose the Trend analysis and interpretations of findings. The research paper covered Bharti Infratel and Indus Towers which were involved in the last five years of data of pre-acquisition period and post-acquisition period.

The current study has undertaken the three successive factors of the Indus Towers Ltd. and Bharti Infratel Ltd. i.e. Current Assets, Current Liabilities, and Revenue, to analyze the pre- and post-acquisition effects.

5. Results and Discussions (Trend Analysis and Data Interpretation)

Table 1: Pre-acquisition data of Bharti Infratel:

Amount in ₹ (Millions)

Items	2020	2019	2018	2017	2016
Revenue	71993	69277	67264	62460	60473
Current Assets	33676	42800	76120	16683	11421
Current Liabilities	21042	17752	18159	35816	27846

Source: Financial Statement of Bharti Infratel

Table 2: Trend Analysis of the pre-acquisition period of Bharti Infratel

(%)

Items	2020	2019	2018	2017	2016
Revenue	100.00	96.22	93.42	86.75	83.90
Current Assets	100.00	127.09	226.04	49.54	33.91
Current Liabilities	100.00	84.36	86.30	170.21	132.34

Source: Excel

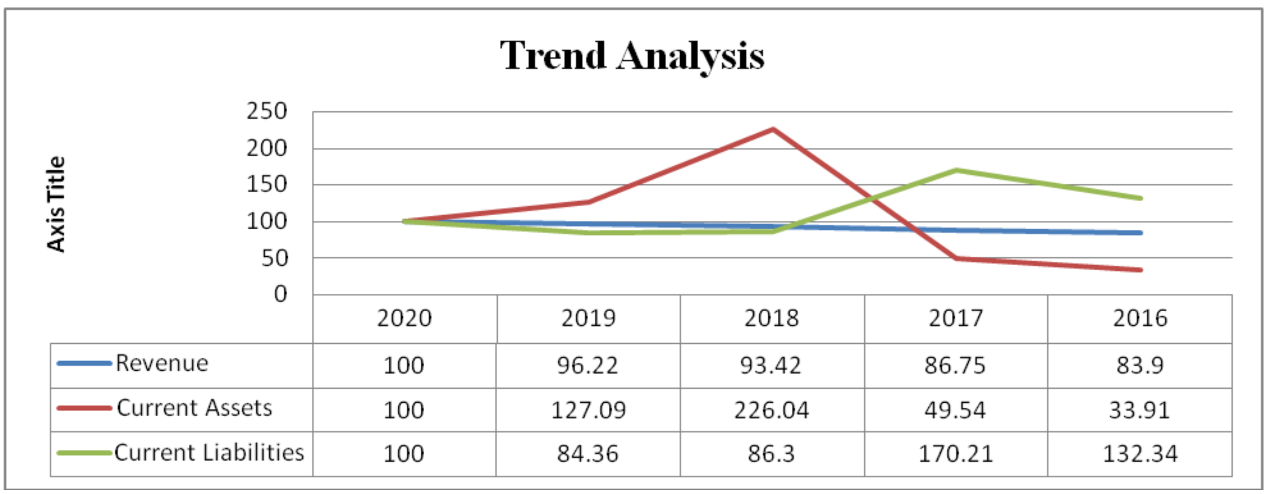

Figure 2: Trend analysis of Pre-acquisition data of Bharti Infratel

The above table and graph show that trend analysis of the given data reveals notable patterns in the company's financial performance and position over the five years i.e. 2016-2020. The revenue shows that consistent upward trajectory, growing progressively each year from 83.90% in 2016 to 100% in 2020, it indicates that stable improvement in business operations. Current Assets display significant instability, high at 226.04% in 2018 before dropping to 49.54% in 2017 and recovering to the base value of 100% in 2020. This fluctuation suggests a period of aggressive asset acquisition made by disinvestments in assets management. The current liabilities show that opposite trend, starting at a high of 132.34% in 2016, decreasing significantly to 84.36% in 2019, and stabilizing with the base value of 100% in 2020. This model could replicate efforts to manage and reduce short-term obligations over the time before acquisition.

Table 3: Pre-acquisition data of Indus Towers Ltd.

Amount in ₹ (Millions)

Item	2020	2019	2018	2017	2016
Revenue	7204.90	8489.90	7724.19	7106.8	5668.83
Current Assets	15102.80	4290.89	7637.50	4906.30	5597.40
Current Liabilities	3821.70	1773.43	1814.39	4574.30	1416.60

Source: Financial Statement of Indus Towers Ltd.

Table 4: Trend Analysis of Indus Towers Ltd.,

(%)

Items	2020	2019	2018	2017	2016
Revenue	100.00	117.84	107.20	98.63	78.68
Current Assets	100.00	28.41	50.57	32.49	37.06
Current Liabilities	100.00	46.40	47.48	119.69	37.06

Source: Excel

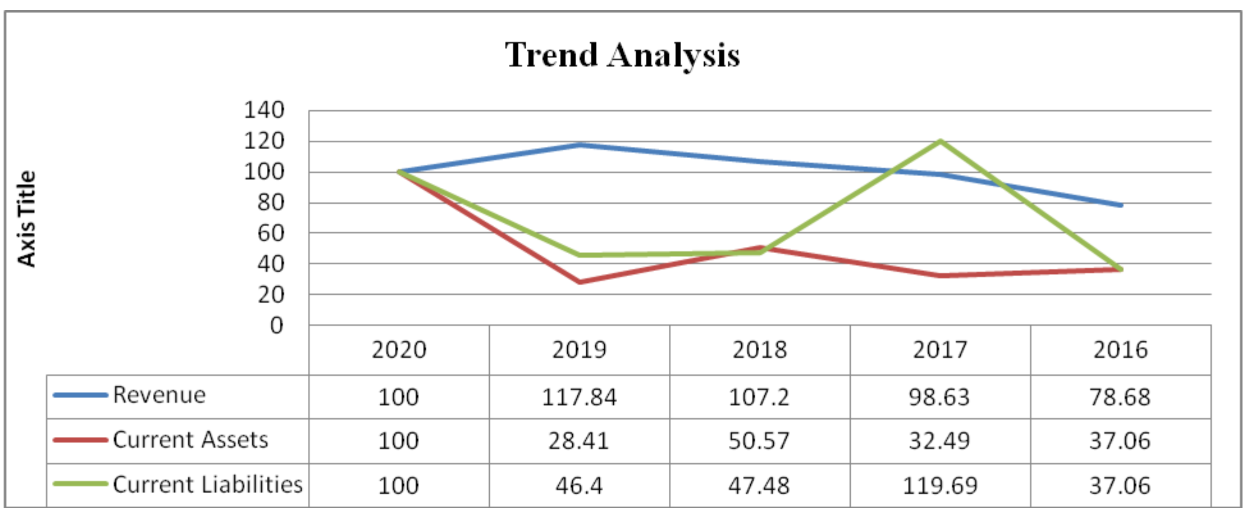

Figure 3: Trend analysis of Pre-acquisition data of Indus Towers Ltd.

The above table and graph show that trend analysis as a base of 2020, highlights the movements of the company's financial positions over the five years. Revenue shows a fluctuating yet significantly upward trend, rising to 117.84% in 2019, indicating growth over some time, and is constant with a base year of 2020. The Current assets show a sharp decline relative to 2020, with the lowest value at 28.41% in 2019. The inconsistence of variations, from 2016 to 2020 suggests that improper of assets management or changes in financial planning. The current liabilities show that volatility increased by 119.69% in 2017. This indicates a temporary peak in short-term obligations. The trend is stabilized with the values at 46.40% in 2019 and 47.48% in 2018. The low value of current liabilities 37.06% in 2016 shows initially controlled liabilities.

Table 5: Post-acquisition data of Indus Towers Ltd.

Amount in ₹ (Millions)

Items	2024	2023	2022	2021	2020
Revenue	28961.70	28743	28166.70	14766.8	7204.78
Current Assets	10490	8707.6	12311.30	9629.80	4951.30
Current Liabilities	10156.50	8162.80	8826.90	13950.60	3826.30

Sources: Financial Statement of Indus Towers after mergers.

Table 6: Trend Analysis of Indus Towers Ltd., after acquisition

(%)

Items	2024	2023	2022	2021	2020
Revenue	401.98	398.94	390.94	204.96	100.00
Current Assets	211.86	175.86	248.64	194.50	100.00
Current Liabilities	265.44	213.33	230.69	364.59	100.00

Sources: Excel Output

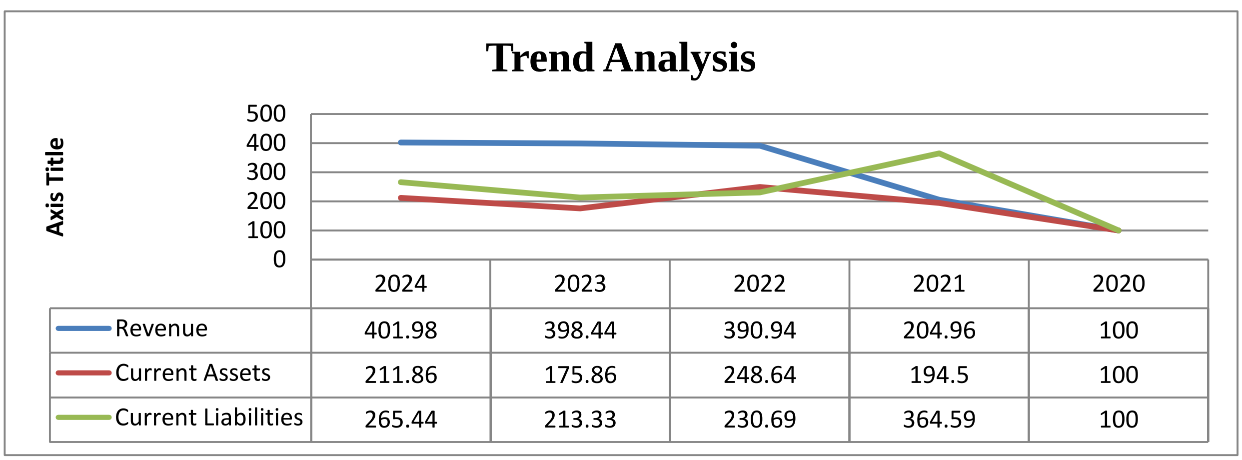

Figure 4: Trend Analysis of post-acquisition data of Trend Analysis

The above table and graph show the post-acquisition period trend analysis f or the last five years. It reflects significant fluctuation in Indus Tower's financial metrics after the acquisition of Bharti Infratel Ltd. The revenue shows constant growth quadrupling from 100% in 2020 to 401.98% in 2024. It reveals that acquisition positive impact, likely to be driven by expanded market reach and operational synergies. The current asset exhibits stable growth, peeking from 100% in 2020 to 211.86% in 2024, with variations in 2022 (248.64%). It reflects improvement in liquidity position and enhanced the assets management after acquisition, throughout the fluctuates suggests some financial distress during integration. Current liabilities indicate significant increase from 2020 (100%) to 2024 (265.44%), peaking in 2021 (364.59%). The spike in 2021 might indicate acquisition-related obligations or higher operational costs, which stabilize as liabilities normalize.

6. Findings:

The study found how mergers and acquisitions are affected, and how they positively impact the transferor and transferee companies. And it found that for what motives the companies may decide for mergers and acquisitions. It found pre and post-acquisition trends of Indus Towers and Bharti Infratel companies. In the pre-acquisition period of Bharti Infratel Ltd. revenue significantly increased from year to year. Still, current assets and current liabilities are more fluctuated, which shows that the company is not maintaining its assets management and obligations. At the time of the pre-acquisition period of Indus Towers Ltd., even the Indus Company also has a significant peaking in their revenue from the last five years of mergers and acquisitions. However, the company fails the assets management over the year and current liabilities also fluctuate from year to year. After the post-acquisition of Bharti Infratel Ltd. and Indus Tower's Ltd., it found that the revenue of the company significantly increased from year to year; it shows that the post-acquisition was expanding their market operations and enhancing their market position after the acquisitions. Compared to pre-acquisitions, post-acquisition current assets and current liabilities are managed better by the company. It found that the company is significantly balancing its working capital. Overall, the acquisition appears to have driven revenue and assets management, and growth, strengthening the Indus Towers' financial positions. However substantial upward in liabilities prominence the need for prudent financial management to optimize the benefits of the acquisition while addressing the short-term liabilities.

7. Conclusion:

The above article concludes that mergers and acquisitions play an important role in the company's expansion of market positions. It helps in the balancing of the assets management and current liabilities to maintain adequate working capital in an organization. Nowadays most companies are planning a mergers and acquisitions strategy to avoid competition and to expose market positions. It identifies the successful key factors of pre and post-acquisition period situations of Indus Tower's Ltd., and Bharti Infratel Ltd., i.e. revenue shows that after the acquisition the company positively enhanced their market positions, and comparatively pre acquisitions, the post acquisitions working capital maintenance is better by an Indus Tower's. So the Mergers and Acquisitions strategy may help to maintain the financial position of an organization.

8. Recommendation:

The study recommended that mergers and acquisitions are one of the significant strategies to enhance the market positions of an organization, so when the competition is more in the market the company can bitterly make a plan for mergers and acquisitions. It is recommended to Indus Tower's Ltd., to maintain the assets management in their organizations, it is easy to reduce their short-term obligations as well as to maintain a significant working capital in an organization.

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