CHAPTER SIX

CHAPTER SIX

CORPORATE TAKEOVERS : A STRATEGIC FRAMEWORK

In the previous chapter, it was concluded that the takeovers generate gains to the shareholders of the target as well as the bidder. But, why do managers indulge in takeover game ? - is a haunting question from socio-psychological view point besides generating economic benefits. What are the various characteristics of takeover game reflected in the behaviour of market participants? - in Indian corporate scene - comparatively a budding market for corporate control. In order to seek an explanation of these questions, the present chapter attempts to analyse the motivations underlying the corporate takeover process and various strategic moves to discern the takeover strategies. It also enquires into other strategic aspects of major takeover attempts in Indian corporate scene.

The chapter is divided in four parts. The takeover, as a civilised form of warfare and a response to change, is discussed in part one. The strategies and motivations for takeover are documented in second part. Part three explores the pattern of takeovers in Indian corporate scene, and finally, part four summarises policy implications.

6.1. **TAKEOVER : A Civilized Warefare**

Conflicts whether personal or general, small or big, overt or covert are caused by underlying subtle urge to expand and protect the span of control over physical or human resources or both. This is exemplified by the characteristic behaviour of Duryodhan in the historical battle of Mahabharata to Swaraj Paul, Chhabria and Ambanis in corporate takeover battles of Escorts Ltd., Shaw Wallace Co. Ltd. and Larsen & Toubro Ltd. respectively. What were the instincts propelling such conflicts? How these instincts surface in various forms as a motivator underlying the various strategies and tactics of takeovers?

The strategic and tactical manoeuvers in corporate takeover battle are viewed as civilised form of warfare applied to achieve economic victory. Cannon (1929) argued that an urge to kill and to avoid death are firmly rooted in human nature *i.e.*, "flight or fight" syndrome. He argued further that this syndrome driving the management in civilised corporate warfare. In the case of LIC of India vs Escorts Ltd., Justice Chinnappa Reddy had referred to Mahabharata war scenario where Arjun kept Shikhandi in front of him while fighting Bhishma, indicating the role played by various parties involved in historical takeover battle.

Methods of warfare as given in Table No. 6.1 seem to have been the favourites of companies involved in takeovers. This is exemplified by their resorting to (a) secretly cornering of controlling block of shares by hiding the identity of real purchaser (DCM/Escorts vs Swaraj Paul); (b) coalition with major shareholders for their support in the transfer of corporate control (Best & Crompton Engineering takeover

Table 6.1: Principles and Methods of Warfare

1.Objective :	what military action intends to accomplish.
2.Attack:	act rather than react.
3.Surprise:	attack the enemy at an unexpected time and place and in unexpected manner.
4.Security:	protect friendly operations from the enemy.
5.Maneuver:	friendly force movement in relation to the enemy.
6.Unity of command:	use single battlefield commander.
7.Simplicity:	promote understanding, reduce confusion, and permit ease of execution.
8.Logistics:	sustain man and machine in the battlefield.
9.Cohesion:	establish and maintain an integrated warfighting spirit.

Source: Nelson D.L.,Quick J.C.,Quick J.D., (1989), Corporate Warfare:Preventing Combat Stress and Battle Fatigue, Strategic Management Journal,Vol.3,pp.65-79.

case); (c) initiating legal suits against existing management (Premier Tyres) (d) refusal to transfer the shares in the name of the bidder or its subsidiaries (Mohan Meikins); (e) attempts to adjourn the extra-ordinary general meeting (Gammon India) ; (f) retaining insiders in the target company

(L & T); (g) an attempt to "*green mail*"(MOI Ltd.); (h) *assets stripping* to avoid the bidder to takeover the target successfully (takeover of Spencer by Goenka).

6.1.2. **A Response to Change**

Takeover can be initiated by the management in response to changes in the environment. The management is expected to maintain good health and future growth of the company. Chandler (1962) noted that it should concentrate on long-term planning through formulation of appropriate *strategy* and designing the appropriate organisation *structure* in response to environmental opportunities and threats. Kaplan (1954) asserted that to remain at the top, the management has to keep abreast of the race of innovation and competition. Hence, to ensure this, Levitt (1975) suggested that the benchmark of efficient management is not how efficiently it manages its existing business but how efficiently it changes its business.

The change in business unfolds a series of dilemma, provocative reactions, lengthy lead time, and high stakes, which requires selection of appropriate move and mode for allocation and reallocation of corporate resources. Recently, the changes in the environment have been more rapid and varied, and their effects are global. These days, the analysis of environment is not only concerned with changes in political front and advancement and obsolescence of technologies but also requires deeper understanding of about the shifts in social values and ethos of the market.

Understanding such changes and using this knowledge in strategic planning is increasingly becoming the prime concern of the management. The responses to change normally lead the management to plan the growth in the form of expansion of existing business, integration with related business and diversification into new business. The growth of the business is possible basically through two routes: (i) building up new facilities, or (ii) acquiring the new facilities. The former route normally involves more time and cost while the latter requires spotting the business which has the required facilities. In rapidly changing environment, when the management is expected to respond fast enough to grab the opportunities and to avoid the threats, the takeover route provides faster alternative to growth or divestment of the business (Mueller (1987)).

In international arena, socio-political changes culminating into disintegration of Soviet Union (USSR), integration of East and West Germany, progressively opening up of hard core closed economy like China, have forced the national and international companies to revise their business strategies. On economic front, emergence of European Community (EC) shattering the geographical boundaries of 28 European countries for global trade, emergence of General Agreement on Tariff and Trade (GATT) and other similar regional association (North Atlantic Free Trade Association (NAFTA), Association of South East Nations (ASEAN)) have added a new dimension to the growth of the business. Such changes demand the management to think globally and adjust their long term planning suitably.

Indian economy is being libralised from various control and regulations since 1980s. This is evident from the gradual deregulation of interest rates, relaxing Monopolies and Restrictive Trade Practices Act, 1969, by slashing ceiling of value of assets, relaxing Foreign Exchange Regulation Act, 1973, by allowing foreign companies to increase their equity participations in their Indian counter part, relaxing further the Industrial Development Regulation Act, to speed up setting up of project by virtual abolition of licensing system. More recently, the partial convertibility of rupee, slashing the ceiling of customs duty to 110%, abolition of the Office of the Comptroller of Capital Issues (CCI) on 27-4-92, conferring statutory status to Securities Exchange Board of India (SEBI), on 30-1-92), allowing free pricing of equity issues, opening up of Indian stock markets for Foreign Institutional Investors (FIIs), impending draft of Exit Policy, are few initiatives to accelerate liberalisation process to expose the Indian economy to market forces.

On social front, entertainment cum advertisement explosion by world wide broadcasting agencies on Indian Television is dramatically seeking to change the social values, ethos and tastes of 217.2 million strong urban middle class market which is growing at the rate of 25 per cent. Over and above, the Eighth Plan envisages less dependence on government for resource mobilisation, and lays greater emphasis on market forces in allocating resources. It stipulates 5.6 per cent growth rate in Gross Domestic Product (GDP) and 21.6 per cent rate in saving. In financial sector, particularly stock market has shown remarkable progress in 1980s. It showed an increase of 1220 per cent and 163.48 per cent in the amount of equity capital raised from the market and number of listed companies respectively between 1980-1990.

These changes cast more responsibility on the Indian corporate managements towards market. They would be expected to achieve maximum synergies in minimum time from available avenues and resources. Estimation and optimum exploitation of borrowing potential of the assets by leveraging the business to an appropriate extent would be a key job of finance manager in the changed environment. In these circumstances, evaluation of takeover as a route to gain maximum synergistic benefits by suitably matching strengths and weaknesses of the target, provides better alternative to grow and response to changes in environment.

6.2. STRATEGIES AND MOTIVATIONS

During 1950s, takeovers had become an accepted growth strategy for market oriented economies. The takeover strategy premises that: (i) firms have a life cycle, and (ii) firms generate excess earnings during its growth phase which should be used to acquire other businesses. The identification of appropriate takeover strategy requires the managers to understand the complex organisational implications of integrating of two businesses. To ensure this Howell (1970) suggested that the appropriate classification of takeovers would help to put the takeover process in a right perspective.

6.2.1. Takeover Strategies

Takeover strategies are classified into two groups: (i) product-market classification, and (ii) functional classification. For the former, Ansoff (1965) suggested following classification in the form of growth strategies which were later on adopted by Federal Trade Commission (FTC), U.S.A. They are:

(i) **Horizontal Takeover:** Takeover of a company whose products and markets are identical with that of bidder (takeover of Universal Luggage by Piramals).

(ii) **Vertical Takeover:** Takeover of a company with which the bidder has or could have buyer and seller relationship or vice versa (takeover of Chloride India by Birlas); and

(iii) **Conglomerate Takeover:** Takeover of a company with which the bidder has no direct relationship in terms of market, products and /or technologies. They are further classified as follows:

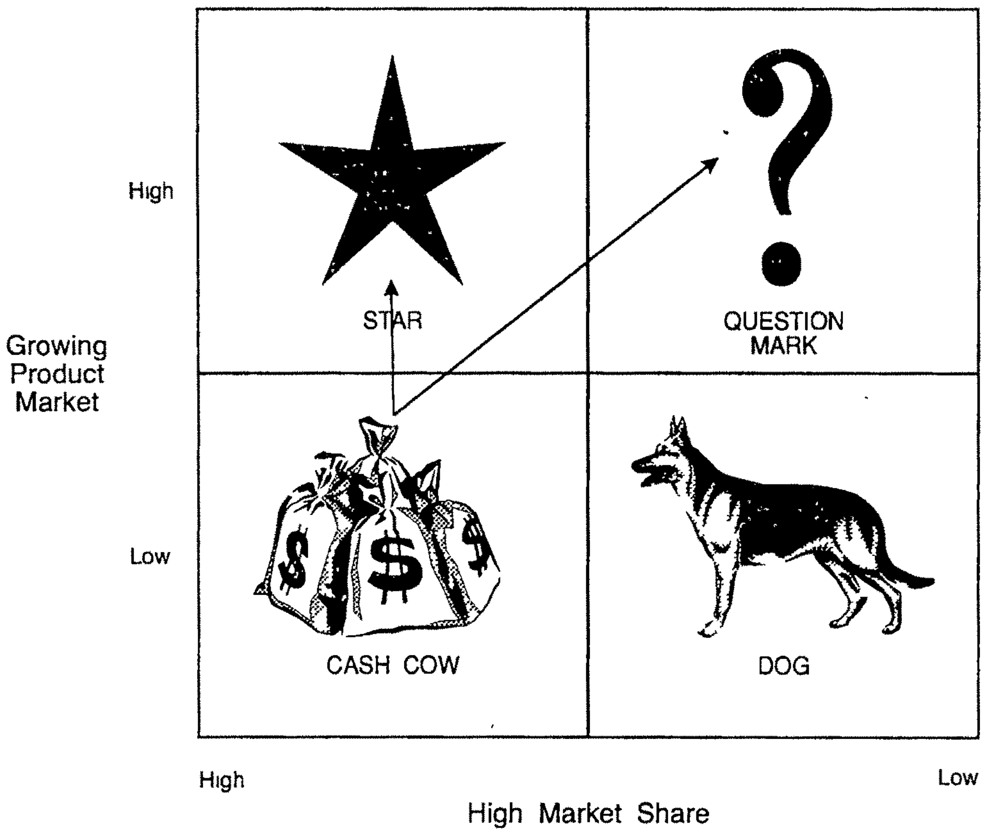
   (a) **Market Extension Takeover:** takeover of a company whose products are identical with that of the bidder but sold in different geographical markets (strategic takeover of Parle by Coke) (Godrej Soaps with Procter and Gamble, Tomco's takeover the Hindustan Liver Ltd. ;

(b) **Product Extension Takeover:** Takeover of a company with which the bidder has functional relationship in distribution/production but does not sell the products identical with that of the bidder (takeover of Consolidated Coffee by Tata Tea Ltd.); and finally,

(c) **Pure Conglomerate Takeover:** Takeover of a company with which bidder has neither buyer-seller relationship or vice versa nor any functional relationship in a distribution or production (takeover of Best & Crompton Engineering Ltd. by Mallayas).

In 1970s, it was extended further by Boston Consultancy Group (BCG) through the BCG Investment Matrix. It guides the managers to identify acquisitions and spin-offs. The BCG Matrix as shown in Fig. 6.1, suggested that in order to achieve continuous growth, the management should invest profit from their mature business (cash cows) into growing products markets (question marks) to convert the latter in stars. The stars then will be converted into cash cows as the growing business matures. Those businesses which can not be converted into 'stars' should be divested (Dogs).

In contrast, Howell (1970) suggested functional classification of takeover strategies. He grouped takeover strategies of product-market classification into three broad groups. They are:



BCG Investment Matrix

Fig.5.1

(i) **Manufacturing Takeovers:** Takeover of a company whose product lines are related (but market may or may not be related) to that of the bidder;

(ii) **Marketing Takeover:** Takeover of a company whose markets are related, but its products are different, with that of the bidder;

(iii) **Financial Takeover:** Takeover of a company which has altogether different markets as well as products. The only linkage between the two is the common financial resources.

This classification has two important aspects. First, it focuses on financial, marketing and manufacturing implications of takeovers. Second, it is rooted in functional dimension of generic business strategy. He further reported that benefits derived from functional classification appeared to be cumulative i.e., in case of marketing takeovers, the bidder may achieve financial benefits, and in case of manufacturing ones the bidder may have marketing as well as financial benefits. He added that the management tends to relate takeover process more easily to functional classification. However, he did not refer to the managerial preference in the context of the objectives being served by these categories. Walker and Barney (1990) inquired into the preference of the managements for various strategies in the context of specific objectives. They opined that the horizontal takeovers were primarily resorted to gain economies of scale while vertical takeovers were primarily resorted to manage critical inter-dependencies in the environment. Concentric (market and product extension) takeovers were resorted to expand market and product lines while diversifying takeovers were primarily resorted to reduce the business risk and to utilise combined financial capabilities.

6.2.3. **Takeover Motivations**

The management is propelled for takeover by variety of economic and non-economic stimuli. The economic motivations, such as acquiring assets at substantially low price, maximising economies of scale, targeting deeper market penetration by expanding horizontally or vertically or diversifying into unrelated businesses, are at times gross reflections of subtle non-economic motivations. The non-economic motivations, like an urge to grow and control, prestige, fear of obsolescence and insecurity lead the managers to takeover and being taken over. They remain subtle but provide a driving force to the managers to approach market for corporate control.

Acquisition of Assets at a Discount : This refers to a situation where the market value of the target is considerably lower than the realisable value of its assets. The target company may be quoted at discount when it (i) has not put its assets to their most efficient use, (ii) has an inefficient capital structure, (iii) has followed conservative financial policy leading to under valuation of shares, (v) its shares have been poorly rated by market. Weinberg (1971) noted three important characteristics of this type of takeovers. Firstly, takeovers under this category are similar to the 'asset stripping. This helps the bidder in releasing large funds blocked in underutilised assets of the target. The excess money will then be used either for the growth of the target or for other businesses of the bidder. Secondly, for financing this type of takeover, the bidder need not have long-term funds. As the assets are acquired at discount, the funds borrowed for takeover are then repaid by selling off the inefficiently used assets at premium and/or sale-and-lease back of assets. Thirdly, when this type of takeover is made through exchange of shares with relatively high Price Earning ratio (P/E), the shareholders of the bidder acquire assets of the target at a deep discount price leading to maximisation of wealth of the bidder's shareholders (assuming P/E of the bidder will remain same or constant after the takeover).

Acquisition of Earnings at a Discount : In contrast to the above, here the emphasis is shifted from assets to current as well as expected earnings of the target. Given the same value of assets, if the bidder is enjoying higher P/E than that of the target, then in takeovers through exchange of shares, the former can buy the current earnings of the target at discount. As regards future earnings, when the target has brighter prospects of growth in earnings than the bidder, then the latter gets future earnings of the target at discount. The bidder normally prefers to takeover the target with relatively lower P/E to avoid dilution in P/E of the bidder after takeover. But at times, what really matters is the total earning positions of two companies. Thus, despite initial dilution in P/E of the bidder due to higher P/E of the target, still it will be beneficial to the bidder, if the future earnings of the target is expected to grow at a faster rate than that of the bidder.

Acquisition to Achieve Synergy : Yet another drive for corporate takeover is to create value either for management or for shareholders by achieving synergy in the operations of two companies. The value may be created by utilising combined resources more efficiently or by discarding inefficiently used assets and reallocating funds more efficiently. By combining the assets most efficiently marketing, financial and operational synergies may be gained (Lubatkin, 1983). Chatterjee (1986) notes that financial synergy is easier to achieve than operational one and collusive synergy is easier to achieve than financial one. Trade synergy may be had through economies of scale [Halpern (1973), Eckbo (1983)], reduction in interdependencies on other companies [Mandelkar (1978, Pfeffer and Salancik (1978)], expansion of product lines and market size [Halpern (1973), Ellert (1976), Chatterjee (1986)], and entry into new industry [Rumelt (1974) Pitts (1977)]. This in turn, will lead to improve the financial strengths [Howell (1970), Chatterjee (1986)].

Acquisition of Shares Held by Dispersed Majority : The holders of controlling shares may acquire the shares (i) for reorganising the business activities, and (ii) to acquire the dispersed shareholding at a price lower than their *pro rata* interest in the underlying assets. As regards reorganisation of business, it may be inconvenient to have nagging interventions of outsiders. Besides, if such reorganisation is oppressive to outsiders, they may oppose or even litigate; and if it is favourable to them, the controlling shareholders may not like to share extra benefits with them. As regards acquiring shares at low price, the existing management, owing to their privileged position, may manipulate the prices to their advantage so that outsiders may prefer to accept even unexciting price rather than their money blocked with the bidder.

Non-Economic Motivations : The takeovers may not necessarily be motivated by economic and trade advantages. It may also be inspired by ambition to build up an empire or having built up an empire, to extend its frontiers to have the feel of achievement, status and prestige. This has been the characteristic feature of rising managerial capitalism. In case, where the management does not have the large equity participation in the company, it may initiate the takeover which may lead to an increase in their remuneration, perquisites, prestige, job security and many other monetary and non-monetary benefits, instead of leading to an increase in the value to shareholders of the company.

Apart from strategic and personal objectives, Levinsen (1970) noted that fear and obsolescence as psychological forces providing stimulus to takeover syndrome. Fear of being taken over by some bigger companies triggers the strong desire to become bigger by taking over smaller companies. As a consequence, the company becomes large and complex without evaluating its ability to handle the complex organisational and managerial problems. He further notes that as organisation ages, it becomes rather rigid in its way of working and less adaptable to the changing environment. It is suggested that takeover of growing target companies may then provide an opportunity to inject new life into age-old organisation by initiating improvements in or restructuring of the organisation design to respond to the changing competitive environment (Miller and Snow (1993)).

6.3. THE INDIAN CORPORATE SCENE : AN EXPLORATION

Indian corporate environment has not been as market friendly as its counterparts in western countries. Though the liberalisation process initiated since the beginning of 1980s has made it substantially free from various controls. Still the takeovers are largely affected by interventions from governmental agencies. In the absence of any comprehensive guidelines or code of conduct for participants in market for corporate control, they are still governed by untidy, scattered and ambiguous rules and regulations. Besides, the scant regard for them has allowed the culprits scot-free at the cost of investors' confidence, in market for corporate control. Therefore, Indian corporate scene has not witnessed large number of takeovers as experienced by the developed markets, particularly, the U.K. and the U.S.A.

Takeovers in the Indian market for corporate control present a panoramic view depicting a wide variety of tactical moves and strategic modes for varied motives. This has been exemplified by some of the following takeover attempts. The hostile takeover attempts on Escorts Ltd., Gammon (India) Ltd. by Non-Resident Indian (NRI) raiders; proxy contests in L&T Ltd. and Shaw Wallace Company Ltd.; public tender offers for consolidated Coffee Ltd. and Wendt (India) Ltd.; silent takeover of Spencer Ltd.; green mail attempt in the case of Remington Rand of India Ltd.; share transfer refusal in the case of Mohan Meikins Ltd. and Mafatlal Engineering Ltd.;

takeover of FERA companies in off-shore deals exemplified by Ashok Leyland Ltd. and Chloride India Ltd.; takeover of sick but potentially viable units by Arun Bajoria and Poddars; and finally the family feud in Modi group. Exceptionally, in takeover of I.V.P. Ltd., the Tatas - then incumbent management, forced the Allana group, the bidder, to offer the negotiated price to non-controlling shareholders, as condition for sale of their controlling stake.

Appendix 6.1 and 6.2 provide data base for the analysis contained in Table 6.2 to 6.11. The total number of frequencies in sub-categories in a category may not equal to the total number of companies analysed. Because these sub-categories are not mutually exclusive *i.e.*, more than one strategies are adopted under the category "Strategies and tactics" by the single company or more than one modes of purchasing controlling stake are resorted to by the single company under the category "Mode of purchasing controlling stake".

Type of The Target

The analysis of data contained in Table 6.2 indicates that the bidders preferred non-sick companies (80 per cent) for takeovers. Of these 40 per cent were reported to have unutilised potential resources. Remaining 20 per cent of the targets were either sick or BIFR referred companies.

The analysis of data contained in Table 6.3 permits to infer that the reasons reported by the bidder for undervaluation of the target are its (i) unexploited potential; (ii) unused assets; and (iii) dormancy. The non-sick targets are preferred over sick ones. "Unexploited potential" has been observed as most frequent cause justifying the selection of the target.

Mode of Acquiring Controlling Stake

In 70 per cent of the cases, negotiated deals were resorted to acquire the controlling stake. It is followed by open market purchases, public tender offers and rights issue which were reported in 39 per cent, 13 per cent and 12 per cent respectively.

The analysis of combined frequency distribution of response of the target and mode of acquisition in Table 6.4 revealed that the negotiated dealings were preferred in assisted takeovers while the open market purchases and the right issues were more frequent in resisted takeovers. The public tender offers were found to be in vogue in the case of competitive takeovers.

Response from The Target

52 per cent of the studied cases were found to be assisted takeovers. They were followed by resisted (45 per cent) and competitive (20 per cent) takeovers. The Indian market for corporate control was observed to have been dominated by the friendly takeovers followed by the hostile and the competitive takeovers. Table 6.5 analysed the response of the target with the outcome of the target. It showed that 72 per

cent of assisted takeovers were found to be successful, 55 per cent of resisted takeovers were found to be unsuccessful, and 80 per cent of the competitive takeovers were found to be successful takeovers.

Analysis according to objectives of the target and response of the target in Table 6.6 revealed that the assisted takeovers were more frequent in cases of family feuds and desire of the target to dilute control; while competitive takeovers were more common with those companies whose CEOs was to retire, which had an urge to grow and where there was a shift in corporate strategy.

Table 6.7 analysed the response of the target with the role of financial institutions. The results leads to the following inferences: In resisted takeovers, the FIs were observed to have supported the target and the bidders on the merits of the case. However, they were also observed to have remained neutral in nearly half of the cases. In assisted takeovers FIs remained neutral or supported the bidder while in the resisted takeovers, FIs were observed to have participated more actively.

Result of Takeover Attempt

The Indian corporate scene is dominated by successful takeovers accounting for 70 per cent of the cases while unsuccessful accounted for 30 per cent. Analysis with the type of the targets involved in takeover with the result of takeover attempt is presented in Table 6.8. It revealed that the probability of success in case of sick target was higher than that of non-sick targets.

Table 6.9 presents an frequency distribution of role played by FIs with the result of takeover attempt. It leads to an inference that the support to the target or to the bidder had only marginal impact on the result of the takeover.

Role of Financial Institutions

The role of FIs was observed to be less than unambiguous. The FIs were observed to have (a) remained neutral in majority of takeover attempts (44 per cent cases); (b) supported the bidder (14 per cent cases); (c) supported the target (12 per cent cases); and (d) taken over the control in the selective cases (7 per cent). In 23 per cent of cases their role was not known publicly.

The analysis of role of FIs with respect to reasons for the under valuation of the target in Table 6.10 showed that FIs preferred to takeover the control where the target was inefficient and had unutilised potential. In such cases FIs supported the bidder. FIs were observed to have supported the target or remained neutral in the case of dormant target.

The following analysis does not reveal any distinct pattern for FIs supporting the target or the bidder on adoption of any particular strategies in takeover battle. The attitude of FIs also did not reflect any distinct pattern on the behaviour of the route adopted by the bidder to acquire the controlling stake in the target.

Objectives for The Bidder

In 40 per cent of the cases, the underlying objective of takeover was conglomerate diversification, while in other cases (29%) it was horizontal expansion followed by vertical integration (13 per cent). Functional objectives for the bidder are presented in Table 6.11. It showed that the takeovers were aimed at combining the manufacturing capabilities (53 per cent), exploit the financial potentialities (52 per cent) and expand the marketing territories (44 per cent).

The sick targets were preferred for combining manufacturing capacities and marketing takeovers; however the non-sick targets were preferred for exploiting financial potentialities and service capacities.

The reasons reported by the bidder for the undervaluation of target were unexploited potential of the target (31), inefficiency (29), dormancy (15) of the target, and sick but potential for turn around (16). All the sick companies became target on account of the inefficient use of resources. The non-sick companies were preferred more for their dormancy and for having unutilised potentials.

Frequency distribution of motivations of the bidder for takeover is presented in Table 6.12. It showed that the takeovers stemmed from the bidders' corporate philosophy followed by conflicts among the existing controllers of the target and corporate restructuring exercises. Here, also the bidder preferred the non-sick targets to sick ones.

Objectives for The Targets

It is not only the bidder but also the target which has been found to be interested in the takeover game. Family feud (16) was ranked as the most prominent reason which dragged the company to market for corporate control. It is followed by the decision to dilute the control (11). The other objectives reported for the target in takeover game are : retirement and headship problem (6), shift in corporate strategy (5) and need for revival (2). Except in few cases of family feuds and dilution of control by disinvestment, in most of the cases where target is interested in being takenover, takeovers were assisted. Out of 46 cases where the target was interested in being takenover, 35 were reported as assisted takeovers.

Strategies and Tactics

Wide range of strategies and tactics adopted by Indian managers to attack and defend the target. Off-shore deals marked as the most preferred route to takeover (21 per cent cases). It is followed by rights issues (18 per cent cases) which were observed to have been adopted in both assisted and resisted takeovers. Defensive tactics like proxy contests (15 per cent cases), initiating legal suits (15 per cent), share transfer refusal (14 per cent cases) , and cornering of shares (14 per cent shares) were also found to have been widely used. Other special techniques like greenmail attempts

(5 per cent cases), White Knight takeovers (4 per cent), and workers' buyouts (4 per cent cases) were sporadic events.

A distinct pattern emerges when strategies and tactics are analysed with response from the target. In assisted takeovers the preferred strategies and tactics are spinning off the business (3), workers buyouts (4), international takeover (3), and off-shore deals (14). In contrast, greenmail attempts, share transfer refusals, and proxy contests were preferred strategies and tactics. The tactics and strategies which are found common irrespective of type of the response from the target are agreement with FIs, right issues.

6.4 CONCLUSION

The foregoing analysis suggests that wide range of strategies and tactics have been resorted to by market participants in takeover game in India. The frequencies were marginally low as compared to the U.K. and U.S. This may be due to either lack of transparency of the deal or restraints exercised by the market forces or both. Though at times governmental interventions through FIs or/and support of few major shareholders play more decisive role than that of market forces, still Indian managements have been quite successful in exploiting takeover route to strike their strategic decisions. It is expected that in days to come takeover specialists, turn around artists, investment bankers and corporate lawyers are going to play a vital role in market for corporate control.

Table 6.2. : Frequency Distribution of Categories Analysed in Appendix 5.2.

Category	Code	Frequency	Category	Code	Frequency
1 TYPE OF TAKEOVER TARGET			FOR THE BIDDER		
NON SICK COMPANY	1.01	61			
SICK COMPANY	1.02	10	6 STRATEGIC		
BIFR REFERRED COMPANY	1.03	6	HORIZONTAL EXPANSION	6.1	22
			VERTICAL INTEGRATION	6.2	4
			FORWARD	6.201	6
2 MODE OF PURCHASE OF CONTROLLING STAKE			BACKWARD	6.202	4
PUBLIC OFFER	2.1	10	CONCENTRIC DIVERSIFICATION	6.3	1
NEGOTIATED DEAL	2.2	55	CONGLOMERATE DIVERSIFICATION	6.4	31
OPEN MARKET PURCHASES	2.3	30			
RIGHT ISSUE	2.4	9	7 FUNCTIONAL		
			FINANCIAL	7.1	42
			MARKETING	7.2	34
3 RESPONSE FROM THE TARGET			MANUFACTURING	7.3	41
ASSISTED	3.1	40	SERVICE	7.4	3
RESISTED	3.2	35			
COMPETITIVE	3.3	16	8 REASONS REPORTED FOR UNDER VALUATION OF TARGET		
			INEFFICIENT	8.1	29
			DORMANT	8.2	15
4 RESULT OF TAKEOVER ATTEMPT			UNEXPLOITED POTENTIAL	8.3	31
SUCCESSFUL			UNUSED ASSETS	8.4	15
PASSIVE	4.101	37	SICK BUT POTENTIALLY VIABLE UNIT	8.5	4
RESISTED	4.102	13			
UNSUCCESSFUL	4.2	27	9 PERSONAL OBJECTIVES		
			CORPORATE /PERSONAL PHILOSOPHY	9.1	38
			CONFLICT WITH EXISTING MANAGEMENT	9.2	15
			REVIVAL OF THE TARGET	9.3	10
			CONSOLIDATE THE CONTROL	9.4	2
5 ROLE OF FINANCIAL INSTITUTIONS					
SUPPORTED THE BIDDER	5.1	11	10 OBJECTIVES FOR TARGET		
SUPPORTED THE TARGET	5.2	9	RETIREMENT AND HEADSHIP PROBLEM	10.1	6
TAKE OVER THE CONTROL	5.3	5	GROWTH	10.2	6
NEUTRAL/NO ROLE	5.4	34	DECISION TO DIVEST/ DILUTE THE CONTROL	10.3	11
			FAMILY FEUD	10.4	16
			SHIFT IN CORPORATE PHILOSOPHY/ RESTRUCTURING EXERCISE	10.5	5
			NEED FOR REVIVAL	10.6	2
11 TACTICAL ASPECTS			11 TACTICAL ASPECTS		
SPIN OFF/UNBUNDLING	11.01	3	DISINVESTMENT PLAN	11.09	6
GREEENMAIL ATTEMPT	11.02	4	MEETING & PROXY DRIVES	11.10	11
WHITE KNIGHT TAKEOVER	11.03	3	CORNERING OF SHARES	11.11	12
LBO/MBO/WBO	11.04	3	REVERSE MERGER	11.12	1
SHARE TRANSFER REFUSAL	11.05	11	INTERNATIONAL TAKEOVER	11.13	3
INITIATING LEGAL SUITS	11.06	12	REVIVING TAKEOVER	11.14	12
RIGHT ISSUE	11.07	14	EMPLOYEES PLAYED A ROLE	11.15	5
AGREEMENT WITH FIs	11.08	8	OFF-SHORE DEALS	11.16	16

Source: Appendix 6.2

Table 6.3 : Analysis of Type of the Target vs Reasons Reported for Undervaluation

				Reasons for reported undervaluation				
				Inefficient 8.1 (29)	Dormant 8.2 (15)	Unexploited Potential 8.3 (31)	Unused Assets 8.4 (15)	Sick but Potential 8.5 (16)
Type of the Target	Non-sick	1.01	(61)	13	13	25	14	0
	Sick	1.02	(10)	10	2	2	0	10
	BIFR referred	1.03	(06)	6	0	3	0	6

Source: Appendix 6.2.
Figures in paranthesis indicate individual frequencies.

Table 6.4 : Analysis of Response from the Taget vs Mode of Purchasing Controlling Stake

				Mode of Purchasing Controlling Stake			
				Public Offer 2.1 (10)	Negotiated Deal 2.2 (55)	Open Market Purchase 2.3 (30)	Right Issue 2.4 (9)
Response from the Target	Assisted	3.1	(40)	5	33	7	4
	Resisted	3.2	(35)	3	22	22	5
	Competitive	3.3	(16)	4	14	5	1

Source: Appendix 6.2.
Figures in paranthesis indicate individual frequencies.

Table 6.5 : Analysis of Response from the Target vs Result of the Takeover Attempt

			Result of the Takeover Attempt		
			Successful		Unsuccessful
			Passive 4.101 (36)	^Resisted 4.102 (13)	4.2 (27)
Response from the Target	Assisted	3.1 (40)	29	6	3
	Resisted	3.2 (35)	6	9	19
	Competitive	3.3 (16)	7	6	1

Source: Appendix 6.2.
Figures in paranthesis indicate individual frequencies.

Table 6.6 . Analysis of Response from the Target vs Objectives for the Target

			Objectives for the Target					
			Headship Problem 10.1 (6)	Growth 10.2 (6)	Decision to dilute the Control 10.3 (11)	Family Feud 10.4 (16)	Restructuring Exercise 10.5 (5)	Need for Revival (2)
Response from the Target	Assisted	3.1 (40)	5	4	8	12	4	0
	Resisted	3.2 (35)	2	1	3	3	0	1
	Competitive	3.3 (16)	3	4	5	4	4	1

Source: Appendix 6.2.
Figures in paranthesis indicate individual frequencies.

Table 6.7 : Analysis of Response form the Target vs Role of Financial Institutions

			Role of Financial Institutions			
			Supported the Bidder 5.1 (11)	Supported the Target 5.2 (09)	Takeover the Control 5.3 (05)	Remained Neutral 5.4 (34)
Response from the Target	Assisted	3.1 (40)	6	2	4	20
	Resisted	3.2 (35)	7	9	2	14
	Competitive	3.3 (16)	3	0	2	5

Source: Appendix 6.2.
Figures in paranthesis indicate individual frequencies.

Table 6.8 : Analysis of Type of the Target vs Result of Takeover Attempt

			Result of Takeover Attempt		
			Successful		Unsuccessful
			Passive 4.101 (37)	Resisted 4.102 (13)	4.2 (27)
Type of the Target	Non-sick	1.01 (61)	26	10	28
	Sick	1.02 (10)	7	1	3
	BIFR referred	1.03 (06)	3	2	1

Source: Appendix 6.2.
Figures in paranthesis indicate individual frequencies.

Table 6.9 : Analysis of Result of Takeover Attempt vs Role of Financial Institutions

			Role of Financial Institutions			
			Supported the Bidder 5.1 (11)	Supported the Target 5.2 (09)	Takeover the Control 5.3 (05)	Remained Neutral 5.4 (34)
Result of Takeover Attempt	Succ. Passive 4.101	(37)	4	2	2	18
	Succ. Resisted 4.102	(13)	4	2	1	7
	Unsuccessful 4.2	(27)	5	5	2	7

Source: Appendix 6.2.
Figures in paranthesis indicate individual frequencies.

Table 6.10 : Analysis of Reasons Reported for Undervaluation of the Target vs Role of Financial Institutions

				Role of Financial Institutions			
				Supported the Bidder 5.1 (11)	Supported the Target 5.2 (09)	Takeover the Control 5.3 (05)	Remained Neutral 5.4 (34)
Reasons for Undervalua--tion of the Target	Inefficient	8.1	(29)	6	2	4	9
	Dormant	8.2	(15)	2	3	1	7
	Unexploited Potential	8.3	(31)	7	5	3	12
	Unused Assets	8.4	(15)	3	3	2	8
	Sick but Potential	8.5	(04)	3	1	1	3

Source: Appendix 6.2.
Figures in paranthesis indicate individual frequencies.

Table 6.11 : Analysis of Type of the Target vs Functional Objectives

				functional Objectives			
				Financial	Marketing	Manufacturing	Service
				7.1 (42)	7.2 (34)	7.3 (41)	7.4 (3)
Type of the Target	Non-sick	1.01	(61)	36	23	30	3
	Sick	1.02	(10)	3	8	6	0
	BIFR referred	1.03	(06)	3	3	4	0

Source: Appendix 6.2.
Figures in paranthesis indicate individual frequencies

Table 6.12 : Analysis of Type of the Target vs Personal Objectives of the Bidder

				Personal Objectives of the Bidder			
				Corporate Philosophy	Conflict with Management	Revival of the Target	Consolidate the Control
				9.1 (38)	9.2 (15)	9.3 (10)	9.4 (2)
Type of the Target	Non-sick	1.01	(61)	31	13	2	2
	Sick	1.02	(10)	5	1	4	0
	BIFR referred	1.03	(06)	2	1	4	0

Source: Appendix 6.2.
Figures in paranthesis indicate individual frequencies.