

To Our Readers



There has always been a peculiar kind of love-hate relationships between the proponents of mergers and acquisitions and academics of different hues, including economists, sociologists and others. And since what is seen as politically correct at any given point of time is quite heavily dependant upon the way the academics interpret society and societal movements, reflections of this kind of an ambiguous relationship has also been seen in the political stances taken by Governments at different points of time.

In the United States itself, mergers and acquisitions had been quite an acceptable part of business and political realities till the early 60s. Then came the period of hostile rates, leveraged buy-outs and so forth which led to, on the one hand, a different Avtaar of Oligopoly and on the other the ruination of a large number of small businesses and economies of small towns which were dependant on those businesses. It would appear that the wheel has turned full circle and in the last few years, mega mergers are back in the bag of things labeled politically correct.

Of course, the fact that during the last twenty five years, many countries in the world have enacted competition laws that have paid particular attention to the avoidance of prominent positions has something to do with the wearing by Governments of this new pair of politically correct sunglasses. And the public is led to believe that any merger or acquisition that passes through the filter of the new competition laws is *ipso facto* alright.

In India, mergers have been few and have not impacted sufficiently on the whole country's economy for the society to take a strong ideological stance. Of course, communists and socialists have always been against M&A because they are by definition opposed to any kind of private oligopolies. Recently, of course a number of mergers have taken place and the number of acquisitions abroad by Indian companies has also increased.

While one may feel happy about Indian companies acquiring foreign ones, the growth of M&A within the country and its economic and sociological impacts need to be studied. It is true that SEBI has established clear guidelines for mergers and acquisitions but some more teeth are needed if the kind of raiding that almost ruined the economy of middle America, is to be firmly and clearly discouraged. In this respect more support is needed from Competition Law also.

The whole issue becomes more important at this point of time because of the impending implementation of WTO from 2005. There is no doubt, we believe in anyone's mind that impact of WTO will be felt in the very first instance by small and medium enterprises in India. If one adds to that, the possibility of loosely controlled raiding on smaller companies, then the impact on employment and therefore, the economy could become very serious. And this is already happening. Time, therefore for both the Department of Company Affairs and the SEBI to pay special attention to this area. One realizes that such actions cannot be taken unless backed up by very serious and in-depth research, but that is something that the Government must invest in at the cost of - if it comes to that - other ones having less direct relationship with economic development. The ICAI is also proposing more disclosures in the case of mergers. This will be of immense benefit to stake holders of the companies.

May, 2004

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