ISSUE 32

JULY | 2020

XTRAVAGATE

MERGERS & ACQUISITIONS

DoMS Snippets:
Caution!
Virtualization Ahead...

DEPARTMENT OF MANAGEMENT STUDIES | NIT TRICHY

Editor's Note

Although the 32nd edition of Xtravagate is the first edition of this year, that's not the only exceptional element about it. A new year leads us to a new challenge of not having any batch preceding or succeeding us. The batch of 2018-20 had already graduated and the batch of 2020-21 had not yet been allotted admissions due to the safety measures adopted by the department during the pandemic. However, it did not hinder the newly appointed Editors and Tech team from successfully rolling out our first edition.

In this edition, our editors have put forward their take on this month's theme "Mergers and Acquisitions" through a series of four articles. These articles are followed by the department's method of adapting to the 'new normal' by organizing a digital farewell and a shift to online lectures and exams.

Lastly, I want to express gratitude and immense pleasure in accepting the position of Editor in Chief of Xtravagate for this academic session. I would like to thank my team of Editors and Tech team for proactively contributing to this edition. The team looks forward to welcoming the new, first-year editors with the onset of the new academic session.

Navya Kaul
(Editor in Chief)

ISSUE 32
July | 2020

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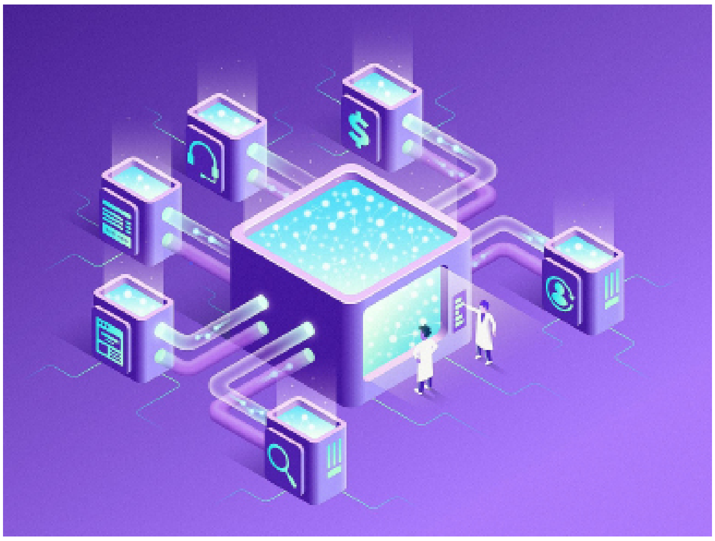
In a period when countries are struggling to face economic headwinds, technology is an aspect that is at the core of industrial policies, growth, and employment. Acquisitions are famous models of corporate development, however, paradoxical to the nature of their popularity, technological acquisitions are driving the world into a monopolistic economy.

As 2020 advances many tech acquisitions are being made across the industry. Facebook has acquired Giphy, Zoom has acquired an end-to-end encryption specialist Keybase, and Microsoft bought cybersecurity platform CyberX, while Apple acquired Xnor.ai. Giving a thought into this, it is imperative to understand the economics behind some of the heated acquisition in the field of technology. A technological acquisition is the transfer of technology in which resources of both are assimilated, altered and attuned to the requirements and provided ample safeguards.

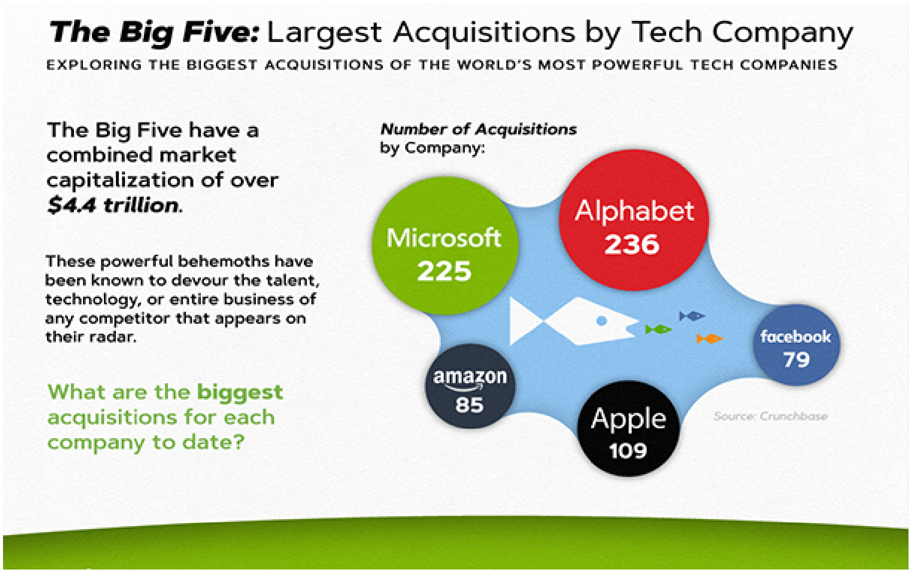


In words of Peter Thiel "Competition is for losers, if you want to create and capture lasting value, look to build a monopoly". Well! Perfect and evident enough in the current scenario. The current market is highly competitive and is amplified by the volatile nature of the changing trends and lower shelf life of technology itself.

Before we rule out the decision against these tech giants, it is compelling to look out for factors which make these acquisitions, a monopolistic dominance. Like any monopoly behaviour, it is not the price of services but the concentration of power, information, and control in the hands of few which poses the question "Whether these market leaders would ever be replaced?"

A monopoly in any market is unfair and restrictive. Without a competitive and fair market scenario, innovation is restrained and new players are prevented to compete in the market. But unarguably digital economy stalwarts like Google, Microsoft, Facebook, and Amazon face severe competition from the greenhorns, who not only provide trending breakthroughs in technology but also threaten the dominance of these giants through disruption.

However, can prolific disruptors take that position of market leadership from the present ones? Well! It seems unlikely! Technological acquisitions are strong enough reasons to capitalize on a winning combination. This combination provides a newer technical capability, improves efficiency, brings different strategically feasible options and reduces the risk of failure. To minimize the risk of being overshadowed by changing requirements of the market, these big tech institutions invest heavily in acquiring budding startups to maintain the leadership position. So it is conclusive to predict that these tech powers wouldn't be relieving their position of market leaders any time soon.



Well, does this pose any problem for us as consumers? Eventually, the answer is NO! As we all are benefitted from their services. But Monopolistic tendencies of the market have several negatives which involve election manipulation, a threat to privacy, tax frauds, fake news, and data rigging.

All in all, technological acquisitions are futuristic shifts in the market and will reinforce the supremacy of these tech giants, yet innovation and competitiveness in the economy drive the growth and should be given substantial opportunities to flourish.

Rishabh Mohan Tripathi
(1st year, MBA)

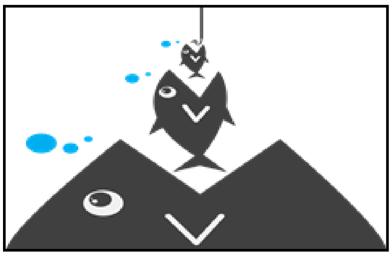
A conglomerate is a unified entity comprising of multiple firms and business that predominantly operate in unrelated fields. The so-called conglomerate is formed gradually by multiple mechanisms. Some have a core business that has diversified into different markets over time, some consist of a single company that has bought or 'acquired' other companies. Now these acquisitions of other companies by an entity or company has numerous aspects to it. The acquisitions vary in terms of scope, duration, purpose and so on. They can range from mergers of whole companies to short lived JVs.

The underlying motivations behind conglomerate acquisitions has been a bone of contention between businesses and governments alike from the mid 1900s. The perceived motivation behind a conglomerate acquisition is basically the company wanting to expand its interests out of the existing current field of operation which in turn is a measure taken by the company to ensure its future is protected i.e. in case the field the company is involved in now becomes inhospitable, then the company has a fall back on which it may rely. But this has proven to be a guise for companies trying to capture businesses, aspects of which impact their products or services. To illustrate with an example, take an oil company, their product is crude oil, but their derivatives are what make it to market. Now there are multiple stages involved from when the crude oil sees the light of day, to when a part of it makes itself into your fuel tank. The next logical step for the company would be to, in 'crude' terminology, buy out the process, to control it. If the company that processes the crude oil is owned by the company that produces it in the first place, then the company can save a lot of money in terms of capital costs and overheads. But the downside to this is that, the company is also prone to try and create monopolies. This happens because, when the company controls the whole process than it cuts costs while at the same time eliminating competitions because it simply acquired the best competitor. This causes the conglomerate to become independent of the other companies that it has not acquired. The other companies eventually decline, resulting in a monopoly.

In the current day and age however, global competition in trade has made it more necessary than ever to consolidate industries. The only way to regulate this in the foreseeable future is the involvement of the government. The U.S government breaking up of the monopoly held by Standard Oil conglomerate is one of the most cited examples of the government getting involved in monopoly dissolution.

To summarise, conglomerate acquisitions, for all their benefits also have their risks. If left unregulated they can move into undesirable locales, but if properly regulated and allowed to flourish within the confines of the law and ethics, they can fulfil the original purpose they were designed to achieve, to be a tool for diversification and efficiency.

Nitish Chandar V
(1st year, MBA)



In the ancient times humanity was nomadic and later they settled in social groups called as tribes. These tribes started trading with one another for their necessities. The value of the traded articles determined their strength and respect. However, when a particular tribe felt that the resources it possesses would not be enough to maintain its edge over others, they went on war to obtain the resources by plundering and looting. It is a not so dignified way but that was an innate quality of humanity. They occupied the lands they looted and gave up when some other tribe challenged it and won. The same extended to the modern terms for corporates is cross-border acquisitions.

In the recent years India has seen a surge in the cross-border acquisitions both inbound and outbound. The past year (2019) saw a record high number of acquisitions which were very huge in monetary terms as well as game changing in the domestic market.

The fact that India is a fast-growing economy with open doors for foreign investments and a number of successful domestic businesses, catch the eye of global firms looking for expansion into India. The easier way for expanding into India is through acquisitions for these firms rather than setting up a company anew.

The global trend in reduction of interest rates and corporate taxes have left the global giants with enough surplus to go on an acquisition spree in the developing nations with good number of domestically established businesses. India besides having lower costs of production and manpower expenses also has good projected growth and booming consumer market, has made it a sweet spot for these global firms for investments.

The firms primarily acquire the well-established domestic businesses on account of not being able to enter into the country despite their best efforts and those entered might not have cracked the market yet. The acquisition of the domestic business comes with the perks of local workforce, better insights on market and a considerable customer base. Moreover, government campaigns like Make in India offering subsidies and exemptions under its banner, tempt these organisations to invest into the projects, helping establish themselves in their initial stages.

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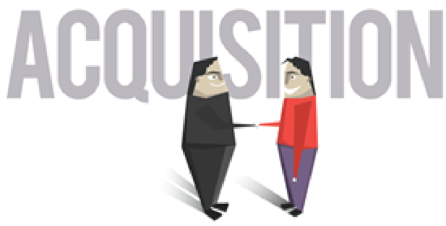


The direct entry might hit a roadblock due to opposition for the firm's entry into India. Walmart, the retail giant in the United States of America faced heavy opposition when they tried entering into the Indian Retail market. However, they succeeded in their entry by acquiring a 77% stake in Flipkart, an e-commerce giant in India. The buyout made it possible for Walmart to increase its presence from nothing to a strong fort, having control over 30% of the retail market in India.

The global players also consider the Indian market as testing field for their strategies as well as products designed for the developing economies, owing to the diversity in all aspects. Indian market being unique with its own nuances and challenges that are quite varied from that of any other developing market, the companies operating successfully in those markets has a lot to offer in terms of insights of management and market preferences.

Owing to these complex structures of market in India, the home-grown companies hire and train professionals to match the international standards who become professionals with unique experiences and global outlook. The companies which look for talents apart from their original pool acquire the domestic business with such rich talent, with an objective to capitalize on them on a global scale.

It should also be noted that once these firms step into the domestic market, they continue on with their acquisition spree, by absorbing the growing and promising start-up's, so as to eliminate all the competition that might arise in the future.

While the foreign companies are busy investing into Indian companies, the cash rich home-grown giants are expanding to other nations thorough acquisitions marking their names in the global scene. Jaguar and Land Rover (JLR), a luxury car maker, acquired by Tata Motors and Pininfarina S.p.A an Italian car design firm acquired by Mahindra Group, both of which were failing companies in the verge of liquidation at the time of their acquisition. These companies had a turnaround in fortune and became successful in the following years with substantial revenues. The JLR had in fact become a cash cow for Tata Motors which is affected by domestic automobile industry slowdown. Pininfarina has become successful in its operations and it is looking for expansion into US and European markets in a better scale.

Indian giants though successful in domestic market and may have a decent global operation, acquire foreign companies for their reputation and making a mark in the global market. So far, many domestic companies have succeeded in doing the same.

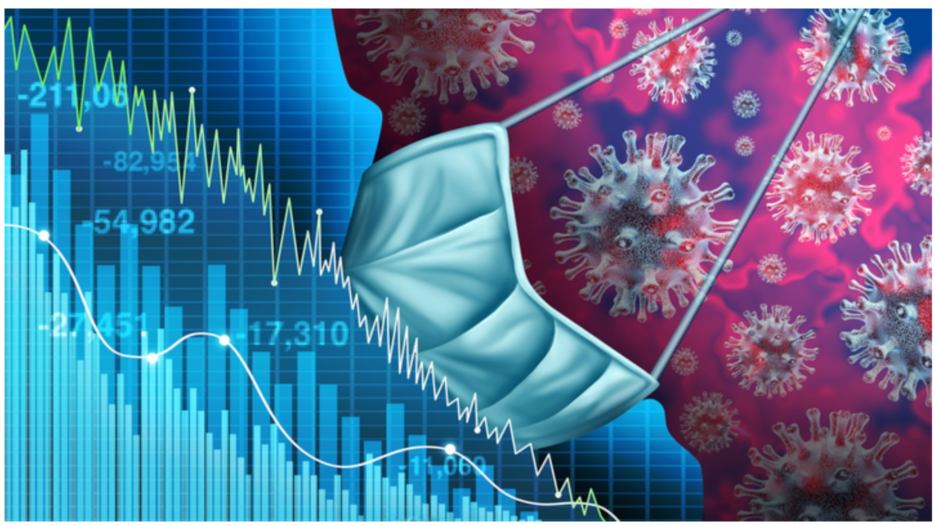
The effects of inbound acquisitions in long term is entirely different topic that can be debated with, but it is also undeniable that cross-border acquisitions is a major contributor for FDI in India. It is projected that mergers and acquisitions will decline globally from $2.8 trillion in 2019 to $2.1 trillion in 2020. Time and money answer the question eventually.

Edward Allan
(1st year, MBA)

Mergers and Acquisitions are happening since the inception of business. M&A is considered as one of the best modes of expansion. It involves a long and tiresome process which not only involves the buyer and seller but also a lot of backroom work by the legal team, IP handling, and the most important investment banking organization which helps in finalizing the financial aspects.

Corporations take a lot of time in analyzing the financial statements and viability of an organization before deciding to either acquire or merge with the entity. And there are a lot of deals which have collapsed at the last moment due to various factors. In today's dynamic economic environment, companies are often faced with decisions concerning these actions - after all, the job of management is to maximize shareholder value.

In 2019, due to the general economic slowdown and trade wars, there was a restrained approach concerning the M&A activities. There was a hope that 2020 would have an increase in mergers and acquisitions.



However, the outbreak of the coronavirus has altered the dynamics of the global economy completely and has brought about unprecedented economic challenges for nations, companies, and people all over the globe. Companies started becoming cautious of their regular day to day work activities and had to change their entire working culture. There were even premature talks of de-globalization which is farcical in this interconnected world.

Worldwide merger activity so far this year is down 33 percent from a year ago and at $762.6 billion is the lowest year-to-date amount for deal-making since 2013, according to the recent statistics. The number of deals also fell 20% year-on-year. Office lockdowns and travel restrictions have been slowing down the due diligence process and, in some cases, have resulted in deals being postponed or even cancelled. It has dragged down various sectors by decades. The unpredictable nature of the outbreak has made it difficult to predict the post corona world.

However, we all know that necessity is the mother of invention and these events are going to alter the dynamics of the existing economic structure. Companies will self-evaluate and may divest or sell their loss-making assets. Also, high investments will be kept aside for the time being.

On the other hand, organizations with strong cash reserves and a positive balance sheet will play a crucial role. The key challenge for these companies will be to identify potential business opportunities which can be their growth engine for years to come.

Looking Ahead:

Once the pandemic comes to an end, the financial firms will bounce back from this adversity. Financial markets will stabilize and there will be incentives from governments and other institutions which will make mergers and acquisitions reach new highs after hitting decade low point.

While the short-term effects of the COVID-19 crisis on the M&A landscape may be quiet drastic, it is expected that this crisis may also precipitate a change in the outlook of the consumers and result in a realignment of priorities at the governmental level towards sectors such as healthcare and pharmaceuticals, as well as its other allied fields such as medical research, medical devices, etc.

Buyers will be in a better position than sellers due to the aforementioned factors. Not only would this spawn opportunities for increased localization, but it may most likely result in further consolidation.

Visagan N
(1st year, MBA)

Each one of us had some aspirations and expectations from the year 2020. People made several resolutions about utilizing the upcoming year differently, with a set of new goals and dreams to achieve. Few people had planned their wedding, some were eager to get a job, and the outgoing batch was excited about getting their first salaries. The new year got us all pumped up. Things were going smoothly; few people were participating in competitions, and most of us were busy looking for internships. However, no one knew what stood ahead of us.

Amidst the routine, the college administration asked us to move back home due to COVID - 19. Many of us were still figuring out whether this move was for the long term or just until March 31st. We left for our homes with very little preparation, no planning, and packing, thinking this was just a short break, and we would be returning shortly after this mini-vacation. Later, in a week, the news came in that the government had imposed a nationwide lockdown to control the pandemic spread.

People were concerned about their academics and jobs. The college administration was consistently trying to find alternative solutions to tackle the situation. They came up with a solution of taking the classes virtually. However, the virtual classrooms had a different set of challenges like inability to tab attendance, assignments, and assessments. Universities still believe in recording the data in hard copy for several reasons. Some professors have notions that the content in the hard paper documents is less plagiarized. It is easy to read. These preconceived notions and other technical reasons have restricted the universities from going digital with their administrative documentations as well. The transition from regular classrooms to digital classrooms was challenging, and delayed in the hope that the pandemic situation was temporary, and soon things would return to normal.

A directive from UGC came in, which stated that all the universities must complete the final year students' assessment by May 31st and results by mid-June. It was a turning point. The college administration started to plan out the activities like how to complete the syllabus, making sure that the final year students graduate on time. They began to communicate with each student to get a clear picture of the available resources such as data connectivity, communication devices. They collaborated with Cisco Webex, a virtual meeting portal where a whole batch could communicate with the professors. Each department scheduled the lectures and doubt clearing sessions. After two weeks, each department individually conducted the online examinations. Students had choices of submitting their answers in the form of scanned copy, a word file or through email within a stipulated time. The final assessment was the tricky part as the administration had to restructure their marking patterns; they made few changes in their current marking system. The evaluation of the other students will also happen similarly. As of now, classes are going on to complete the syllabus.

The virtual system still has many flaws, such as signal drop, the digital synergy between the systems, lag, stutter. Internet connectivity is a critical factor that affects the system. The internet strength and availability is the typical issue that has to be addressed at the national level as it varies from region to region. Many students who live in remote areas do not have access to high-speed internet. Therefore, a strong telecom network throughout the nation is required to make this transition fruitful and successful.

Apart from technical factors, students & professors play a vital role. The professors need to make the digital classroom livelier to attract the students' attention and get them involved in the topic. They need to try a fresh, different approach from their conventional teaching methods as these virtual platforms do not work the same as physical classrooms. Similar efforts are required from the students too. They need to participate actively and not consider these classes merely as general video lectures. They need to focus more on grasping the knowledge from these virtual lectures; otherwise, these lectures will be of no use. It is impossible to build a reliable virtual system overnight; it requires patience and time. Each day will bring some new challenges that will help in creating a sturdy virtual system.

In the meantime, many digital platforms like Coursera, edX have offered a vast selection of certification courses to the students free of cost. These courses have helped students to utilize their time effectively at home, and it will also help these students in getting ready for industries. Now, students are getting used to the idea of a virtual classroom. Many premier universities and institutes have already planned their upcoming academic sessions to be digital until the situation is under control. They are working on the system to make it more effective, highly interactive, and lively.

When we started the year and no one had known what this year had for us, and now after the revelation, we have started looking for new ways to sustain and live. In these times, virtualization has empowered not just students but every industry. The internet has become one of the critical tools to stay connected to the world. Not only that, but it has also become a valuable tool for earning the livelihoods in business sectors like IT. It has provided us with the ability to work and study remotely at our homes in comfort with safety.

Au Revoir Seniors...

The batch of 2020 had no clue that this was the last time they lived their college life. This pandemic brought their college life to an abrupt end. They did not even get to say their final goodbyes. Few planned and unplanned trips got cancelled. Many emotions were

left unexpressed. They missed the most important three months of their lives, which they could have cherished for the rest of their lives. These were the months for which they had been planning for a long time.

As their juniors, we felt that this was unfortunate that they could not give them a proper send-off. Therefore, we planned a virtual farewell through the Cisco Webex meeting. The idea was to bring the batch together at a platform for one last time and to thank them for all the meaningful contributions they have given to DoMS and us.

The program started with a welcome address from Ms. Akarshini Karunanithi, followed by a song performance by Mr. Hriju Samadar, which set the mood for the evening. Palaniappan Sir graced the occasion with his wise words. Later, our seniors shared their journeys, expectations. How DoMS has superseded those expectations and provided them with the experience of two different worlds, i.e., technological and management, they will reminisce for a very long time. A scintillating dance performance by Ms. Sanchita, Ms. Amritha, and Ms. Shruthi was among the highlights of the program. The program came to an end with the showcase of the digital yearbook dedicated to our beloved seniors.

It was not even close to a perfect farewell to our seniors, but one can say that this was first of its kind, and our seniors were the 1st generation to witness a virtual farewell. We at DoMS, wish our seniors all success and happiness they deserve. Great things are yet to come into their lives.

Utkarsh Pratap Yadav
(1st year, MBA)

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