CORPORATE RESTRUCTURING

What is Corporate Restructuring and Need of Corporate Restructuring?

- **Introduction**
- **Corporate Restructuring** may be a one-time exercise for an organization but it may have a perpetual influence on the business and other concerned agencies due to its numerous considerations and immense advantages viz., convalescent corporate performance and immeasurable corporate governance.
- **Corporate restructuring is an expression**, by which a company can consolidate its business operations and reinforce its position for accomplishing its short-term and long-term corporate objectives – synergetic, dynamic and continuing as a competitive and successful entity.
- **Types/Tools of Corporate Restructuring:** merger, demerger, amalgamation, acquisition, disinvestments, joint venture, etc.
- **Mergers and amalgamations**
- The merger of two companies which may have similar or different business activities. There may be n numbers of reasons for mergers like cost saving to strengthen the business. Merger benefit analysis would tell the benefit or loss of the merger. New shares are usually issued. Payment of consideration by the issue of shares of Transferee Company to the members of transferor companies is the usual method.

Corporate restructuring includes the activities involving expansion or contraction of a firm's operations or changes in its asset or financial (ownership) structure.

MERGER the combination of two or more firms, in which the resulting firm maintains the identity of one of the firms, usually the larger one.

The *surviving company*

The *merged company*

A *friendly merger* is a merger transaction endorsed by the target firm's management, approved by its stockholders, and easily consummated.

A *hostile merger* is a merger not supported by the target firm's management, forcing the acquiring company to gain control of the firm by buying shares in the marketplace.

A *strategic merger* is a transaction undertaken to achieve economies of scale. A *financial merger* is a merger transaction undertaken with the goal of restructuring the acquired (merged) company to improve its cash flow and unlock its hidden value.

Sr.	Merger	Acquisition
1	Merger occurs when two separate entities, come together to create a new, joint organization in which both are partners	Acquisition refers to the purchase of one entity by another entity
2	One or more companies are dissolved and new company maybe created	No company is dissolved and no new company is created, i.e. both continue
3	In merger, two companies consolidate into a single entity with a new ownership and management structure.	In acquisition, one company takes over all total operational management control of another company

Benefits

Corporate Restructuring aims at improving the competitive position of an individual business and maximizing its contribution to corporate objectives.

Through mergers and acquisitions, companies hope to benefit from the following:

(1) Increase in Market Share

(2) Reduced Competition

(3) Large size

(4) Economies of scale

(5) Tax benefits

(6) New Technology

(7) Strong brand

Forms of Corporate Restructuring

Different Types of Strategic Corporate Restructuring

01 Mergers

02 Private Acquisitions

03 Divestment

04 Demerger

05 Reverse Merger

06 Strategic Partnership/Alliance

DUE DILIGENCE PROCESS

Due Diligence Phase of M&A Transaction

Phase 1 — M&A Strategy

- Define M&A Strategy and Goals
- Create M&A Executive Commitee

Phase 2 — Target Screening

- Organize Search Team and Plan Target Screening
- Identify Potential M&A Targets
- Screen, Select and Contact Target Candidate(s)
- Execute Confiden-tiality Agreement
- Analyze Potential M&A Synergies
- Submit M&A Letter of intent

Phase 3 — Due Diligence

- Plan M&A Due Diligence
- Organize Due Diligence Teams
- Define Due Diligence Approach, Methods and Protocols
- Conduct M&A Due Diligence
- Compile and Analyze Due Diligence Findings

Phase 4 — Transaction Execution

- Develop Target Valuation
- Develop M&A Deal Structure
- Present M&A Deal Offer
- Negotiate M&A Deal Terms
- Plan M&A Integration
- Conduct M&A Deal Closing

Phase 5 — Integration

- Establish M&A Integration Mgt Office(s)
- Comuniate M&A Integration Plan
- Integrate Customers, Markets, Products, IT Infrastructure, Data and Systems
- Integrate the Organizations, Workforce, Functions, Operations, Locations and Facilities

Why Is Due Diligence Important?

There are many advantages to undergoing M&A due diligence. First, the buyer is better able to adjust their expectations as they review the unique details of a company. This information can also come in useful during negotiations.

When a buyer is able to gather important data on a company, there is a lower risk of unexpected legal and financial problems. Due diligence is essentially an effective way for buyers to protect themselves from risky business deals.

As the due diligence process requires a great amount of communication between the two parties, the businesses are also able to form a working relationship.

Ethical Dilemmas in Business Mergers

- Disclosure by Target Company. The company being acquired is often called the target company. ...
- Unfriendly Takeovers. A company might decide to acquire a company that is not for sale. ...
- Confidentiality. ...
- Terminating Employees. ...
- Relocating Employees.
- Discrimination. One of the biggest ethical issues affecting the business world in 2020 is discrimination. ...
- Harassment. ...
- Unethical Accounting. ...
- Health and Safety. ...
- Abuse of Leadership Authority. ...
- Nepotism and Favoritism. ...
- Privacy. ...
- Corporate Espionage.