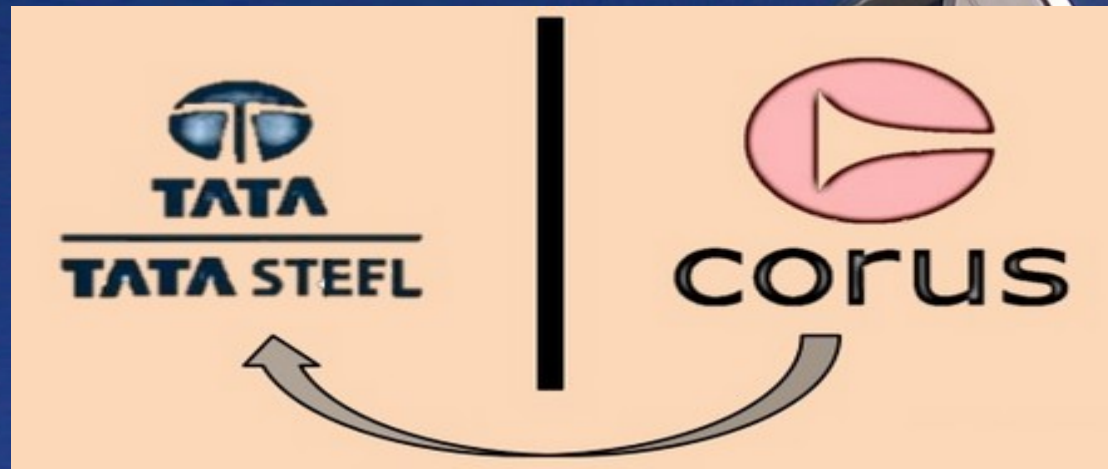


TATA AND CORUS: A CASE OF ACQUISITION



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INTRODUCTION

- Merger

- Two firms agree to integrate their operations on a relatively co-equal basis

- Acquisition

- When one company takes over another and clearly

established itself as the new owner, the purchase is

called an acquisition

TYPES OF MERGER

1. Horizontal Merger



2. Vertical Merger



3. Conglomerate Merger



4. Concentric Merger



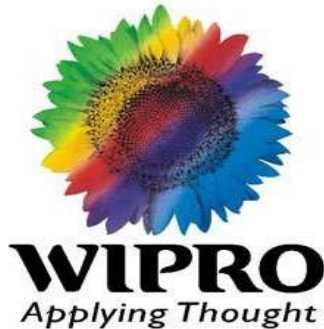
ACQUISITIONS

- Horizontal Acquisitions
 - Acquirer and acquired companies compete in the same industry
 - McDonald's acquisition of Boston Market
- Vertical Acquisitions
 - Firm acquires a supplier or distributor of one or more of its goods or services; leads to additional controls over parts of the value chain
 - Walt Disney Company's acquisition of Fox Family Worldwide.
- Related Acquisitions
 - Firm acquires another company in a highly related industry

ACQUISITIONS

Infosys®

PORTLAND
GROUP



SAIC®
From Science to Solutions



Autonomy



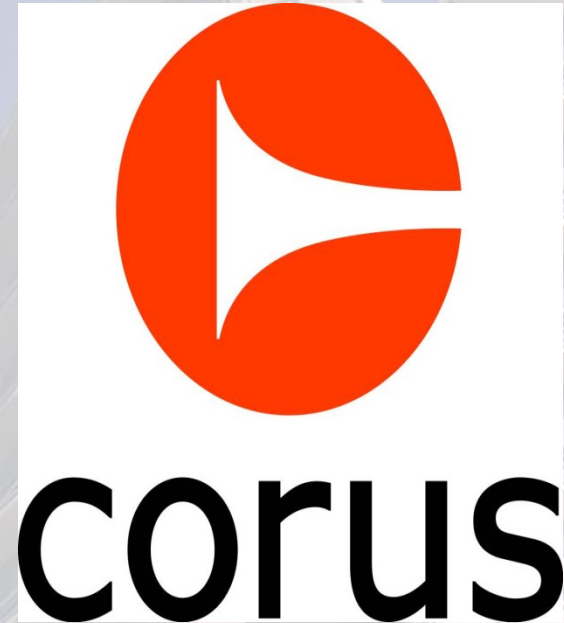
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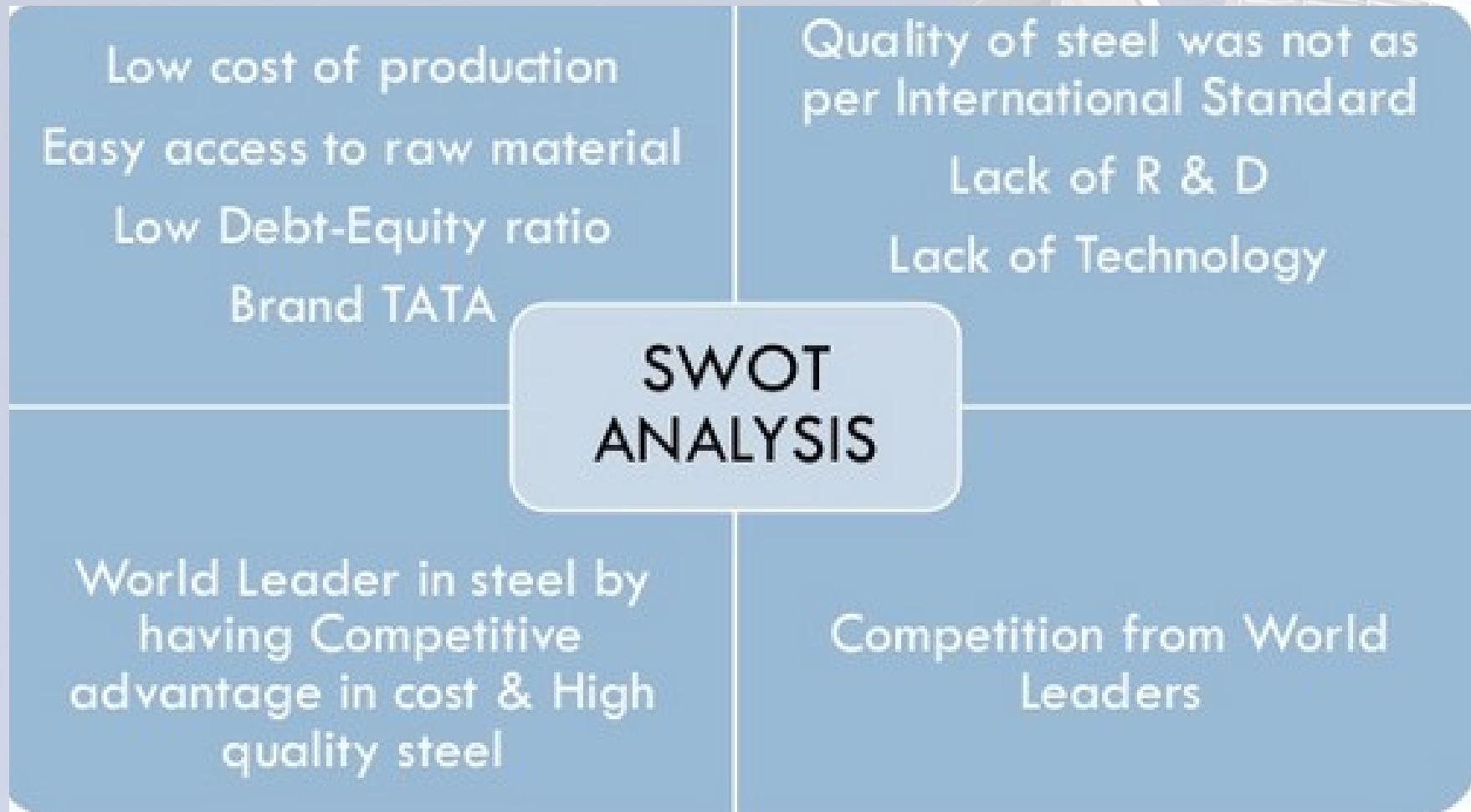
HORIZONTAL ACQUISITION OF CORUS BY TATA STEEL



COMPANY PROFILE (TATA)

- Established in 1907, Tata Steel is among the top ten global steel companies.
- It is now one of the world's most geographically-diversified steel producers, with operations in 26 countries and a commercial presence in over 50 countries.
- The Tata Steel Group, with a turnover of US\$ 26.13 billion in FY 2011- 2012, has over 81,000 employees across five continents and is the FIRST in
 - **First Fortune 500 INDIAN company.**
 - **First to introduce 8 hour working days**
 - **First to introduce leave with pay**
 - **First to introduce pension system in India**
- Tata Steel's vision is to be the world's steel industry benchmark through the excellence of its people, its innovative approach and overall conduct.
- Tata Steel invested in various other businesses as well such as Oil mills, Airlines, Publishing, Motors, Consultancy services etc.

SWOT OF TATA



SWOT ANALYSIS

Low cost of production
Easy access to raw material
Low Debt-Equity ratio
Brand TATA

Quality of steel was not as per International Standard
Lack of R & D
Lack of Technology

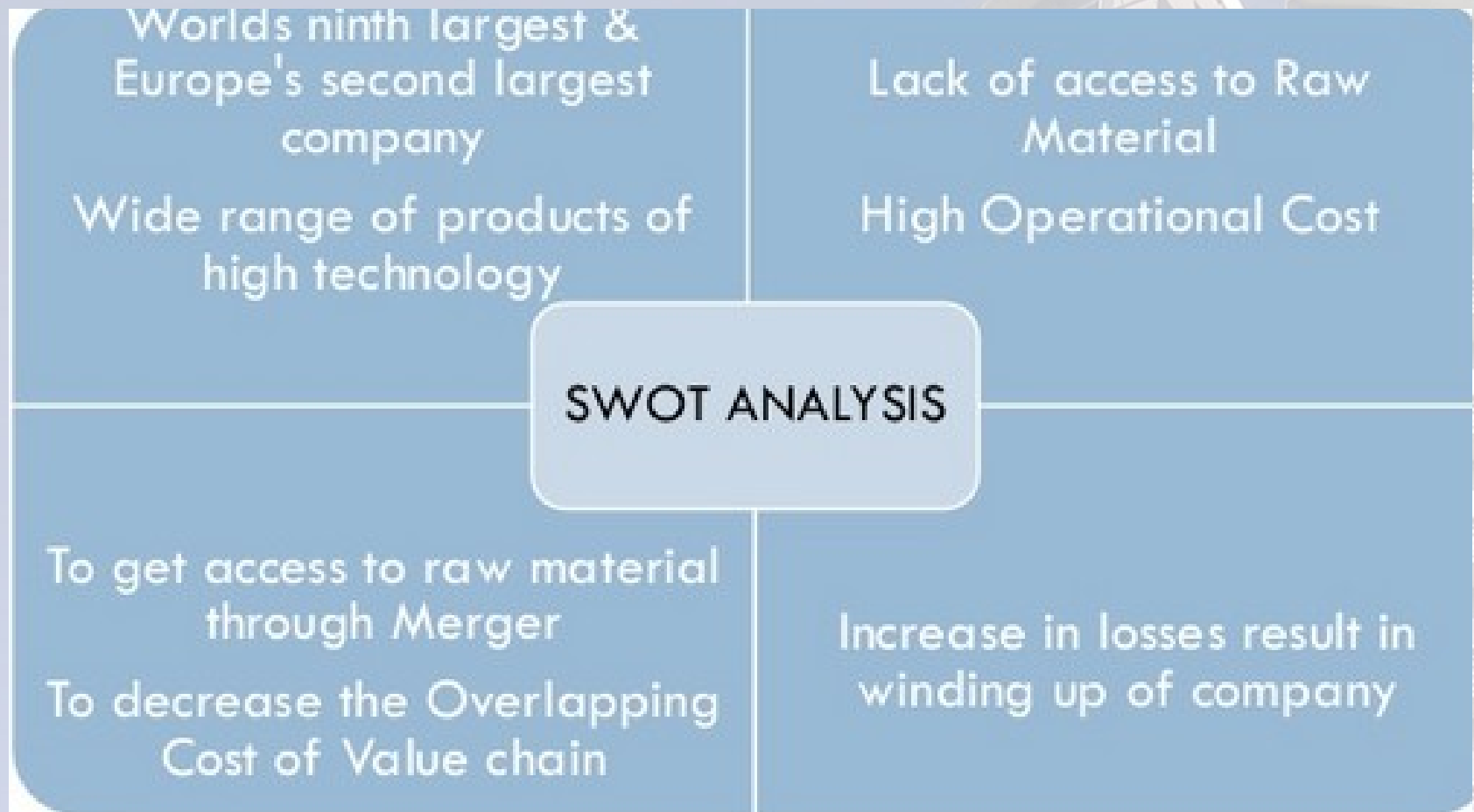
World Leader in steel by having Competitive advantage in cost & High quality steel

Competition from World Leaders

Pre-merger COMPANY PROFILE - CORUS

- CORUS was formed on 6th October 1999. It is Europe's second largest steel producer with a production of 18.2 million tones and revenue of 9.2 billion.
- Major manufacturing sites in UK, Netherlands, Germany, France and Belgium & sales/offices centers in over 40 countries
- The product mix consisted of Strip steel products, Long products, Distribution and building system and Aluminium.
- The Corus was having leading market position in construction and packaging in Europe with leading R&D
- The Corus was the 9th largest steel producer in the world. It opened its bid for 100 % stake late in the 2006.

SWOT OF CORUS



REASONS FOR TATA STEEL TO BID

- To tap European mature market.
- Cost of acquisition is lower than setting up of green field plant and marketing and distribution channel.
- TATA manufactures low value, long and flat steel products while Corus produced high value stripped products.
- Helped to feature in top 10 players in the world.
- Technology benefit.
- CORUS holds number of patents and R&D facilities.

REASONS FOR CORUS TO BE SOLD

- A chance to bail out of debt and financial crisis. Total debt of CORUS was 1.6bn GBP.
- Access to cheap high quality iron ore from India.
- Corus facilities were relatively old with high cost of production.
- Corus needed supply of raw material at lower cost.
- Though Corus has revenues of \$18.06bn, its profit was just \$626mn (Tata's revenue was \$4.84 bn & profit \$ 824mn).

VIEW ON THE DEAL

- TATA steel acquisition of CORUS was a bold and smart move. Complementarities in scale, market geography, financials, technology and raw materials offered a strong rationale for the deal.
- The acquisition of CORUS has been timely done. Given the rising momentum of consolidation in the industry and rising valuations of steel companies, had TATA steel not acted when it did, the opportunity could have been lost forever.

PROCESS OF ACQUISITION

- Finding A Target Business
- Appointing Advisers
- Negotiating terms
- Due Diligence
- Exchange of Contracts
- Completion

FINDING A TARGET BUSINESS

SYNERGIES EXPECTED FROM THE DEAL:

- Tata was one of the lowest cost steel producers & Corus was fighting to keep its productions costs under control.
- Tata had a strong retail and distribution network in India and SE Asia. Hence there would be a powerful combination of high quality developed and low cost high growth markets
- Technology transfer and cross-fertilization of R&D capabilities.
- There was a strong culture fit between the two organizations both of which highly emphasized on continuous improvement and Ethics.
- Economies of Scale.
- Increase in profitability.
- Backward integration for Corus and Forward integration for Tata Steel.

APPOINTING ADVISORS

CORUS	TATA
J P MORGAN	ABN AMRO
CAZENOVE	DEUTSCHE BANK
HSBC	STANDARD CHARTERED

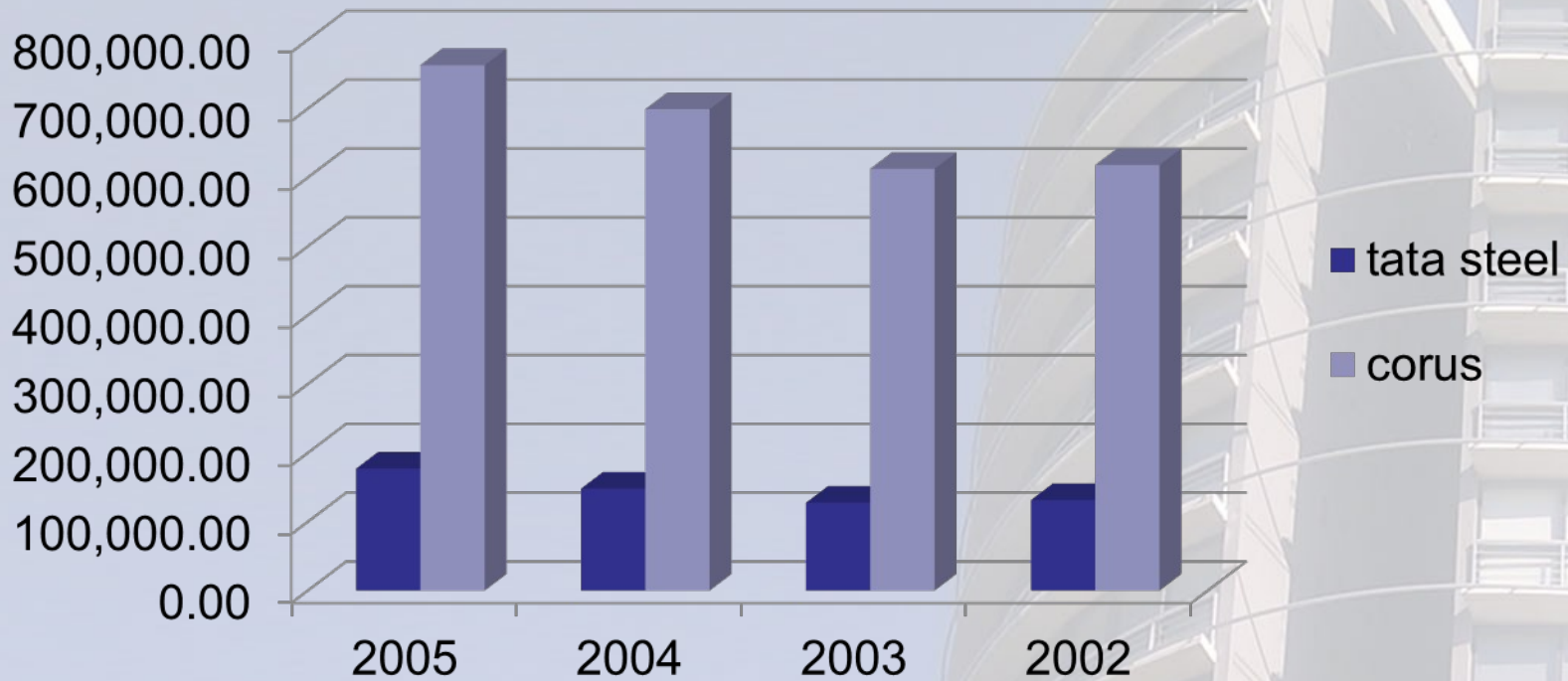
NEGOTIATING TERMS

- **September 20, 2006** : Corus Steel has decided to acquire a strategic partnership with a Company that is a low cost producer
- **October 5, 2006** : The Indian steel giant, Tata Steel wants to fulfill its ambition to Expand its business further.
- **October 6, 2006** : The initial offer from Tata Steel is considered to be too low both by Corus and analysts.
- **October 17, 2006** : Tata Steel has kept its offer to 455p per share.
- **October 18, 2006** : Tata still doesn't react to Corus and its bid price remains the same.
- **October 20, 2006** : Corus accepts terms of £ 4.3 billion takeover bid from Tata Steel
- **October 23, 2006** : The Brazilian Steel Group CSN recruits a leading investment bank to offer advice on possible counter-offer to Tata Steel's bid.

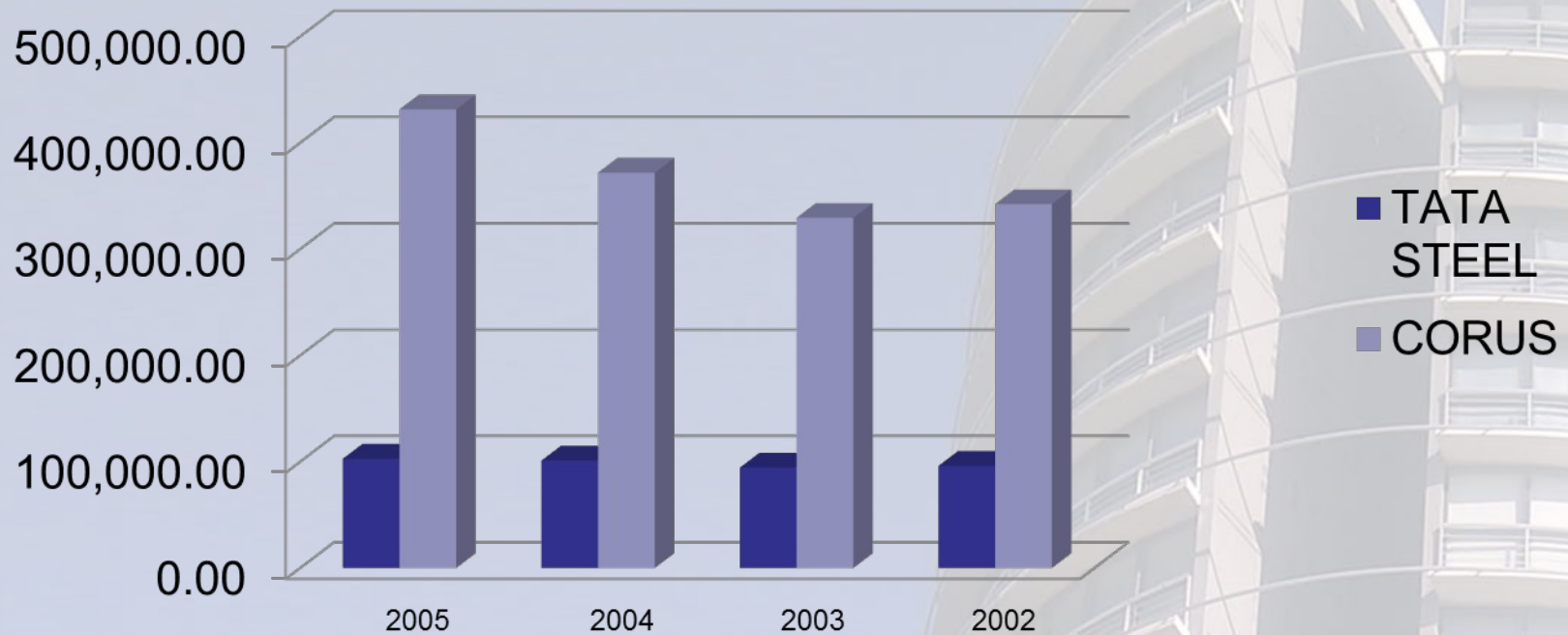
- **October 27, 2006** : Corus is criticized by the chairman of JCB, Sir Anthony Bamford, for its decision to accept an offer from Tata.
- **November 3, 2006** : The Russian steel giant Severstal announces officially that it will not make a bid for Corus
- **November 18, 2006** : The battle over Corus intensifies when Brazilian group CSN approached the board of the company with a bid of 475p per share
- **December 18, 2006** : Within hours of Tata Steel increasing its original bid for Corus to 500 pence per share, Brazil's CSN made its formal counter bid for Corus at 515 pence per share in cash, 3% more than Tata Steel's Offer.
- **January 31, 2007** : Britain's Takeover Panel announces in an e-mailed statement that after an auction Tata Steel had agreed to offer Corus investors 608 pence per share in cash
- **April 2, 2007** : Tata Steel manages to win the acquisition to CSN and has the full voting support from Corus' shareholders

DUE DILIGENCE (GRAPHS)

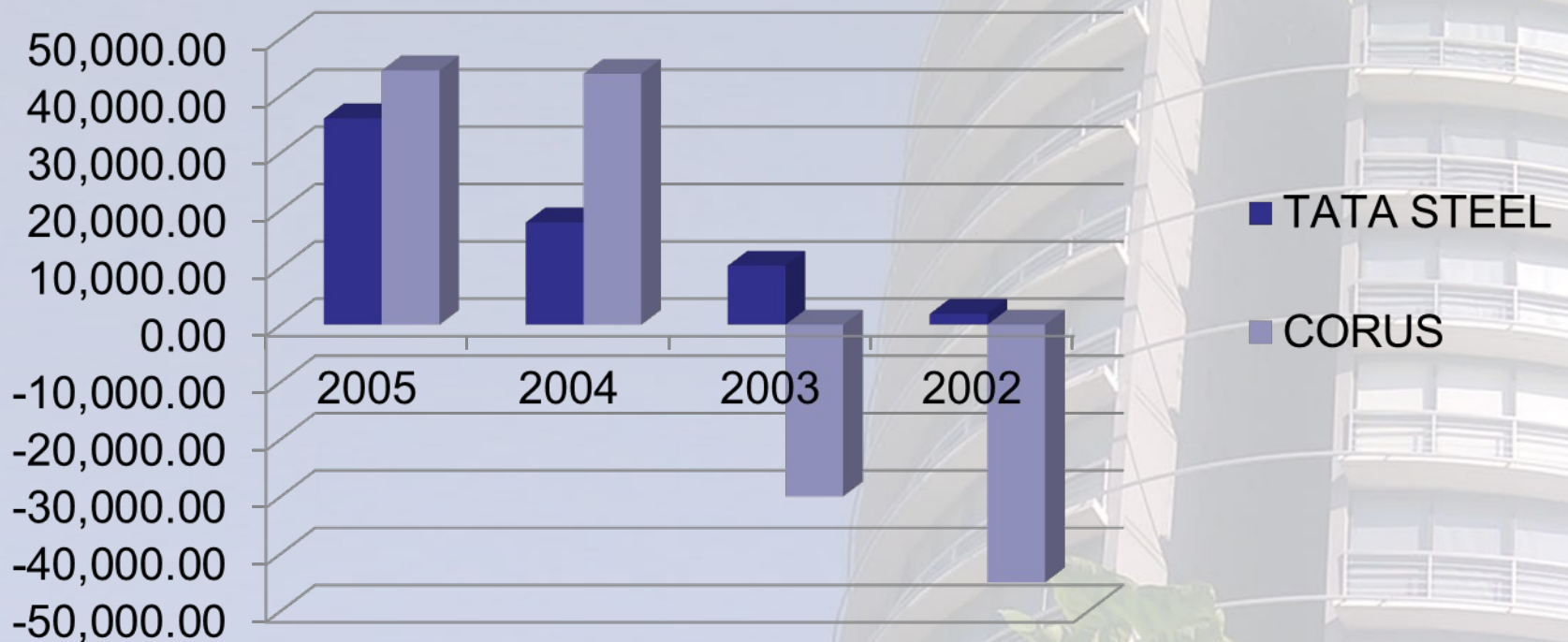
ASSETS



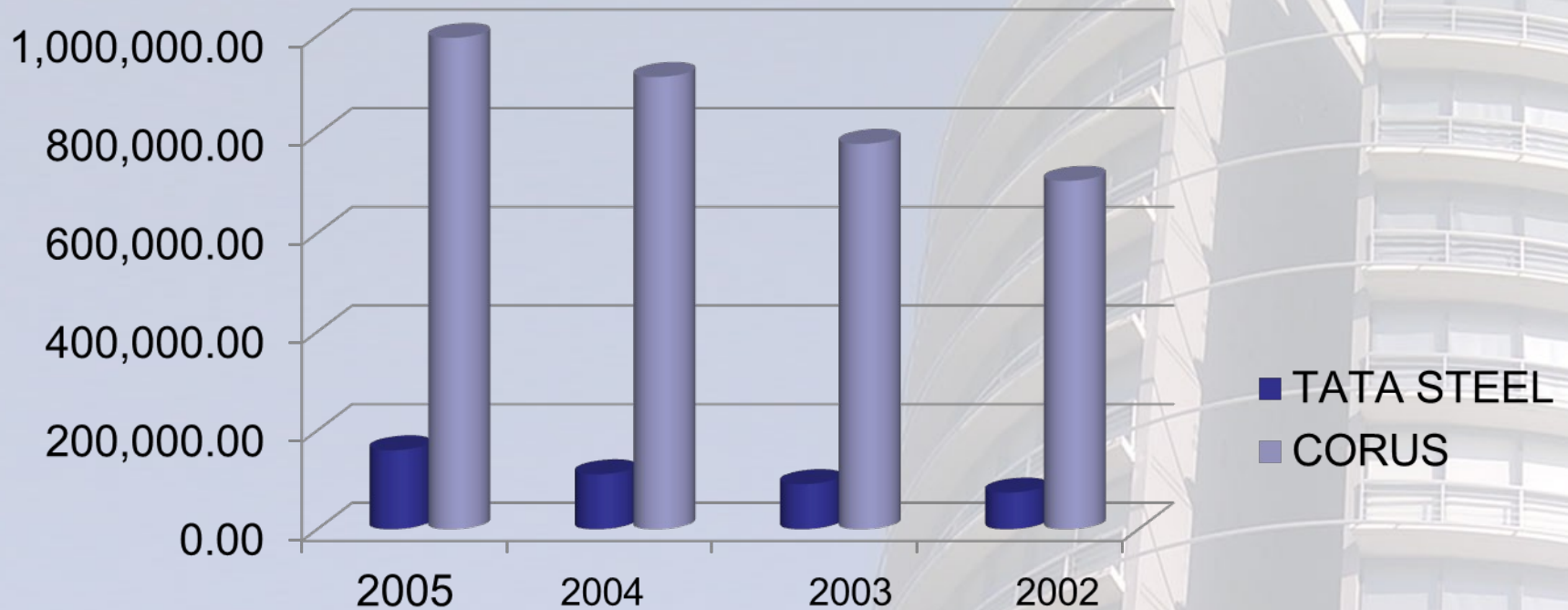
LIABILITIES



NET INCOME



REVENUE



REASONS FOR ACQUISITION

- Increase Market Power Through Horizontal Acquisition
- Overcome Entry Barriers.
- Cost Of New Product Development.
- Helped to feature in top 10 players in the world.
- Lower Risk Compared To Developing New Products.
- CORUS holds number of patents and R&D facilities.

Reasons From Corus to accept the Tata Bid

- Saturated market of Europe
- To extend its global reach through Tata steel
- Favorability of shareholders over Tata's deal
- To get access to low cost Indian Ore reserves
- Decline in market share and profit
- Total debt of Corus was 1.6 Billion
- Corus facilities were relatively old with high cost of production.



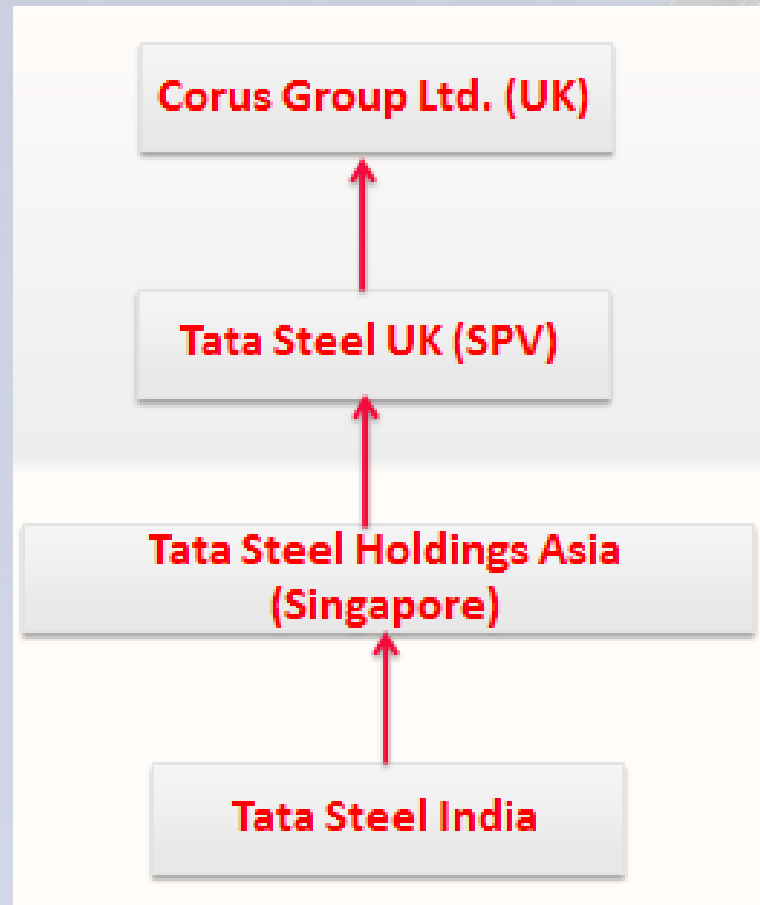
How the Acquisition was Implemented

The Tata-Corus Deal

Statistics

- Tata acquired Corus on 2nd April 2007
- The deal price was US \$ 12.11 Billion
- On 17th Oct 2006 Tata bid was priced at 403 pence per share (Market Price per share at that time was 390 pence)
- Tata Steel winner of the auction for Corus declares a bid of 608 pence per share
- Tata surpassed the financial bid from Brazilian Steel Maker – COMPANHIA SIDERURGICA NACIONAL (CSN) – of 603 pence per share

The Tata-Corus Deal





Was The Acquisition a Success or a Failure?

Acquisition– Success or Failure?

The following points can be attributed:

- TATA Steel Group rose to 5th position from 56th
- The production capacity increased from 4 million tones to 28 million tones by 2011
- Standard & Poor's Rating cut it credit Rating to BB from BBB and removed them from the negative watch list



Reasons for Success or Failure?

Success - Corus' R&D Unit

- Strong Research & Development Unit
- Diversified presence
- Several Patent's to its credit
- Produces high end steel
- Large Customer base
- The 2nd largest Company of Britain and one of the flagship companies of the Britain's infrastructure industry
- Aerospace, Automotive, Construction, Consumer Products, Defense & Security, Energy & Power, Lifting & Excavation, Packaging, Rail

TATA'S IMPLEMENTATION OF THE DEAL

- Big boost to the Indian economy, as TATA was acquiring a company 3 times its size
- The R&D Unit of Corus complements that of TATA's
- Links low cost Indian production and raw materials and growth markets to high margin markets and high technology in the West
- Help from financing institutions as \$8 billion was raised through debt

Verdict

Acquisition - A SUCCESS



Major Acquisitions – Big Deals

Target	Buyer	Value(\$bn)	Year
Arcelor	Mittal Steel	31	2006
NKK Corp	Kawasaki Steel	14.1	2001
LNМ Holdings	Ispat Intl	13.3	2004
Tata	Corus	12	2006
Krupp AG	Thyssen	8.0	1997
Dofasco	Arcelor	5.2	2005
Intl Steel	Mittal Steel	4.8	2005

POST ACQUISITION TATA

- Tata Steel has formed a seven member integration committee to spearhead its union with Corus group
- The day after the acquisition was officially announced, Tata share fell by 10.7% on the Bombay stock market.
- Tata's new debt amounting to \$8 billion due to the acquisition.

Issues raised

- Is this acquisition a right move for Tata?
- Have Tata over priced the share?

DEVELOPING A POST-ACQUISITION STRATEGY

1.The first 100 days

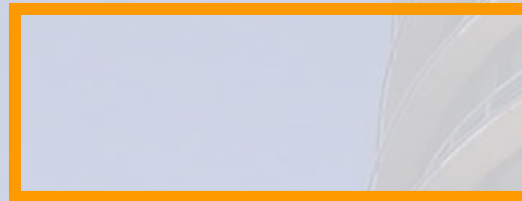
2.In-house systems synergy

First 100 Days: Conflict Points

1. Time Factor
2. Leadership style differences
3. Who's in charge? (Who won?)
4. Organic vs. bureaucratic cultures
5. Open vs. closed communication
6. Decision making speed & style
7. Structures that don't match

In-house systems synergy

**Product Leadership
(best product)**



**Operational Excellence
(low cost producer)**

**Customer Intimacy
(best total solution)**

Rationale of the Corus deal

- Augmented its crude steel capacity to 27 mtpa
- The combined entity forms the 6th largest steel company
- The merged entity has brought Tata steel to the world platform
- Provided Tata steel access to new markets and presence across the steel value chain
- Much broader distribution network

Conclusion

- With Corus in its fold, Tata Steel can confidently target becoming one of the top-3 steel makers globally by 2015. The company would have an aggregate capacity of close to 56 million tones per annum, if all the planned Greenfield capacities go on stream by then.
- We can conclude that if the acquisitions well planned , Executed and the necessary precautions taken for the deal a company can achieve its strategic objectives and thus ensure its growth through Acquisition.

LEARNING AND CONCEPTS COVERED

- International Acquisition consequences
- Industry trends and pricing dynamics in the world steel industry
- Growth by acquisition--a widely used strategy undertaken by many firms that are seeking a global presence.
- Cross-cultural complexities of cross-border acquisitions.
- Impact of a particular transaction on the mindset of other Indian firms that are increasingly seeking an international presence.
- Concepts covered are M/A, Strategy, SWOT analysis, Strategic Leadership, Strategic management process.

Strategic Management Process



THANK YOU!!

