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Case Study

Walmart-Flipkart Acquisition: a case study

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Abstract

There are various reasons of increasing M&A however, most acquisitions and mergers are done to reduce competition. Year 2017 was the booming year for mergers and acquisition activity specially in e-commerce sector as this sector saw M&A worth $2,112 million according to report of Grant Thornton. Further, India has a potential to nurture more than fourfold to approx. $150 billion by the year 2022, affected by increasing income and heave in the internet users, as per the latest reports. Amongst all e-tailing segment is the fastest growing. Making the biggest acquisition in e-tailing sector this report puts light on the Most recent case of American retail giant which has acquired Flipkart in a competition with Amazon. Furthermore, it divulges the viewpoint behind the huge acquisition and how this will contribute to the Indian economy progression. The strategy behind Walmart-Flipkart alliance is more than just taking on Amazon. For Walmart this alliance will make its entry into retail in India which was long awaited through e-commerce route by holding Flipkart's hand. Following this acquisition, the industry has come under the lenses of lawmakers and regulators and the new draft e-commerce policy has been formulated which mentions stern regulations on online retail, including curbs on discounts, which has caused an uproar in the industry.

Keywords: Amazon, e-commerce, e-tailing, e-commerce, economic development, e-commerce policy, flipkart, walmart,

Introduction

The purchase of Flipkart by Walmart characterizes a very significant shift taking place in the global business model where customer value preposition is gradually shifting from physical product to digitally delivered solution/service/experience – a shift that in BCG (Boston Consulting Group) is called 'servitisation'[1]. Most of the industrial companies have assured that their fastest growing business was due to digital services and solutions and not due to selling physical products.

The importance of this change is basically the amalgamation of the digital services with the physical product delivery. Retail businesses are using it as offline and online delivery model. As per the original business model the company is allowed to create a new value preposition named 'sachetisation'. Sachetisation means an experience without consumption like Uber gives to point to point travel or consumer line personalisation experience that is provided by the Netflix to its customers globally[2]. Thus, online skills of Flipkart allow Walmart to create such more value prepositions. In addition to this, it will also provide a robust network of distribution to the physical supply chain. This means that Walmart can push Flipkart to the other markets very easily without putting an effort to make huge investments.

The acquisition is significant also because all other top M&A deals involving Indian companies relate to non-technology sectors-mainly oil and gas, steel and metals, and telecom.

Objectives: i. To study the philosophy behind the Walmart-Flipkart acquisition. ii. To study major challenges faced by Walmart while acquiring Flipkart. iii. To study the reasons of high valuation of Flipkart despite of it being a loss-making company.

Parties to the Deal

Walmart: Walmart Inc is an American multinational retail company which was originated by Sam Walton in the year 1962 and incorporated in the year 1969. It is headquartered in Bentonville. It operates number of hypermarkets, Discount departments and grocery stores[3]. Currently Walmart has 11718 stores operating under 59 different names in 28 countries. In financial year 20918 it generated a revenue of approximately of $500.3 billion. It has expertise in the area of retail market and supply chain management.

One of the biggest rival of Walmart is Amazon. Walmart arrived India through a Joint Venture with Bharti enterprises in year 2007 and got its first store opened in Amritsar, Punjab in year 2009.

Flipkart: Flipkart is an e-commerce company which was founded by Delhi IITians and former Amazon employees Sachin Bansal and Binny Bansal with just rupees 4 lakhs in year 2007. It is headquartered in Bengaluru, Karnataka. Binny Bansal and Sachin Bansal initially started their business in a two-bedroom apartment of selling books online gradually this business grew and they started selling other products also such as clothing, footwear, accessories, beauty and grooming products, baby care products and toys, etc. It employs nearly 8000 permanent employees and more than 20,000 contract workers.

It is the first e-commerce company to introduce "cash on delivery" method of payment which is one of the biggest factor in its success. The organization has likewise figured out how to build up itself in a stuffed market, surpassing once close opponent Snapdeal which imploded in 2017[4].

Its revenues increased over the period from less than $1 million in 2008-09 to $75 million in 2011-12 and augmented, with multiple take overs along the way in order to reach $3 billion in year 2016-17. There is a decrease by 50 percent in the revenue growth rate of the year 2016-17 as compared to last fiscal year. The growth rate for year 2016-17 was recorded as 29 percent. The revenue of the Flipkart are shown in rupees amount in the graph given below. Today Flipkart is one of the most valued e-commerce company which is imposing a peak valuation of over $15 billion.

The company has made at least 10 acquisitions since the time of its existence which includes online lifestyle retailers like Myntra and Jabong which have made Flipkart a leading company in this segment by a wide margin.

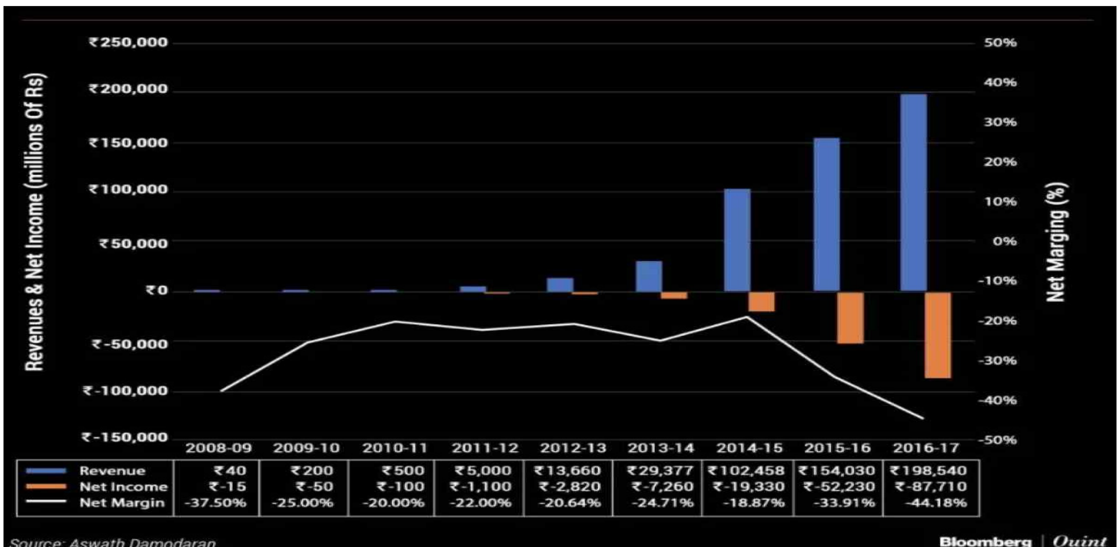

Figure-1: Profitability of Flipkart[15].

Table-1: Acquisitions made by Flipkart[16].

Year	Company
2017	EBay
2016	PhonePe
2016	Jabong
2015	FX Mart
2015	Adiquity
2015	Appiterate
2015	MayMyIndia (Minority Stake)
2014	Myntra
2012	Letsby
2010	WeRead

Flipkart's funding journey	Oct 2009: $1million from Accel partners
	November 2009: $10 million from tiger global Management
	June 2011: $20 million from Tiger Global
	August 2012: $150 million in round led by South Africas Naspers, along with Accel, ICONIQ Capital and Tiger Global
	July 2013: $200 million at a pre-money valuation of $1.3billion from the same 4 investors; gains "unicorn" status
	Oct 2013: $160 million from investors including Morgan Stanlay, Dragoneer Investment Group, Sofina, Tiger Global and Vulcal Capital
	May 2014: $210 million from Russia's DST Global
	July 2014: $1 billion from investors led by Naspers and Tiger Global: post money valuation of $7 billion
	December 2014: $700 million from new investor from new investor led by Stead view capital, Qatar Investment Authority and others; hits a valuation of $12 billion
	July 2015: Finishes raising another $700 billion from existing investors incluing Tiger Global: hits a valuation of $15 million
	April 2017: $1.4 billion from Tencent, ebay and Microsoft. the valuation falls to $11.6 billion.
	August 2017: $1.4 billion from Soft bank

Figure-2: Journey of Flipkart[17].

Corporate structure of flipkart

Flipkart Pvt ltd. operates in a intricated warren of inter connected and independent entities. The structure of Flipkart started to form in the year 2008 when the founders Sachin Bansal and Binny Bansal were looking for investors who would invest in their business. In June 2009 Flipkart got their first investment of $1 million from Accel partners[5]. But since Foreign Direct Investment wasn't permissible in online retail segment in India, so they began to develop this complicated maze of organisational structure to accommodate the foreign money. It got itself registered in Singapore in 2011. And became the ultimate holding company under which many subsidiary companies operate some registered in Singapore and some in India.

There are three subsidiaries incorporated in Singapore under Flipkart Ltd. Namely – i. Flipkart Market private ltd. ii. Flipkart Logistics Private Ltd., iii. Flipkart Payments private limited.

These three companies in turn have 5 subsidiaries under them which are incorporated in India namely – i. Flipkart India Private limited (wholesale B2B company), ii. Flipkart payment gateway service private limited (It provides payment gateway services through the product called payzippy), iii. Flipkart Internet Private limited (owns Flipkart.com and delivers technology platform to all e-commerce companies), iv. Digital Media Private Limited (dormant company), v. Digital Management Private Limited (runs Ltsbuy.com). vi. However, as Flipkart is a privately held company, the company refuses to comment on its structure or shareholders.

The Deal: Walmart has wrapped up Flipkartacquisition for $16 billion (about Rs 1.05 lakh crore) to purchase a 77% stake in Flipkart. The decision to purchase a majority stake in online retailer Flipkart marks the biggest e-commerce deal in the world[6]. Out of the $16-billion investment, Walmart will invest $2 billion in cash and purchasing shares worth $14 billion from existing shareholders of Flipkart. Remaining business of Flipkart will be held by existing shareholders of the company, who are founder Binny Bansal, Tencent Holding Ltd, Tiger Global Management ltd and Microsoft Corp.

As per the terms of the deal co-founder Sachin banal has to quit the company, selling his entire stake of 5.5% in Flipkart**.** Another co-founder Binny Bansal and CEO Kalyan Krishnamurthy will continue to run Flipkart.

Financing of the acquisition

In order to finance their acquisition of Flipkart, Walmart has sold $16 billion bonds. The company is offering both floating and fixed rate bonds in as many as nine parts[7]. The lengthiest bond is a 30-year security and yields about 1.05% points above treasuries. The pressure on the company has been increased due to this deal. One of the strategy used was to employ the borrowed money to augment the potential return of the investment and this will lead to an increase in EBITDA by 2 times. The debt will also increase by more than $10 billion.

Other clauses of the deal

The exit value is a critical element in the return for the private equity firm and is considered carefully before the investment is undertaken. One of the exit route that private equity firms use is IPO. In an IPO company's equity shares are offered for sale to general public. The deal includes a clause that the company will issue IPO after 4 years of closing the deal at a valuation which will not be less than the compensation of $16 billion paid by Walmart in order to acquire Flipkart[8]. This clause will help Walmart retain Binny and Flipkart CEO Kalyan Krishnamurthy, who was a top executive at Tiger Global, to stay with the firm for a period of at least four years and give them lucrative exit option, By promising them that it will protect the valuation of their shareholding and offer them the potential upside of taking the company public. This is to ensure that Walmart is not prematurely left with ownership of company that it does not know how to run.

Other than defining plans of Flipkart's for IPO, Walmart also detailed other clauses of its shareholding agreement, including the composition of the Flipkart board for the next two years which said Flipkart's board of directors would initially have eight members, five of which would be appointed by Walmart itself, two by certain minority shareholders, and one would be Binny Bansal. And of the five directors which Walmart can appoint to Flipkart's board, two must be independent director i.e. they must be unaffiliated to the Bentonville, Arkansas-based Company. However, the final constitution of the board is yet to be determined.

Party	%
Soft Bank	22.3%
Tiger Bank	22%
Nasper	13.8%
Accel Partners	6.9%
E-Bay	6.6%
Tencent Holding	6.3%
Sachin Bansal	6%
Binny Bansal	5.6%
DGT Global	2.7%
Microsoft	1.8%
Employee & others	6%

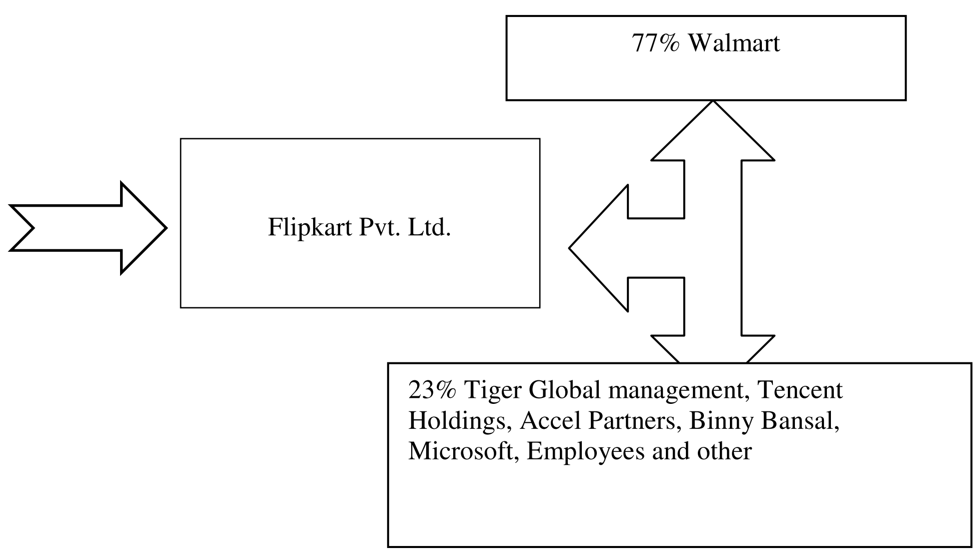

Figure-3: Holding pattern in Flipkart (before and after merger)[18].

Walmart's filing also mentioned that it might appoint new CEO and other chief executives of Flipkart group or replace them subject certain consulting rights of the founder or board. However, Walmart has so far expressed that it fully supports the current management of Flipkart.

Another clause that Walmart has put into the agreement is that it has the right to invest an additional $3 billion into Flipkart at the same valuation of its initial purchase. If this happens, then Walmart's shareholding in Flipkart could go up by a further 12%-14%, pushing its shareholding beyond 85 per cent[9].

Once Walmart owns more than 85% of Flipkart, several rights of minority shareholders, including Tiger Global, Binny Bansal, Microsoft, Tencent and others, will be revoked such as their veto right to "prevent certain significant transactions or other events involving Flipkart", their right to refusal and even their "drag along" rights.

Walmart also mentioned that it along with Flipkart is in talks with other investors to potentially take part in a funding round. Among potential investors in the company is Alphabet, the parent company of Google, which has been in discussions with both the parties to invest as much as $3 billion into Flipkart. Google's backing would give Walmart and Flipkart the tech backing they require to take on Amazon[10].

Advisors to the deal

Buy-side (Walmart): i. Financial advisors- JP Morgan Securities LLC is acting as lead advisor along with Barclays. ii. Legal advisors- Gibson Dunn & Crucher, Hogan Lovells International, Shardul Amarch and Mangaldas & Co.

Sell-side (Flipkart): i. Financial advisor- Goldman Sachs & co. LLC acted as exclusive financial advisor to Flipkart. ii. Legal advisor- Allen & Gledhill, Dentons Rodyk & Davidson, Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, Khaitan & Co, Nishith Desai Associates and Trilegal acted as legal advisors to Flipkart.

Reaction of stock market

Walmart over paid for stake in Flipkart which for about five times that it paid for jet.com in the year 2016. This news spread like fire on the wall street, where Walmart's intraday price of shares fell to the lowest after the year 2017, wiping off $10 billion off its market capitalisation. This is because investors were nervous that Flipkart will not be projected to be profitable for some years i.e. it would be generating meaningful losses for the next few years.

Investors were also nervous because the deal is also expected to negatively impact its EPS by approximately USD 0.25-0.30 in the financial year 2019, which comprises the incremental interest expenses associated with investment if the deal closes by the end of the second quarter of this financial year i.e. financial year 2019. This impact would be doubled in the financial year 2020. In which Walmart predicted an EPS reduction of about $0.60 per share, comprising of operating losses of nearly $0.40 to $0.45 per share this amount would include 5 percent per share associated to amortisation of intangible assets and depreciation of short lived assets resulting from purchasing accounting which will "last for few years" post-closing the deal and the second component is an estimated interest expense of about 15 percent per share[11].

Walmart however has convinced its investors that this deal would give Walmart the fastest possible entry in the most promising and growing Indian e-commerce market and that Flipkart will be benefitted by Walmart's knowledge of retail management and supply chain management, on the other hand Walmart be benefitted by Flipkart's "talent, technology, customer insights and agile and innovative culture".

Figure-4: Market price of Walmart share after deal announcement[15].

The potential obstacles to deal

EBay invested around $500 million in Flipkart in 2017, taking a 5 percent stake in the business and handing over its eBay India operation in the process. Additionally, eBay also signed what was then a four-year exclusive commercial arrangement to partner with Flipkart. The agreement was designed to give eBay merchants who are outside of India to sell to Flipkart's Indian shoppers and similarly allows Flipkart sellers to more easily sell to eBay shoppers present outside of India. The potential obstacle for Walmart is that the eBay deal still has three years to go and is alleged to cover all types of merchandise excluding grocery stuffs Additionally, Flipkart reported a loss of INR 8,771 crore ($1.4bn) in Financial year 2017, which may force Walmart to think about a deal.

The potential deal is also facing obstructions due to another retail giant Amazon, who is also enthusiastic to acquire Flipkart (60% stake). The US retailer Amazon has apparently offered a breakup fee of $2 billion (breakup fee is a penalty which is set during the time of making takeover agreement, to be paid if the target company cancels the deal).

As Walmart approached CCI for seeking approval of its proposed acquisition in Flipkart, two top traders' bodies, including the CAIT, have moved the fair-trade regulator (CCI) against the deal as traders across India are afraid that it would lead to a monopoly of few companies like Walmart due to huge cash reserves at their disposal. They called the deal a nightmare for domestic retail trade, which would create massive job loss.

Deal synergies

Through the proposed acquisition Flipkart will be able to remove its start-up label and will be a part of a worldwide enormous Walmart. Through this deal Flipkart will be able to increase retail expertise of Walmart and its information of the grocery segment and merchandise supply chain management. Additionally, this deal will also provide key enhancement to the Flipkart business in India**.** The availability of new funds will help Flipkart to expand its operations. Further Flipkart will also get the benefit of Walmart's direct sourcing from farmers by the way of reduced cost. On the other hand, Walmart will be able to take advantage of Flipkart's existing customers which are approximately 54 million and sturdy logistics platform (ekart) without investing heavily in distribution arms in initial stages. The Market leadership of Flipkartin fashion wear (through Myntra and Jabong), along with a varied portfolio of cell phones and appliances will give Walmart with a well-established market base to sell its own products. Walmart can merge its existing settlement programs with an application run by Flipkart called PhonePe for effective online purchases and bill payments. Walmart can also capitalise on key drivers such as declining data cost, increasing internet penetration, higher disposable incomes and big coverage by the organised retail pan India.

Why walmart decides to acquire flipkart: i. Walmart first entered India via whole sale model by making partnership with Bharti Enterprises however this partnership failed and ended up in 2013. ii. Walmart has been in India for over a decade (currently it has 21 best price whole sale stores) and is trying to enter the Indian retail market for more than 15 years however it wasn't able to grab any share. This is because of the country's FDI rules in multi-brand retail (India allowed 100% FDI in wholesale segment but 51% in multi-brand retail). Now Walmart see's online as the only method to enter the Indian market and for Walmart the best investment option to enter the Indian e-commerce segment having about 100 million customers is Flipkart[12]. iii. After the US and China, India is anticipated to be the next big and growing market for online retail (predicted to grow to $200 billion by year 2026) and is the last large, unexplored market globally and this deal will give Walmart access to India according to analyst firm Morgan Stanley. iv. This move of Walmart is an investment which will give return to it in future as e-commerce in India is currently less than 4% of retail market but it is predicted to change as the number of smartphone (and internet) will increase rapidly in the next coming decade. v. Walmart and Amazon are both competitors in US. In US Walmart dominates in brick and mortar stores and Amazon dominates e-commerce segment, by acquiring Flipkart, Walmart is bringing this competition to India giving a new front to their fight. Amazon lags behind Flipkart in terms of GMV. vi. Supply chain arm of Flipkart is the one of the best i.e. e-cart that assists more than 800 cities and also does 50,00,000 deliveries daily. vii. Another reason why Walmart is keen to acquire Flipkart is it owns 40% share in Smart phone market and 60% share in fashion market (together with its units Jabong and Myntra). viii. The third most funded private company is Flipkart which has so far raised more than $7 billion from some of the well-known investors namely Soft bank, Morgan Stanely, DGT Global and Accel partners among others. ix. India's online grocery market is expected to grow in coming years due. Currently there are only handful of players in this market like Grofers and BigBasket. Other retailers have already started to invest in this segment.

Flipkart goes private ahead of walmart deal

Flipkart is currently registered in Singapore as public company but before the deal is finalised it seeks to convert itself to private company. Hence Flipkart purchased shares worth $350.5 million from some of its investors which includes Tiger global and Accel to bring the number of shareholders below 50. This step is taken to make the proposed acquisition by Walmart easier[13]. Through this step Walmart will come on board as strategic investor for controlling stake after exit of many investors.

Strategic investors don't like to deal with the company having large number of shareholders as it becomes too cumbersome, so companies are asked to clean up the capital table or consolidate the small shareholders.

Profits earned by various stakeholders

Sachin Bansal: Sachin Bansal will be taking an exit from Flipkart by selling his entire stake of 5.5% making him earn amount of about $ 1 billion.

Binny Bansal: Binny Bansal will be selling only part of his stake in Flipkart to Walmart bringing him $ 104 million (700 crore). Remaining stake is 4.24%.

Employees: Flipkart Plans to buy shares of worth $500 million from former and existing employees this move will turn employees into crorepatis.

Tiger Global: Tiger global is New York based investment firm has made a total investment of about $ 1 billion since 2010 and has collected $3.3 billion. Its remaining stake in Flipkart is 5.5%.

Accel Partners: Accel Partners is a US based investor, has made investment of over $ 100 million since 2009. Accel will collect an amount of $ 800 million to $1billion**.**

Naspers: South- Africa based Naspers Ltd will be selling its 11% stake and make a profit of about $1.6 billion for

Softbank: Soft bank which had become the largest investor had earlier had been in discussion to stay invested in Flipkart and delay the sale due to tax implications related to short term capital gains which would arise if the share were sold within 24 months of its purchase. The Vision fund in Jersey does not have a tax treaty with India. Further Soft Bank was also tempted to stay on because of the expectation that Flipkarts valuation would increase, however finally Japans SoftBank decided of selling its 21 percent stake in Flipkart to Walmart expecting to get return of about $ 4 billion which is 1.5 times more than its investment of $2.5 billion made in Flipkart.

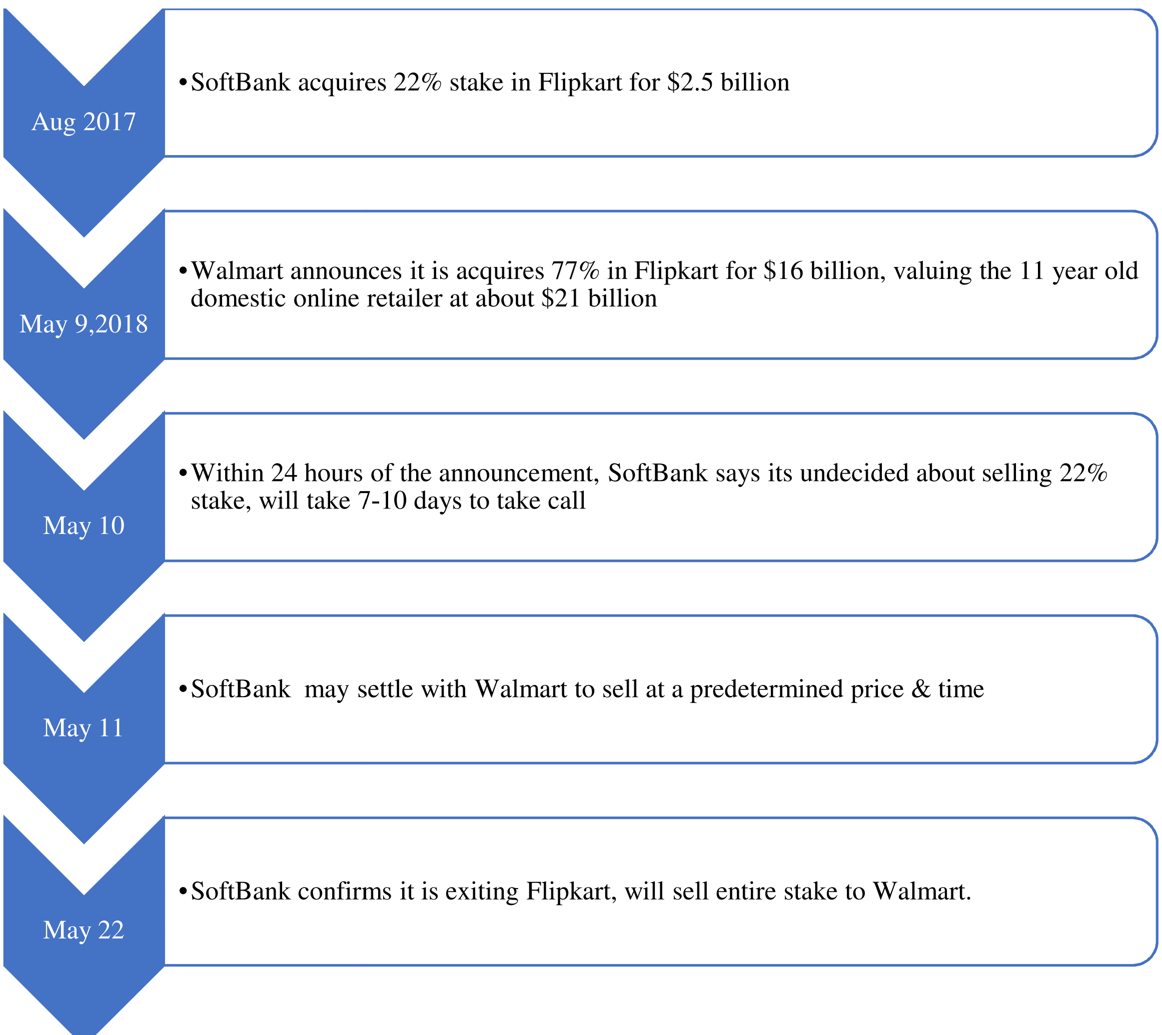

Figure-5: Saga of selling softbank stake[19].

Tax Implication

The taxability aspect of the deal depends on how the deal is structured. Flipkart India is held by its parent entity Flipkart Singapore, which in turn is held by shareholders like Softbank USA and Tiger Global, Mauritius. Major assets or the capital assets of the entire transaction is located in India.

According to the terms of the deal, the transaction is expected to be a two-step process. The first step will be the Singapore entity selling its stake in the Indian entity to Walmart. This will be done through a direct transfer.

In the second step, Flipkart Singapore will provide an exit to the identified shareholders. This could lead to a buyback or a capital reduction process by using the money received by it from the sale of share of Flipkart India.

The whole transaction can trigger domestic tax obligations as well as tax treaty issues.

Taxation on Capital Gains: There is a potential capital gains tax for both non-resident & resident investors under following circumstances.

Most of the shares sold to Walmart were of non-resident shareholders, apart from the resident shareholders. They are transferring their stakes in Flipkart Singapore that owns an Indian company to Walmart which is a non-resident US based company.

Non-resident Investors: As per the proposed deal Investors of Flipkart Singapore is expected to sell shares to Walmart. Hence Section 9(1)(i) will be applicable to them because more than 50% of the value of Flipkart in Singapore is been derived from Flipkart in India.

According to section 9(1)(i) of the I-T Act, As per Section 9(1)(i) of the Income tax Act, any income accruing or arising, either directly or indirectly, inter-alia, through the transfer of a capital asset based in India, shall be deemed to accrue or arise in India.

Thus, such sale of shares would generate capital gains tax under the indirect transfer provision of Income Tax Act.

Resident Investors: Sachin Bansal and Binny Bansal who are also proposing to sell their stake would be liable to pay long term capital gain tax @ 20% if shares have been held by them for more than 2 years.

Reasons of high valuation of flipkart

Traditional methods such as discounted cash flow method have been used across various retail sectors to make valuation of their business. While these methods still are in use consistently but have been overlooked in valuation of e-commerce segment. E-commerce companies are moving far from these methods and are valuing their business considering various favourable factors which push up their valuation such as sales, number of transactions, number of customers, market size, future state of industry, optimistic expected revenue growth. Besides, they also seem to overlook certain important factors such as qualified human resource, logistic costs, advertising costs, cancelled/ returned orders, shopping card abandonment rate, discount offers, etc.

One of the factor which is currently being highly used in valuing e-commerce companies is GMV. GMV or gross revenue in e-commerce terms, means the sale price charged to the clients and multiplied by the number of items sold.

For instance, if a company sells 100 articles at Rs 1,000 each, the GMV is Rs. 10,0000. The GMV is after that multiplied by multiple (x times) to get the valuation of the entity[14].

This method is highly criticised by brick and mortar retailers. This method is considered to be misleading, unreliable and unstable as it omits the costs of generating revenue and considers only the total value of goods and services. GMV also ignores discount, returns/cancellations.
Hence thus could explain why Flipkart continues to increase its valuation even though it is making losses (Flipkart reported a loss of Rs 8771 crore ($1.4 billion in financial year 2017).

Valuation factors of flipkart

Any company is not only valued by its tangible, i.e. perceptible by touch, assets, but also by its intangible assets i.e. Intellectual Property. If the market perception of the brand of the company is more then it will be valued higher than another company with lower brand value. As in the case of Flipkart-Walmart deal the IP valuation of Flipkart is so magnificent that Walmart after its fight with tooth and nail enters on the largest e-commerce market after China, France & USA i.e. India. The IP valuation of Flipkart can be derived from several aspects such as.

Industry: India has an internet user base of 450 million as of now in 2017, about 40% of its population. The industry consensus is growing in exceptional way that growth is at an inflection point. In 2015 Flipkart was the largest e-commerce website in India. It shows how Flipkart have been dominant position in the e-commerce sector and all because of its stupendous Brand.

Market Share: E-commerce giant Flipkart has improved its share for year 2017 in online market of smartphone in relation to Amazon, as per the recent report compiled by Counterpoint Research. Flipkart caught a 51 percent share of the online smartphone shipments for 2017 while Amazon India grabbed only 33 percent share.

Investments: Flipkart has till now raised more than $6 billion since beginning of 2007. The most recent was a $2.5 billion investment by Masayoshi Son-run Softbank Vision Fund in August 2017. The last money invested by SoftBank made it one of the largest shareholders, with a 20.7 percent stake, trailed by Tiger Global at 20.6 percent and Naspers with 12.8 percent. Flipkart's creators, Binny Bansal and Sachin Bansal, hold 5.5 percent and 5.2 percent stakes.

Profit: Flipkart has reported a revenue of Rs 15,264 for the year ending March 2017 according to the documents which are filed to ROC.

New technology: Flipkart is the company which focuses on fulfilling the needs and expectations of customers. It is continuously developing its technology to develop high quality customer-focused products. Further it is trying to make shopping experiences convenient and spontaneous for customers.

Outcome of walmart-flipkart deal

This millennium deal is an investment for future and is a strategy of Walmart of shifting resources into high growth, potential market. The possible future outcome of the deal is:

Low Prices, More Variety: Walmart will bring revolution in Indian retail sector by giving huge variety of consumer goods at low price. The entry of Walmart in e-commerce market will also provide access to online shoppers to browse through and shop from variety of international brands which aren't yet available in India.

R&D: The key facto**r** for more prominent market infiltration across the country is efficiency that comes along more Research &Development. Walmart is recognized for the innovative culture and services. This can aid in increasing business of Walmart grow in India that can make more revenue and generate technical spill overs and knowledge outcome for domestic firms too. The enhanced erudite nature of the products will create the external demand for the Indian goods i.e. it will increase opportunities for export.

Decrease the IP valuation of other registered brands on Flipkart: The merged Walmart-Flipkart company will capture 90 % shares of the e-commerce markets in India. And online sellers on Flipkart, retailers and even brick-and-mortar traders are jittery because they fear that Walmart which is known for its ultra-low prices (Everyday low pricing strategy) might kill their small business they also fear that Walmart might bring its own private label to Indian consumers and flood the e-commerce platform with its own products via Flipkart which would lead increase of competitive pressure and make it difficult for online sellers to operate and even survive. The foreign direct investment norms were being violated by this deal and the same has been plead to Competition Commission of India by the small retailers. They fear getting squeezed between the two giants - the Walmart-Flipkart combine and Amazon - even though consumers will be getting the ultimate benefit.

Collateral Benefits: Investment in e-commerce sector will be enhanced as and when Walmart pours funds into it**.** Because of the demonetization where Indian Government pulled back all □500 and □1000, the government funding kept declining the Indian e-commerce market space stated drying up. It was expected that the entry of Walmart will usher fresh fuds and will help the Indian e-commerce ecosystem recuperate from the duel shock because more foreign firms and venture capitalist enters India.

Job Creation: The potential merger will be enable employment generation for both skilled and unskilled labour in the country as it will employ large number of people in logistics, delivery, and warehousing and other back office operation.

Supply Chain and Procurement: The proposed acquisition will bring about massive improvement in supply chain and warehousing, with the focus on cold storage. A significant portion of fruits and vegetable spoils due to inefficient logistics and Warehouses this deal will bring more investment and modern technology which will help in reducing food wastage. The facilities will also support the farmers and small businesses by procuring inventory directly from them; this will actively increase income for farmers and small businesses.

Kirana Stores: Walmart is looking to spread its supply chain arm through partnerships with 1 kiranas. i.e. Walmart will use existing network and infrastructure of kirana stores to better stock and deliver products. This will help kirana business grow and also help them modernize their retail practices and get them to use Flipkart Phone pe digital payments network (*Point to be noted is Ratan Tata is already working on the similar idea with his retail 3.0 model Tathastu*).

Impact on Flipkart: Amazon and Flipkart both in a competition are burning cash by giving sales offer and discount during festivals to attract more and more customers. This deal will save Flipkart from incurring losses and running out of cash in its fight with Amazon.

Benefits of Deal to Indian Farmers: Commission agent called artiyas are the link between Indian farmers and buyers but these artiyas are exploiting the farmers by forcing them to sell at a very distressed price which are fixed by them as they very well know that the crops are perishable. These artiyas provide this black money to politician to fight election. Having knowledge of this corrupt system being followed by artiyas government created a model reform act, removing the APMC's but like most of the government programmes this has also been a flop programme.

Walmart will help Indian farmers to come out of this corrupt system by investing in cold storage, air-conditioned trucks and grading facilities, and connect the farmers directly to food processors, this will save post-harvest losses of farmers and also increase their income.

Intensify Market Share: As the market share of Flipkart is unanimously growing faster day by day. This deal will capture the most of the e-commerce market in the future.

Steer the market value of Stock: As after the Walmart-Flipkart deals it valuation is over $20 billion. Walmart will open doors for Flipkart to issue IPO by converting it into listed subsidiary in future. This will help in giving incentives to employees and also fulfil ambition of management.

Increased Investments: Walmart has already given signals of increased investments by companies in the Flipkart. As a part of the deal Walmart will invest $2 billion in fresh investment in Flipkart. It could also bring "additional potential investors" while keeping a majority (Alphabet parent company of google is already in talks to invest in Flipkart). The major stake holders of Flipkart are getting out of the race as Walmart is expected to buy shares from major stakeholders of Flipkart like SoftBank, Tiger global, Infusing Capital and Naspers.

Monopoly: Flipkart currently has an even bigger fight with Amazon in an e-commerce market which Morgan Stanley estimates will be worth $200 billion by 2026. If it continues to grow on this rate it will definitely construct monopoly in E-commerce market of India.

Litigation: As it will create a monopoly over the market and because of its phenomenal Intellectual Property will startle others if they use them and cover damages through litigation. "Valuable IP comes from Quality effort." And, the millennium deal of Walmart-Flipkart is surely a boost to other organization to increase their IP value to win and acquire such deals.

Further move by flipkart in competition with amazon: In a bid to compete with Amazons' Alexa, Flipkart is further in talks to acquire Artificial Intelligence Company LIV.AI. LIV.AI has developed a system that enables voice recognition and can handle speech in English and nine regional language. The transaction is in its final stage. Acquisition will add voice to its platform. The development will add voice to its platform.

Findings

Walmart has overpaid for Flipkart it could have built the same business with lesser amount.

Flipkart's marketplace model is not consistent with Walmart's online business which sells mostly Walmart's own products.

The deal is giving a wrong message to start-ups. While it is good that this deal is giving good exit value to investors but the message given to them shows that investors can invest money in start-ups and get big returns, secondly it communicates to start-ups that it is right to build enterprise that do not make money. Lastly it shows that Profitability and sustainability is not important as long as start-ups creates valuation.

Conclusion

M&A's are considered as significant change agents and are a critical component of any business strategy. The several reasons behind companies going for merger and acquisition is to generate synergy values, growth and expansion, achieving economies of scale, access to new market. However, the main motive of companies going for mergers and acquisition is to achieve inorganic growth as organic growth through Greenfield projects take very long time to be profitable and involve multiple regulations.

Mergers and acquisition are also one of the exit strategies used by investors to cash out their investment and earn profits. An exit occurs when an investor decides to end his involvement with a business by selling his stake in order to earn return on his investment.

M&A comes in various forms investors need to consider the complex issues involved in M&A and select the most beneficial form by analysing various laws and regulations, costs and benefits associated with the deals.

Further after studying the Walmart-Flipkart deal it can be said that Mergers and acquisitions are influential pointers of a healthy and rising economy. The legal and regulatory context for such corporate restructuring must be easy and not obstructive. The biggest obstacle in completing a merger or acquisition is the long process of getting approvals from the relevant regulators.

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