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March-April 2020
ISSN: 0193-4120 Page No. 6824 - 6835

International Joint Venture Deals in India: An Industry-Wise Historical Perspective

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Abstract:
This descriptive research has identified 152 IJV deals in India during the ten-year period of 2006-15 struck by firms belonging to 23 industries and has attempted to assess whether announcement of such deals has led to accrual of abnormal returns for these firm and the industries to which they belong to. 75 IJV announcements have resulted in negative returns while 77 have yielded positive returns. More number of IJV deals have materialised in finance, Automobile, Auto Ancillaries, Capital Goods, infrastructure and steel industries warranting huge investment. Negative returns have accrued to retailing, Jewellery, Plantation, power generation, Consumer Durables, auto ancillaries, finance, infrastructure, Other Manufacturing and Capital Goods (with and without non-Electrical Equipments) industrieswhile positive returns have accrued to steel, automobile, refinery, healthcare and pharmaceuticals, media, fertilizers, FMCG, chemicals, education, logistics, IT and telecom industries. During 2007 and 2012, negative CAR accrue to all the industries excepting Automobile and Auto ancillaries industries. During 2011, all the industries barring FMCG, Power generation and distribution, Retail and Diamond, Gems and Jewelry have managed positive CAR while during 2014, IJV announcement has yielded positive CAR to all industries. Indian firms belonging to services sector has gained positive returns from their IJV announcements while those firms belonging to Industrial goods sector has not made any such gains

Keywords: *IJV, Indian partner firms, Foreign partner firms, Cumulative Abnormal Returns (CAR), Shareholders' wealth, Value creation..*

I. INTRODUCTION

Modern day corporate world is on the constant look around for expanding and they craft and execute different expansion strategies to attain this goal. Based on the reasons and purposes of expansion, the kind of strategy applied differs. Firms aspire to expand to venture into global markets, gain knowhow of innovative technologies, distribution of risk and optimal exploitation of resources and assets.

Expansion to Global Market
Venturing into foreign market is a complex process needing meticulous planning at different levels and careful execution. This mission can be accomplished by establishing a fully owned firm in the foreign market or by entering into an alliance with an established firm and incorporating a new firm. The latter is termed as a Strategic Alliance strategy, wherein a business firm establishes another business unit in a foreign country with the help of a firm in that country willing to host the venture (Brouthers & Hennart, 2007). It is less risky for firms to venture into unfamiliar global markets by striking an alliance with firms operating in such countries. A strategic alliance may be struck either as equity or non-equity joint venture.

II. INTERNATIONAL JOINT VENTURE (IJV)

IJV is a strategic expansion mode of entering foreign market. A firm participating in equity of an IJV is an action distant from a full-fledged merger and licensing arrangement (Ray, 2013). IJV provides contractual institutional outline, codifying rights, obligations and accountability of all parties involved and clearly stating the targets, goals and tactics of the IJV (Luo, 2002).
Buckley and Casson (1996) have highlighted that equity-based IJV result in combination of complementary resources which are firm-specific knowhow, resulting in the partner firms gaining internalisation of knowledge flow without sustaining high cost of a merger deal. Reus and Ritchie (2004) and Hennart and Reddy (1997) has also pointed out that expansion through IJV is likely to save huge cost of an acquisition deals and well suited for firms with lesser experience in the foreign market.
Kogut (1988) identified strategic motivation towards expansion,transaction cost and sharing of knowhow and

competence as the three major factors driving firms to opt for joint ventures.

Firms preferring a flexible alliance deal with more possibility of resource complementarity might opt for contractual alliances while those striving to gain more managerial control through contribution of assets will prefer equity JVs (Chen & Chen, 2003).

Zhao et al. (2005) have opined that IJV arrangement consisting of organisational learning and mutual transfer of knowhow warrants contacts and relations between the managerial personnel of the firms involved which is a time consuming process.

Kandemir and Hult (2005) have opined that IJV results in good transfer of knowhow from parent firms which may not be all that simple in documenting and sharing under a typical licensing agreement. Other than sharing of knowhow, IJVs results in optimum utilisation of resources by partner firms and gaining good learning experience to accomplish sustained competitiveness.

III. IJVs in India

India being a strong economy has always been a fostering market for many players across the globe. Venturing into Indian market by foreign players has gained momentum after the 1991 economic reforms resulting in opening up of the economy.

However, incorporating an IJV in India is still not all that simple. Establishing an IJV needs the prior sanctioning of government of India and there are many restrictions, especially on ownership pattern front. RBI and FIPB are the institutions entrusted with the task of granting approval for instituting an IJV. RBI's sanction is warranted for IJVs coming under the automatic route while IJVs constituted under other mechanism requires the special sanctioning of FIPB.

Government of India has identified 37 high-priority industries and constitution of an IJV with foreign equity participation of not exceeding 74% are granted automatic sanction within a fortnight. Similar automatic sanctioning is also provided by the RBI to IJVs proposed with foreign holding not exceeding 74% in incorporating multinational trading firms established with the primary motive of exporting.

Foreign equity holdings in IJVs in the high priority sectors may however, exceed the threshold limit of 74% with the prior permission of Indian government. Full foreign equity participation is permitted in cases of EOUs (Export Oriented Units), Electronic industry, units established in EPZ (Export Processing Zone), coal washers or generating power.

FIPB is a highly empowered foreign investment promotion board which can be approached to get approval for important foreign investment proposals which do not come under prescribed norms and regulations. The board is functioning at the PMO (Prime Minister's Office) and provides sanction to unique proposals at a single window without any delay.

Indian government is taking effective measures to encourage inflow of foreign capital. Many restrictions on foreign equity participation in infrastructure industries such as generating power, telecom, luxury railways, steel and coal washershave been relaxed. 51% foreign equity participation has been permitted in commercial mining sector while 49% in the case of telecom sector. The hydro carbon industry in total encompassing exploring, production, refining and marketing petro products can also attract foreign equity participation. With India's foreign exchange scenario in an encouraging manner, the government is considering the removal of condition that the foreign equity contributed should take care of the foreign exchange required for importing capital goods.

The current scenario is very conducive for attracting foreign equity participation. Many foreign firms are encouraged to strike IJV deals with Indian firms and enter the Indian market which presents of immense market potentials. Striking IJV deals may also result in Indian firms gaining market value. Many researchers have assessed the impact of such IJV announcements on value creation for partnering firms under differing context and have come out with conflicting results.

Studies by Ozcan and Overby (2008), Richard J. Arend (2004), Madhavan and Prescott (1995), Zajac and Westphal (2004) have discussed about the information spike to the stock market which can be utilized by investors to conduct a thorough scrutiny of the impact the IJV announcement is likely to exert on value of the firm.Some research studies has reported accrual of positive abnormal returns to firms announcing IJV deals (Liu et al., 2014; Brooke & Oliver, 2005; Jones &Danbolt(2004); Marciukaityte et al., 2009; Chiou & White, 2005) while some studies have reported accrual of negative or nil returns to firms making IJV announcements (Lee & Wyatt, 1990; Liu et al., 2014; Finnerty et al., 1986).

Studies on value creation to firms making IJV announcements have yielded mixed and inconclusive results (Anand& Khanna, 2000; Chan et al., 1997; Das et al., 1998; Finnerty et al., 1986; Koh&Venkatraman, 1991; Lee & Wyatt, 1990; MacConnell&Nantell, 1985; Ueng et al., 2000; Woolridge & Snow, 1990; Meschi& Cheng, 2002). Studies have also provided insights on different contexts in which the firms are making advantage or disadvantage out of IJV announcement (Amici et al., 2013; Liu et al., 2014; Merchant & Schendel, 2000; Chiou & White, 2005; Owen &Yawson, 2015; Talay et al., 2010).

However, there has been no documentation of value creation accruing to Indian firms making IJV announcements. This study proposes to document IJV announcements made by Indian firms belonging to different industries during the ten-year period of

March-April 2020
ISSN: 0193-4120 Page No. 6824 - 6835

01/04/2006 to 31/03/2016 and the accrual of substantial value creation to such firms due to their IJV announcements.

IV. Objectives of the Study

This study has made an attempt to document IJV announcements made by Indian firms belonging to different industries and pattern of returns accruing to them due to such deals. With this endeavour, the following objectives have been formulated for the study:

1. To document the trend in IJV deals announced by Indian firms belonging to 23 industries;
2. To evaluate the impact of IJV announcements on market value of firms belonging to different industries.

V. Research Methodology

The study is descriptive in nature,based purely on secondary data. The researcher obtained a preliminary list of 295 Indian firms making IJV announcement during the ten-year period of 01/04/2006-31/03/2016from Bloomberg databaseand got the number of IJVs studied condensed down to 152 on applying the considerations of involvement of only one Indian and foreign partner firms in the IJV deal, the Indian partner firms should not have made any other corporate announcements and the deal should not be sponsored by customers or Government.

Prices of shares of Indian companies making IJV announcement has been collected for the purpose of this study from NSE, BSE and CMIE. The price of shares one year before the IJV announcement and one month after the announcement has been collected and suitably tabulated with the motive of assessing the announcement effect using Market-based Event Study methodology.

VI. Market-based Event Study Methodology

In the market model,it is assumed that the return follows a single factor market model.

Rit (Estimated Return) =αi+βi·Rmt+εit,

Where Rit is the return of the stock of observation i (e.g. firm) on day t, Rmt is the return of the reference market on day t, εit is the error term (a random variable) with expectation zero and finite variance. The regression coefficient βi is a measure of the sensitivity of Rit on the reference market.

The abnormal return is then calculated as follows:

ARit = Rit− Actual Return

Actual Return = (Today's Closing price - Yesterday's Closing Price)/ Yesterday's Closing Price

The event window considered for this study is 3 days(i.e. one day before and one day after the announcement day). This 3-day window period shall capture accrual of returns to shareholders of companies making IJV announcements in the short run. Abnormal returns accruing to the companies making IJV announcements during the 3-day period is aggregated to arrive at the Cumulative Abnormal Returns (CAR).CAR accruing to firms belonging to different industries have been assessed.

MS Excel and SPSS 20 have been used to analyse the data employing the statistical tools of Frequency Analysis, Regression, Chi-square Analysis and Correspondence Analysis.Pivot table has been used to cross tabulate the IJV deals and examine multiple features.

VII. Data Analysis

Industry wise IJV Announcements

The final sample of 152 IJVs announced during 2006-2015 has been considered for assessing the effect of IJV announcement. The industry-wise list of IJV announcements made during each of the financial year during 2006-15 is displayed in Table 1.

Table 2: Economic Status of Countries to which Foreign Partner Firms to IJV Belong to

Industry	No. of IJV Deals		
	Developing	Developed	Grand Total
Auto Ancillaries	1	11	12
Automobile	0	10	10
Capital Goods - Electrical Equipment	3	8	11
Capital Goods-Non Electrical Equipment	3	6	9
Chemicals	1	3	4
Consumer Durables	1	5	6
Diamond, Gems and Jewellery	0	2	2
Education	0	1	1
Fertilizers	1	3	4
Finance	1	13	14
FMCG	0	2	2
Healthcare and Pharmaceuticals	3	7	10
Infrastructure	7	7	14
IT	2	4	6
Logistics	0	1	1

TEST Engineering & Management

March-April 2020
ISSN: 0193-4120 Page No. 6824 - 6835

Media - Print/Television/Radio	2	2	4
Other manufacturing	0	6	6
Plantation & Plantation Products	0	2	2
Power Generation & Distribution	3	2	5
Refineries	0	7	7
Retail	1	4	5
Steel	2	12	14
Telecomm Equipment & Infra Services	0	3	3
Grand Total	31	121	152

Bulk of the IJV deals have been struck by Indian firms with foreign partner firms belonging to developed nations. In power generation industry alone, larger number of foreign partner firms belong to developing nations while the infrastructure and Media industries have equal number of foreign partner firms belonging to developed and developing nations.

Industry wise IJV deals and Ownership Pattern of Foreign Partner Firms

Foreign partner firms to the IJV deals struck by Indian firms may have either minority, majority or equal stake in equity of such ventures. An attempt has been made to study the prominence of these three types of ownership pattern in IJVs across different industries and the results are presented in table 3.

Table 3: Industry-wise IJVs and Ownership pattern of Foreign Partners

	Ownership Pattern			
Industry	Minority	Equal	Majority	Grand Total
Auto Ancillaries	5	4	3	12
Automobile	4	4	2	10
Capital Goods - Electrical Equipment	5	3	3	11
Capital Goods-Non Electrical Equipment	5	1	3	9
Chemicals	1	2	1	4
Consumer Durables	5	0	1	6
Diamond, Gems and Jewellery	0	2	0	2
Education	0	0	1	1
Fertilizers	2	1	1	4
Finance	5	4	5	14
FMCG	0	1	1	2
Healthcare and Pharmaceuticals	2	4	4	10
Infrastructure	6	4	4	14
IT	5	0	1	6
Logistics	1	0	0	1
Media - Print/Television/Radio	2	1	1	4
Other manufacturing	3	1	2	6
Plantation & Plantation Products	0	1	1	2
Power Generation & Distribution	1	4	0	5
Refineries	1	4	2	7
Retail	0	1	4	5
Steel	8	5	1	14
Telecomm Equipment & Infra Services	2	0	1	3
Grand Total	63	47	42	152

Majority of the IJVs studied have minority equity participation from foreign partner firms. The number of IJBVs in which foreign partner firms have equal and majority stake in ownership does not differ by much. More number of IJVs belonging to retail, FMCG, Education, finance, Healthcare and Pharmaceuticals industries have majority equity participation from foreign partner firms while more number of IJVs belonging to FMCG, refinery, Power Generation & Distribution, automobile, chemicals, Diamond, Gems and Jewellery industries have equal stake by foreign partner firms.

Industry-wise Assessment of Abnormal Gains from IJV Announcement

Abnormal gain in market values managed by different industries has been computed using three-day window period comprising of the announcement day and one day preceeding and succeeding the announcement date applying the event study methodologyand the results have been cross tabulated using Pivot table to arrive at the gross CAR accruing to different industries and the results are showcased in table 4.

March-April 2020
ISSN: 0193-4120 Page No. 6824 - 6835

Table 4: Industry-wise Accrual of CARdue to IJV Announcement

Industry	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Grand Total
Auto Ancillaries	NA	-0.0235	NA	0.0568	0.0158	NA	0.0126	-0.0794	-0.0494	-0.0277	-0.0948
Automobile	NA	0.0805	-0.0058	-0.0093	NA	0.0021	NA	-0.0044	NA	NA	0.0631
Capital Goods - Electrical Equipment	-0.0114	-0.5517	NA	-0.0099	-0.0104	0	-0.1852	NA	NA	-0.0153	-0.7839
Capital Goods-Non-Electrical Equipment	-0.0168	-0.03	-0.0128	NA	NA	NA	0.0002	NA	NA	-0.0014	-0.0609
Chemicals	NA	NA	-0.0058	NA	NA	0.0299	NA	0.0284	NA	NA	0.0525
Consumer Durables	NA	-0.0026	-0.0187	NA	0.0006	NA	-0.0059	NA	NA	0.0139	-0.0127
Diamond, Gems and Jewelry	NA	-0.0029	NA	NA	NA	-0.0003	NA	NA	NA	NA	-0.0032
Education	NA	NA	NA	NA	0.0046	NA	NA	NA	NA	NA	0.0046
Fertilizers	NA	NA	-0.007	NA	NA	NA	NA	NA	0.0784	0.0117	0.0831
Finance	0.0011	-0.0437	-0.0299	-0.0005	-0.0296	NA	0.0291	0.0142	NA	NA	-0.0593
FMCG	0.0127	NA	NA	NA	NA	-0.0004	NA	NA	NA	NA	0.0123
Healthcare and Pharmaceuticals	-0.0055	0.0065	NA	NA	NA	0.0308	-0.0158	NA	0.0193	NA	0.0353
Infrastructure	-0.0077	-0.0254	0.0247	NA	-0.006	0.0002	-0.0059	-0.0145	NA	NA	-0.0347
IT	-0.0071	0.018	0.0503	NA	NA	0.0298	NA	NA	NA	NA	0.091
Logistics	NA	NA	NA	NA	NA	0.0538	NA	NA	NA	NA	0.0538
Media - Print/Television/Radio	NA	-0.0025	0.0602	NA	-0.0056	NA	NA	NA	NA	0.004	0.0561
Other manufacturing	NA	-0.0041	NA	-0.0212	-0.0112	NA	-0.0565	NA	NA	NA	-0.093
Plantation & Plantation Products	NA	NA	NA	NA	-0.0097	0.0027	NA	NA	NA	NA	-0.007
Power Generation & Distribution	NA	NA	-0.0507	NA	-0.0103	-0.0044	NA	NA	NA	NA	-0.0654

March-April 2020
ISSN: 0193-4120 Page No. 6824 - 6835

Refineries	NA	-0.0051	-0.0134	-0.0029	NA	0.0314	NA	NA	NA	NA	0.0099
Retail	-0.0023	NA	0.0095	NA	NA	-0.0422	NA	NA	NA	NA	-0.035
Steel	0.03	0.031	0.0256	-0.0156	-0.0256	0.0081	0.0018	NA	NA	NA	0.0554
Telecomm Equipment & Infra Services	NA	NA	0.0733	0.0019	NA	NA	NA	NA	NA	NA	0.0752
Grand Total	-0.007	-0.5557	0.0993	-0.0005	-0.0873	0.1415	-0.2257	-0.0558	0.0483	-0.0148	-0.6576

Automobile Industry has made the highest sum of CAR during 2007 followed by Fertilizers during 2014, Telecomm during 2008,Media during 2008and Auto Ancillaries industry during 2009.IT sector has made the highest sum of CAR during the study period followed by Fertilizers, Telecomm Equipment & Infra Services and Automobile industries.Highest CAR has accrued during 2011 followed by 2008 and 2014. Negative CAR has accrued during 2006, 2007, 2009, 2010, 2012, 2013 and 2015.

Auto Ancillaries industry has witnessed negative CAR for four years and positive CAR for three years while automobile industry has witnessed positive CAR for 2 years and negative CAR for 3 years. Capital Goods (Electrical) industry has witnessed positive CAR for 2 years and negative CAR for 5 years while Capital Goods (Non Electrical Equipment) industry has witnessed positive CAR for one year and negative CAR for 4 years. Chemicals industry has witnessed positive CAR for 2 years and negative CAR for one year while Consumer Durables industry has witnessed positive CAR for 2 years and negative CAR for 3 years. Diamond, Gems and Jewelry industry has witnessed negative CAR for all the 2 years in which IJV deals were struck while Education and Logistics industries has witnessed positive CAR during the solitary year in which IJV was struck. Fertilizers industry has witnessed positive CAR for 2 years and negative CAR for one year while Finance industry has witnessed positive CAR for 3 years and negative CAR for 4 years. The FMCG industry has witnessed positive CAR for one year and negative CAR for one year while Healthcare and Pharmaceuticals industry has witnessed positive CAR for 3 years and negative CAR for 2 years. Infrastructure industry has witnessed positive CAR for 2 years and negative CAR for 5 years while IT industry has witnessed positive CAR for 3 years and negative CAR for one year. Media industry has witnessed positive CAR for 2 years and negative CAR for 2 years. The Other manufacturing industry has witnessed negative CAR for all the 4 years in which IJV deals were struck while the Plantation industry has witnessed positive CAR for one year and negative CAR for one year. Power Generation industry has witnessed negative CAR for all the 3 years in which IJV deals were struck while the Refineries industry has witnessed positive CAR for one year and negative CAR for 3 years. The Retail industry has witnessed positive CAR for one year and negative CAR for 2 years while Steel industry has witnessed positive CAR for 5 years and negative CAR for 2 years. Finally, the Telecomm industry has witnessed positive CAR for all the 2 years in which IJV deals were struck.

During 2007 and 2012, negative CAR has accrued to all the industries excepting Automobile and Auto ancillaries industries. During 2011, all the industries barring FMCG, Power generation and distribution, Retail and Diamond, Gems and Jewelry have managed positive CAR while during 2014, IJV announcement has yielded positive CAR to all industries.

Nature of CAR Accruing to Different Firms in industries

Nature of CAR accruing to different firms in each of the industry considered has been cross tabulated using Pivot table and the outcome is depicted in table 5.

TABLE 5: NATURE OF CAR ACCRUING TO DIFFERENT FIRMS IN INDUSTRIES

	Number of Firms		
Industry	Negative CAR	Positive CAR	Grand Total
Auto Ancillaries	6	6	12

March-April 2020
ISSN: 0193-4120 Page No. 6824 - 6835

Automobile	2	8	10
Capital Goods - Electrical Equipment	6	5	11
Capital Goods-Non Electrical Equipment	5	4	9
Chemicals	2	2	4
Consumer Durables	4	2	6
Diamond, Gems and Jewellery	1	1	2
Education	0	1	1
Fertilizers	0	4	4
Finance	8	6	14
FMCG	0	2	2
Healthcare and Pharmaceuticals	7	3	10
Infrastructure	5	9	14
IT	3	3	6
Logistics	0	1	1
Media - Print/Television/Radio	0	4	4
Other manufacturing	3	3	6
Plantation & Plantation Products	1	1	2
Power Generation & Distribution	3	2	5
Refineries	5	2	7
Retail	4	1	5
Steel	8	6	14
Telecomm Equipment & Infra Services	2	1	3
Grand Total	75	77	152

Of the 152 firms going for IJV announcements during the study period,77 firms have managed to have positive CAR while 75 have sustained negative CAR. The IT, Other manufacturing industry, Auto Ancillaries industry, Plantation industry chemical industry and Diamond, Gems and Jewellery industry have equal number of firms with both positive and negative CAR while the number of firms with positive CAR outnumber the firms with negative CAR in the case of automobile, Fertilizers, FMCG, Infrastructureand Logistics industries. In the case of other industries, firms with negative CAR outnumber those with positive CAR accruing due to IJV announcements. The Finance and Steel industries have got the highest number of firms with negative CAR while the infrastructure industry has got the maximum number of firms with positive CAR closely followed by the automobile and steel industries.

Grouping of Firms Striking IJVDealsbased on Announcement Effect

The 152 IJV announcing Indian firms have been grouped based on CAR accruing to them and the results are portrayed in table 6.

Table 6: Grouping Indian Firms Making IJV Announcements

Item	Group 1	Group 2	Group 3
Cumulative Abnormal Return	-0.0313	-0.0038	0.0083
No. of Cases	32	54	66

The firms announcing IJVdeals have been grouped into three clusters based on CAR accruing to them due to such announcement. Theseclusters have been designated as “Negatively Affected Firms”,“Nil Affected Firms”and “Positively Affected Firms”,each encompassing 32, 54 and 66 firms respectively.

Association between Firms Grouped on the basis of Accrual of CAR due to IJVAnnouncements and Nature of Industries to which such Firms Belong to and Ownership Pattern of the IJVs

The nature of association prevalent between the firms grouped on the basis of CAR accruing due to IJV announcements and the nature of industries to which such firms belong to and the ownership pattern of the IJVs comprising of minority, majority and equal equity participation of the foreign partner firms has been explored using Correspondence Analysis and the results are portrayed in figures1&2.

March-April 2020
ISSN: 0193-4120 Page No. 6824 - 6835

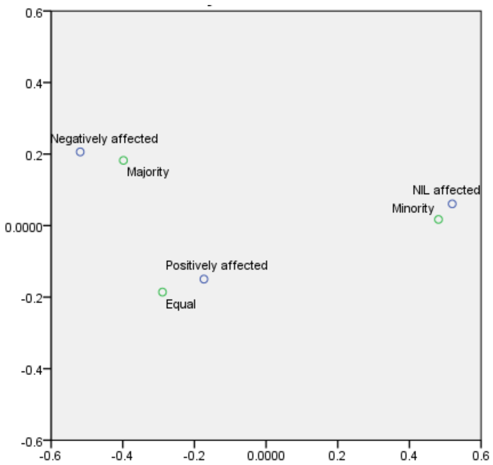

Fig 1: Ownership Pattern of IJVs

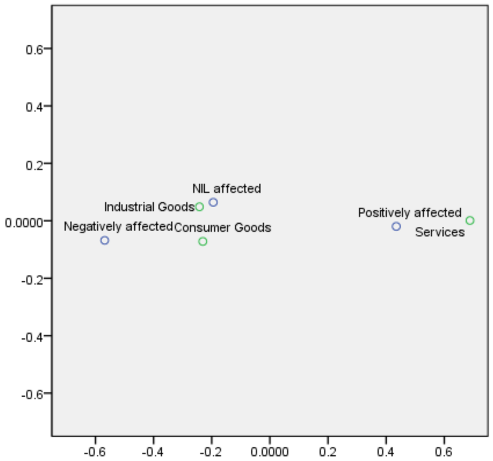

Fig 2: Nature of Industry

Figures1&2 portrays that IJV deals struck by firms belonging to services sector and Indian firms having equal stake in the IJV have gained positive CAR from their IJV announcements while IJV deals announced by firms belonging to Industrial goods sector and firms having majority stake in the IJVs formed are not affected by IJV announcements. Negative CAR accrues to Indian firms having minority equity participation in the IJVs.

Discussion of results and Implications

More IJV deals have materialised in finance, infrastructure and steel industries. Government's FDI policy of allowing 49% direct equity participation in Insurance sector by foreign players only in the form of joint venture arrangements with Indian firms might have been the reason for the increasing trend in IJVs in finance industry. Infrastructure and Steel industries are highly capital intensive and require fair quantum of innovation and hence, firms in these industries have gone for larger number of IJV deals.

Equal number of firms in Chemicals, IT, Auto Ancillaries, Plantation, Jewellery and Other Manufacturing Industrieshave managed positive and negative CAR from IJV announcements while there are larger number of firms with negative CAR in Refineries, Capital Goods (with and without non-Electrical Equipments), Healthcare and Pharma, Steel, Finance, Telecom, Retailing, Consumer Durables and power generation Industries. Larger number of firms in Automobiles and Infrastructure Industrieshas managed positive CAR from their IJV announcements while all IJV deals struck in Media and Fertilizers Industrieshave yielded positive CAR to the Indian firms.

Solitary IJV deal struck in education and Logistics Industrieswhile couple of IJV deals struck in FMCG industry have yielded positive CAR to the firms suggesting that firms belonging to industries in which IJV deals are scarce can consider the arrangement as a good option to gain market value.

Firms belonging to Steel, Automobile, Auto Ancillaries, Infrastructure and Capital Goods industries have struck more IJV deals with partner firms belonging to developed nations suggesting that these firms have recognised the importance of gaining expertise and finance through IJV arrangements considering the capital intensive nature of their industries.

Cluster analysis has revealed that positive CAR has accrued to majority of the firms (66) striking IJV deals while 54 firms have not been adversely affected. Only 32 firms have lost their market value significantly due to IJV deals. This suggests that Indian firms largely have gained in their value due to IJV announcements. Negative CAR has accrued to Indian firms with minority equity participation in IJVs. Hence, it is essential for Indian firms to negotiate IJV deals such that they have equal or majority participation in the IJVs. Indian firms have recognised this point as only 42 of the 152 IJV deals have been struck with majority equity participation from the foreign partner firms. Indian firms belonging to services sector have better prospects of reaping positive CAR from IJV announcements. Hence, service sector firms can consider IJV as a good expansion strategy to maximise their value.

Positive CAR has accrued to Indian firms striking IJV deals during the recession period of 2008, 2009 and 2010, suggesting that expansion strategies involving foreign partner firms shall be a good option for firms to increase their value during times of economic slowdown.

VIII. Conclusion

Business firms wish to operate at global level. Expanding to foreign market is quite difficult due to the complexities associated with venturing into an unknown market. However, this difficulty can be neutralised by striking an IJV deal with a local firm and starting a new venture in the foreign market. Synergy of the two or more firms can be utilised and the new IJV can operate using the expertise and resources of the two parent companies in a localised environment which may enhance the prospects of better performance of the firm. One supplementary benefit accruing to domestic firm striking an IJV deal with a foreign player is that its market value also gets influenced by announcement of such IJV deals which influences wealth creation for its shareholders. This study has revealed that such value creation has accrued to majority of Indian firms which have struck IJV deals. A careful forming of joint venture deals by properly identifying foreign partner firms can result in among other things, additional market value creation for the Indian partner firms.

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