

# **What is Corporate Restructuring**



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# Meaning of Corporate Restructuring

- It is a process by which a firm does an analysis of itself as a point of time and alters what it owes and owns, refocus itself to specific tasks of performance improvements by radically altering the firm's capital structure, asset mix and organization so as to enhance the value of the firm.
- The corporate restructuring is designed to accomplish specific goals and strategies such as:
  - a) Profitability & ROI improvement
  - b) Higher economies of scale
  - c) Optimum BEP
  - d) Reducing financial & operational risk
  - e) Continuous improvement in shareholder value.

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graph TD; A[Corporate Restructuring] --> B[Financial Restructuring]; A --> C[Organizational Restructuring];
```

Corporate  
Restructuring

Financial  
Restructuring

Organizational  
Restructuring

# Symptoms:

**Operational symptom**

**Strategic Symptoms**

**Market, Economy-level and Global Symptoms**

## **Motives behind Corporate Restructuring**

- (a) Expansion,**
- (b) Corporate control,**
- (c) Contraction and**
- (d) Change in ownership structure**

# **Motives behind expansion**

- **Growth**
- **Technology**
- **Product Advantage and Product Differentiation**
- **Government policy**
- **Exchange rates**
- **Political/Economic Stability**
- **Differential labour costs, Productivity**
- **Diversification**

## **Motives behind Corporate control**

- **Improving Leverage Ratio**
- **Utilization of Surplus Cash**
- **Enhancement of Voting Power**
- **Preventing Undervaluation**
- **Anti-takeover Defence**

## **Motives behind Contraction**

- **Improving Performance**
- **Booming Independence**
- **Effort to Unlearn**
- **Strategic Adjustment**
- **Increasing value**



## **Motives behind Change in Ownership**

- **Manoeuvring Leverage**
- **Alteration in the Control Structure**
- **Providing fairness to minority Shareholders**
- **Changing the nature of Firm**

## **Significance of Corporate Restructuring**

- **Economies of scale**
  - **Operating Economies**
  - **Synergy**
  - **Reduction in Tax liability**
  - **Managerial Effectiveness**
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- Other reasons

# Kinds/Forms of Corporate Restructuring

- **Portfolio Restructuring**
- **Financial Restructuring**
- **Organizational Restructuring**
- **Technological Restructuring**

## Forms of Corporate Restructuring

### ➤ Expansion

- + Mergers and Acquisitions
- + Tender Offers
- + Asset Acquisition
- + Joint Ventures

### ➤ Contraction

- + Spin offs
- + Split offs
- + Divestitures
- + Equity carve-outs
- + Assets sale

### ➤ Corporate Control

- + Takeover defenses
- + Share repurchases
- + Exchange offers
- + Proxy contests

### ➤ Change in Ownership Structures

- + Leveraged buyout
- + Junk Bonds
- + Going Private
- + ESOPs

## **Barriers to Corporate Restructuring**

- **Work Assurance**
- **Retention of Best Management:**
- **Delay in Deal Finalization**
- **Executive Stress**
- **Workers' Woes**
- **Cultural Mismatch**
- **Inability to Create Value**

thank  
you