

# **A STUDY ON THE GROWTH POLICIES AND PROFITABILITY'S OF SELECT MERGERS AND ACQUISITIONS IN INDIA**

**A R Sindhu  
Dr. S. Madhavan**

## **Abstract**

*The study aims to investigate the growth percentage in Earning per Share, Net worth, Debt equity Ratio and Market value of companies starting from Jan 2014 to March 2014, which is carried out on a sample of 22 companies, who underwent M&A. It is assumed that Merger and Acquisition (M&A) develop the company financial performance, organisational competitiveness and it is an easier way to internationalisation also. 2014 was a year for very strong foreign investor interest in India, while the economic and growth sentiments are enormously positive. The present research paper was based on Secondary data from the CMIE's Prowess database and Annual Reports of the companies concerned. Finally from the results it is concluded that mergers have a significant change in enhancing the profitability of acquirer companies.*

**Keywords:** *Mergers and Acquisitions, Earning Per Share, Debt Equity Ratio, Networth and Market value of company*

## **Introduction**

Corporate Restructuring is the procedure required in changing the association of a business. Corporate rebuilding can include rolling out emotional improvements to a business by removing or consolidating divisions that frequently has the impact of dislodging staff individuals. In today's globalized economy, Mergers and Acquisitions are by and large progressively utilized as a target for speedier development in piece of the pie, accomplishing a bigger size, to improve gainfulness, resource base, and broadening of hazard and for turning out to be more focused through economies of scale.

Each merger has its own particular novel reasons as the consolidating of two organizations is a decent business choice. As the term Merger implies converging of two organizations where one new organization will keep on existing. Reverse mergers (also known as a reverse takeover or reverse IPO) are a very popular in Merger. A reverse merger is a way for private companies to go public, typically

through a simpler, shorter, and less expensive process. Mergers can be categorized as follows Horizontal Merger, Vertical Merger and Conglomerate Merger. The Merger and Acquisition Process can be separated into five stages, they are:

**Table 1: Merger & Acquisition Phases**

<b>Phases</b>	<b>Process</b>
Phase 1	Pre Acquisition Review
Phase 2	Search & Screen Targets
Phase 3	Investigate & Value the Target
Phase 4	Acquire through Negotiation
Phase 5	Post Merger Integration.

**An Overview of M&A in 2014**

As indicated by the information discharged by Grant Thornton India, an Accounting and Consulting firm, as the aggregate Merger and Acquisitions (M&A) bargains amid the year 2014 were esteemed at US\$ 38 billion (573 arrangements) when contrasted with US\$ 28.19 billion (500 arrangements) amid the comparing time frame in 2013.

As 2013 M&A demonstrated an exceptionally baffling business sector, the raise of 2014 was astounding with a full speed of Mega arrangements in the main quarter itself. M&A movement in 2014 relies on upon various elements, which incorporates Economic Conditions, Private Equity Impact, Venture Capital Pipeline and Intellectual Property Motivations. The main 5 M&A segments in the year 2014 were distinguished as Pharmaceuticals, Healthcare and Biotechnology, Telecommunication, Transport and Logistics, Retail and Consumer and Energy and Natural Resources.

**Table 2: 2014 Overall M&A**

Year		Deal Summary				Total
		Domestic	Cross-border		Merger and Internal Restructuring	
			Inbound	Outbound		
2014	Value (US\$ mn)	16,316	11,829	5,981	3,989	<b>38,115</b>
	Volume	253	166	117	37	<b>573</b>
2013	Value (US\$ mn)	5,636	8,736	9,249	4,541	<b>28,162</b>
	Volume	217	139	82	58	<b>497</b>

Source : Grand Thornton Deal tracker 2014

### Why Companies Acquire?

The Indian market is substantial, assorted and complex and for global organizations assessing a passage, it is basic to have a home-developed admonitory group that comprehends the market, appreciates close associations with chiefs in organizations, can oversee singular promoter sensitivities, and in addition comprehends the subtleties of Indian controls. Such an affiliation would help organizations explore the social, political, administrative and legitimate systems easily.

While India is among the most remunerating spots to work together in, it accompanies its own arrangement of interesting difficulties. There are a few experiences from the point of view of an inbound acquirer and practices why an organization mostly go for a get, a portion of the real reasons are because of

enhanced market get to, consolidated business creation, co-ordinated Strategies, shared know-how, vertical incorporation and shared unmistakable assets.

**Table 3: Deal activity by industry**

Target vertical	2013		2014	
	Deal volume	Deal value (US\$ million)	Deal volume	Deal value (US\$ million)
Cement and building products	16	992	20	1,147
Chemicals	30	415	30	290
Diversified Industrial Products	79	399	78	1,244
Financial services	56	1,342	55	3,751
Health care	26	663	34	295
Pharmaceuticals	32	3,717	52	4,159
Metals and mining	35	446	26	676
Media and entertainment	51	83	53	1,094
Infrastructure	73	1,983	94	5,829
Professional services	29	487	45	108
Real estate	24	639	32	1,331
Retail and consumer products	73	3,843	96	4,010
Technology	71	544	116	2,021

**Source: EV analysis of Thomson ONE data**

**Reasons for M & A:**

One very important reason for M&A is Synergy value element. The joining or merging of the two companies creates an additional value called Synergy Value, to make it simple  $2 + 2 = 5$ . Synergy value can take three forms Revenues, Expenses, Cost of Capital.

If the expected synergy values may not be realized, the merger is considered to be a failure. Some of the reasons behind failed mergers are Poor

strategic fit, Cultural and Social Differences Incomplete and Inadequate Due Diligence, Poorly Managed Integration, Paying too Much, Overly Optimistic.

**Brief Literature Survey:**

**Table 4: Studies on M&A in India – A Brief Literature Survey**

Title	Study by	Period	Objectives/Tools/Findings
1.Impact of Mergers on Corporate Performance in India	Amarjit Saini & Dr.Ravi Singla	2015	<p><b>Obj:</b> To analyze the impact of M&amp;A on the financial performance of acquirer companies and to examine the instantaneous impact of M&amp;A on acquirer companies Shareholders wealth.</p> <p><b>Tools:</b> Ratios, T-test, Z-test, Event Window</p> <p><b>Fin:</b> The acquirer companies have not observed any significant impact on their Liquidity and Profitability Position.</p>
2.Impact of Mergers & Acquisitions on Firms’ Long Term Performance: A Pre & Post Analysis of the Indian Telecom Industry	Neha Verma, Dr. Rahul Sharma	2014	<p><b>Obj:</b> To analyze the impact and to identify M&amp;A induced changes of select financial and operating performance variables on Return on Shareholder’s Fund (ROSF) of the companies and synergies, if any, resulting from M&amp;A’s in the Indian Telecom Sector during the period 2001- 02 to 2007-08.</p> <p><b>Tools:</b> Financial &amp; Operating Performance Variables, t-test</p> <p><b>Fin:</b> Managers must retain focus on firm’s business, particularly, post-M&amp;A integration process to achieve the real objectives of the M&amp;A.</p>
			<p><b>Obj:</b> To analyse the Trends of M&amp;A</p>

<p>3.Mergers &amp; Acquisitions in India: A sectoral analysis</p>	<p>Priya Bhalla</p>	<p>2014</p>	<p>in various Sectors with special focus on Indian Financial Sector and to investigate the differential representation of various sectors in M&amp;A. <b>Fin:</b> From the study it is observed that Pharmaceutical, Telecom and Financial Sectors have witnessed most fundamental reforms and India is lagging behind other advanced and emerging economies in terms of number and value of M&amp;A.</p>
<p>4.Impact of M&amp;A on Operating Performance: Evidence from Manufacturing Firms in India</p>	<p>Ramachandran Azhagaiah &amp; Thangavelu Sathishkumar</p>	<p>2014</p>	<p><b>Obj:</b> To analyse the effect of M&amp;A on the attributes of Operating Performance Vs Gross Earnings, Liquidity, Financial Risk, Cost of Utilisation , Turnover, Growth and Operating Leverage and to study shift-in-structure in the Operating Performance for post merger period of acquiring manufacturing firms of India <b>Tool:</b> Factor Analysis, Correlation Matrix, Multiple Regression Analysis and Chow test <b>Fin:</b> The M&amp;A process has significant effect on OP of acquiring Manufacturing firms of India After M&amp;A.</p>
<p>5.M&amp;A: An Empirical study on the Post Merger performance of selected Corporate Firms</p>	<p>Rosy Kalra</p>	<p>2013</p>	<p><b>Obj:</b> To study the impact of M&amp;A on the Operating Performance, Liquidity, Profitability and Leverage of merged/acquirer by considering 3 years (April 08-March 09) on evaluating Pre and Post merger process of selected companies. <b>Tool:</b> Financial Ratio, T-test <b>Fin:</b> The result of the study shows</p>

in India			that M&A have a significant impact on the L, P, and OP, moreover the management cannot take it for granted that synergy will be generated and profits will increase simply by going for M&A.
6.M&A: A growth perspective from India	Prof. Babasaheb. R. Jadhav , Dr.D.B.Bharati	2013	<b>Obj:</b> To examine the strategies of M&A in India from growth prospective and cause & effect analysis and to study the FDI in M&A deals. <b>Tool:</b> Line chart, Bar Diagram, Percentage and Proportions. <b>Fin:</b> FDI in acquisition is double than the merger and there are lot of disparities between deals and values of acquisition is more in total M&A.
7.Determinants of M&A of firms in the Indian Financial Sector: An Empirical Analysis	Priya Bhalla	2011	<b>Obj:</b> To investigate the motives of 288 entities belonging to Financial Services Sector of India for the period 1997-98 to2007-08 <b>Tool:</b> CAMEL rating system, Correlation, Logit–probit analysis. <b>Fin:</b> It supports the 'market for control' hypothesis and one of the motives for acquiring other firms in the Financial Sector may be to obtain greater Liquidity and Diversification in Operations.
8.M&A – "A change paradigm in performance of Indian company	Prof. Natika Jain & Prof.Sulbha Raorane	2011	<b>Obj:</b> To analysis the impact of M&A on the Performance of the selected companies in Indian context. <b>Tool:</b> Ratio analysis & T-test <b>Fin:</b> The acquirer companies always benefited more than the targeted companies in the merger event.

9.Mergers in Indian Industry: performance and impacting factors.	K. Ramakrishnan	2010	<p><b>Obj:</b> Long-term post-merger firm performance measurement. To analyses of the impact of the strategic factors on long-term post-merger firm performance.</p> <p><b>Tool:</b> cross-sectional linear regression model, paired-samples t-test</p> <p><b>Fin:</b> Unrelated mergers appear to be performing better in the long term, contrary to strategic management theory.</p>
10.Type of Merger and Impact on Operating Performance: The Indian Experience	Pramod Mantravadi & A Vidyadhar Reddy	2008	<p><b>Obj:</b> To analyse Post-merger Operating Performance for acquiring firms in India which are involved in different types of mergers.</p> <p><b>Tool:</b> Ratio Analysis</p> <p><b>Fin:</b> It is suggested that Horizontal merger had caused the highest decline in the OP of merging companies.</p>
11.Relative size in Mergers and Operating Performance: Indian Experience	Pramod Mantravadi & A Vidyadhar Reddy	2007	<p><b>Obj:</b> Analysing the Post-merger Operating Performance for acquiring firms in Industry during Post-reform period.</p> <p><b>Tool:</b> Ratio Analysis, Paired - t-test</p> <p><b>Fin:</b> The analysis of Pre and Post merger OP ratios for the acquiring firms in the sample seems to indicate the relative size does make some difference to the Post-merger OP of acquiring firms.</p>
12.Post-merger corporate performance: an Indian perspective	Raj Kumar	2009	<p><b>Obj:</b> To measure pre-merger size- and industry-adjusted performance of the acquiring and acquired companies, combined into one measure and post merger operating performance of the</p>



		<p>survived entity. And To identify merger-induced changes in operating performance of companies and synergies, if any, resulting from mergers.</p> <p><b>Tool:</b> ROCE, ASTR, Debt-equity ratio, paired t-test</p> <p><b>Fin:</b> It is found that the post-merger profitability, assets turnover and solvency of the acquiring companies, on average, show no improvement when compared with pre-merger values. So it seems that, contrary to common beliefs and expectations, mergers usually do not lead to improve the acquirer's financial performance.</p>
--	--	--

**Major findings from reviews:**

The common finding that can be drawn from the above research studies was that various analysis were made in the area of operating performance of acquiring firms in different industries only. As per the analysis made in operating performance, it was noted that there was a significant effect on acquiring firms while going for M&A. There were only few studies made under sector wise and the types of mergers. The main important point of the acquirer companies was that the targeted companies were always benefited more in the M&A event.

**Research Gap**

Most of the studies were based on the yearly data focusing on the impact of Operating Performance of acquiring firms using various attributes such as Liquidity, Profitability and Leverage. However, very little number of study were made on the growth attribute showing whether there was a decline or growth in Pre and Post M&A from the above reviews. So the researcher has focused on calculating the growth percentage on Pre and Post M&A.

## Research Methodology:

### Objectives

- To analyse the growth percentage of M&As on various attributes like Earnings Per Share, Net Worth, Debt Equity Ratio and Market Value of Company to consider Investment Opportunities.

### Data collection and Methodology

Descriptive research design is used and Convenience Sampling has been employed to select the sample companies. The data were collected from 2014 period announced Merged and Acquired companies during 3 months (January, February and March 2014) in which a sample of 22 selected companies are taken for the study.

The announced Merged and Acquired companies were taken from the Centre for Monitoring Indian Economy (CMIE) Prowess database. The study was mainly based on secondary data, which were also from companies Annual Reports, UNCTAD cross-border M&A database 2013 & 2014, BSE website, Grand Thornton Dealtracker 2014 and from various other reports, journals and books.

### Analysis and Interpretation

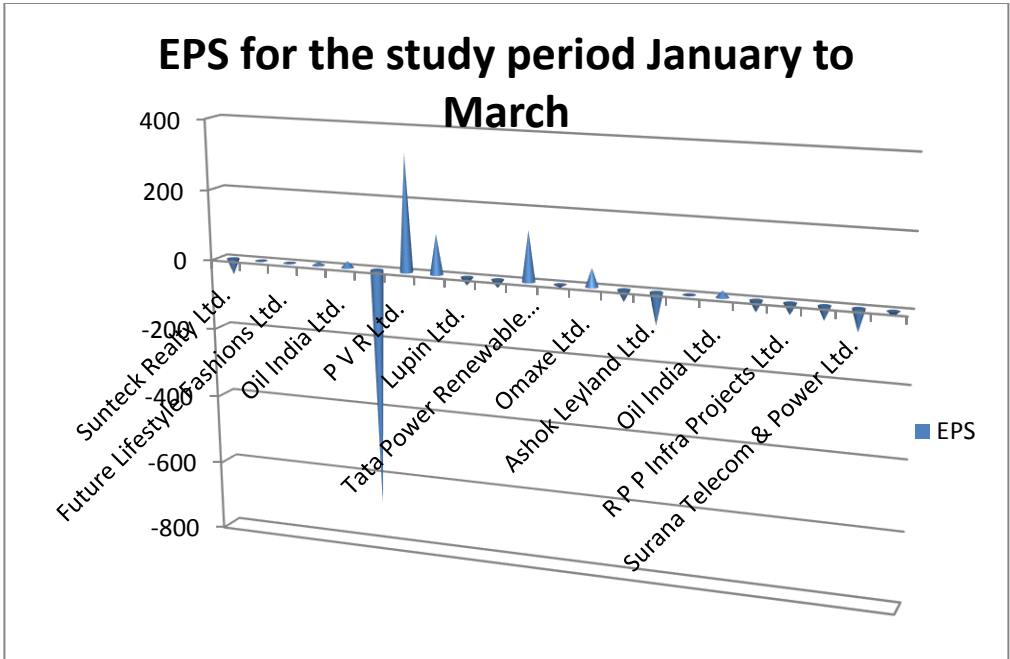
**5.Table** – Calculation on Growth percentage on **Earnings Per Share** of M&A firms:

Sl. No	Acquirer	Deal Type	Sector	Target Company	Event Date	Earnings Per Share			
						Before Merger (13-14)	After Merger (14-15)	EPS Growth in %	Growth /Decline
<b>January</b>									
1	Sunteck Realty Ltd.	Merger	Real estate	Marico Kaya Enterprises Ltd.	15-Jan-14	21.81	11.86	-45.62	Decline

2	Avonmore Capital & Mgmt. Services Ltd.	Acquisition of shares	Financial Services providers	Almondz Insurance Brokers Pvt. Ltd.	06-Jan-14	1.46	0.12	-0.92	Decline
3	Future Lifestyle Fashions Ltd.		Lifestyle Fashions	Resource World Exim Pvt. Ltd.	03-Jan-14	1.07	1.51	0.41	<b>Growth</b>
4	L & T Technology Services Ltd.		IT	Newtime Infrastructure Ltd.	14-Jan-14	54.46	59.36	8.99	<b>Growth</b>
5	Oil India Ltd.		Petroleum and Natural Gas.	Videocon Mozambique Rovuma 1 Ltd.	07-Jan-14	41.76	49.59	18.75	<b>Growth</b>
<b>February</b>									
1	Relish Pharmaceuticals Ltd.	Merger	Pharmaceuticals	Divine Heritage Hotels Pvt. Ltd.	11-Feb-14	0.84	-4.91	-684.52	Decline
2	P V R Ltd.		Cinemas	Divine Heritage Hotels Pvt. Ltd.	14-Feb-14	3.3	14.16	329.09	<b>Growth</b>
3	Lumax D K Auto Inds.Ltd.		Automobile	Marico Kaya Enterprises Ltd.	27-Feb-14	11.02	23.51	113.34	<b>Growth</b>
4	Lupin Ltd.	Acquisition of shares	Pharmaceutical	Adani Transmission (India) Ltd.	03-Feb-14	53.54	40.99	-23.44	Decline
5	Lupin Ltd.		Pharmaceutical	Nanomi B V	03-Feb-14	53.54	40.99	-23.44	Decline
6	Tata Power Renewable Energy Ltd.		Power	M M S Infrastructure Ltd.	25-Feb-14	0.19	0.46	142.11	<b>Growth</b>
7	I T C Ltd.		Edible Oils	Oasis Tradelink Ltd.	06-Feb-14	12.05	11.09	-7.97	Decline
8	Omaxe Ltd.		Builders	P P Devcon Pvt. Ltd.	07-Feb-14	2.18	3.3	51.38	<b>Growth</b>
<b>March</b>									
1	Ravindra Energy Ltd.	Merger	Power	Shree Renuka Energy Ltd. [Merged]	18-Mar-14	0.03	0.02	-33.33	Decline
2	Ashok Leyland Ltd.		Automobile	Divine Heritage Hotels Pvt. Ltd.	27-Mar-14	1.2	0.11	-90.83	Decline
3	Power Grid Corp. Of India Ltd.	Acquisition of shares	Power	Unchahar Transmission Ltd.	24-Mar-14	9.52	9.36	-1.68	Decline

4	Oil India Ltd.		Petroleum and Natural Gas.	Indian Oil Corpn. Ltd.	14-Mar-14	41.76	49.59	18.75	<b>Growth</b>
5	R P P Infra Projects Ltd.		Infrastructure	Greatful Mercantile Pvt. Ltd.	28-Mar-14	7.64	5.17	-32.33	Decline
6	R P P Infra Projects Ltd.		Infrastructure	Birdhi Chand Pannalal Agencies Ltd.	28-Mar-14	7.64	5.17	-32.33	Decline
7	Sterlite Grid Ltd.		Telecom & Power Ltd.	Rapp Transmission Co. Ltd.	12-Mar-14	2.14	1.28	-40.19	Decline
8	Surana Telecom & Power Ltd.		Telecom & Power Ltd.	Surana Solar Systems Pvt. Ltd.	21-Mar-14	0.19	0.07	-63.16	Decline
9	U P L Ltd.		Chemical	U P L Do Brasil Industria E Comercio De Insumos Agropecuarios S A	04-Mar-14	10.81	9.45	-12.58	Decline

**Source:** From Annual Report with Authors' calculation



**Interpretation:**

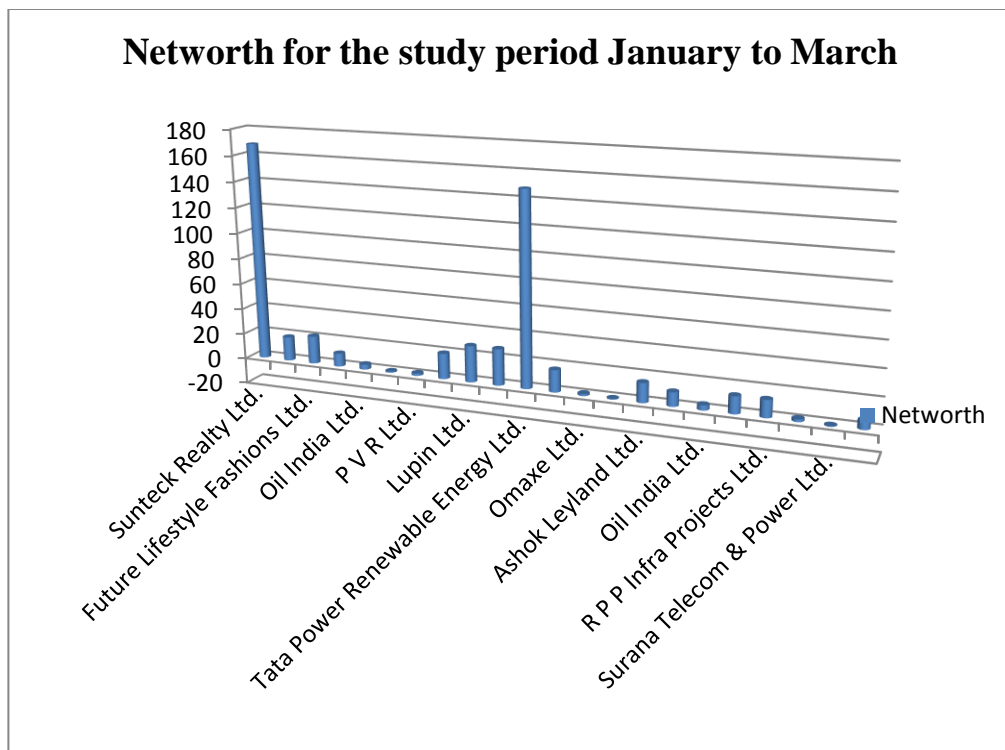
The above table shows that the EPS calculations of 5 M&A firms for the month of January 2014 show a major growth perspective transaction over Merging and Acquiring firms. In the month of February 2014, the 8 acquiring firms show a growth as well as decline perspective value. For the month of March 2014, the 9 acquiring firms shows a major decline over the transaction made on Merging and Acquiring. It reveals that the EPS growth percentage calculation shows a common decline trend in the Q1 of 2014.

**6. Table showing NETWORTH calculation:**

SI No	Acquirer	Deal Type	Sector	Target Company	Event Date	NETWORTH			
						BM (Rs.in Crore)	AM(Rs. In Crore)	Networth Growth in %	Growth /Decline
<b>January</b>									
1	Sunteck Realty Ltd.	Merger	Real estate	Marico Kaya Enterprises Ltd.	15-Jan-14	1470.282	547.747	168.42	Growth
2	Avonmore Capital & Mgmt. Services Ltd.	Acquisition of shares	Financial Services providers	Almondz Insurance Brokers Pvt. Ltd.	06-Jan-14	69.46	58.54	18.66	Growth
3	Future Lifestyle Fashions Ltd.		Lifestyle Fashions	Resource World Exim Pvt. Ltd.	03-Jan-14	1,569.72	1,291.32	21.56	Growth
4	L & T Technology Services Ltd.		IT	Newtime Infrastructure Ltd.	14-Jan-14	37,084.6	33,661.8	10.17	Growth
5	Oil India Ltd.		Petroleum and Natural Gas.	Videocon Mozambique Rovuma 1 Ltd.	07-Jan-14	21,514.31	20,708.18	3.89	Growth
<b>February</b>									
1	Relish Pharmaceutical s Ltd.	Merger	Pharmaceuti cals	Divine Heritage Hotels Pvt. Ltd.	11-Feb-14	13.954	13.823	0.95	Growth
2	P V R Ltd.		Cinemas	Divine Heritage Hotels Pvt. Ltd.	14-Feb-14	3,983.7	3,912.7	1.81	Growth
3	Lumax D K Auto Inds. Ltd.		Automobile	Marico Kaya Enterprises Ltd.	27-Feb-14	123.792	103.366	19.76	Growth
4	Lupin Ltd.	Acquisition of shares	Pharmaceuti cal	Adani Transmission (India) Ltd.	03-Feb-14	8,874.06	6,931.57	28.02	Growth
5	Lupin Ltd.		Pharmaceuti cal	Nanomi B V	03-Feb-14	8,874.06	6,931.57	28.02	Growth
6	Tata Power Renewable Energy Ltd.		Power	M M S Infrastructure Ltd.	25-Feb-14	500.307	201.416	148.39	Growth
7	I T C Ltd.		Edible Oils	Oasis Tradelink Ltd.	06-Feb-14	30735.69	26262.02	17.03	Growth

8	Omaxe Ltd.		Builders	P P Devcon Pvt. Ltd.	07-Feb-14	1,911.61	1,882.95	1.52	Growth
<b>March</b>									
1	Ravindra Energy Ltd.	Merger	Power	Shree Renuka Energy Ltd. [Merged]	18-Mar-14	204.121	203.052	0.53	Growth
2	Ashok Leyland Ltd.		Automobile	Divine Heritage Hotels Pvt. Ltd.	27-Mar-14	5,118.70	4,447.89	15.08	Growth
3	Power Grid Corpn. Of India Ltd.	Acquisition of shares	Power	Unchahar Transmission Ltd.	24-Mar-14	38166.59	34459.63	10.76	Growth
4	Oil India Ltd.		Petroleum and Natural Gas.	Indian Oil Corpn. Ltd.	14-Mar-14	21514.31	20708.18	3.89	Growth
5	R P P Infra Projects Ltd.		Infrastructure	Greatful Mercantile Pvt. Ltd.	28-Mar-14	135.85	119.97	13.24	Growth
6	R P P Infra Projects Ltd.		Infrastructure	Birdhi Chand Pannalal Agencies Ltd.	28-Mar-14	135.85	119.97	13.24	Growth
7	Sterlite Grid Ltd.		Telecom & Power Ltd.	Rapp Transmission Co. Ltd.	12-Mar-14	1,242.65	1,218.29	1.99	Growth
8	Surana Telecom & Power Ltd.		Telecom & Power Ltd.	Surana Solar Systems Pvt. Ltd.	21-Mar-14	59.814	60.136	-0.53	<b>Decline</b>
9	U P L Ltd.		Chemical	U P L Do Brasil Industria E Comercio De Insumos Agropecuarios S A	04-Mar-14	3,524.08	3,308	6.54	Growth

**Source:** From Annual Report with Authors' calculation



**Interpretation:**

The above table reveals that for 3months NETWORKTH calculations, which have a major growth perspective in common over Merging and Acquiring firms. In the month of March 2014, only one transaction has hit decline. It reveals that the NETWORKTH shows a growth stage over the transaction made in the 3 consecutive months of 2014.



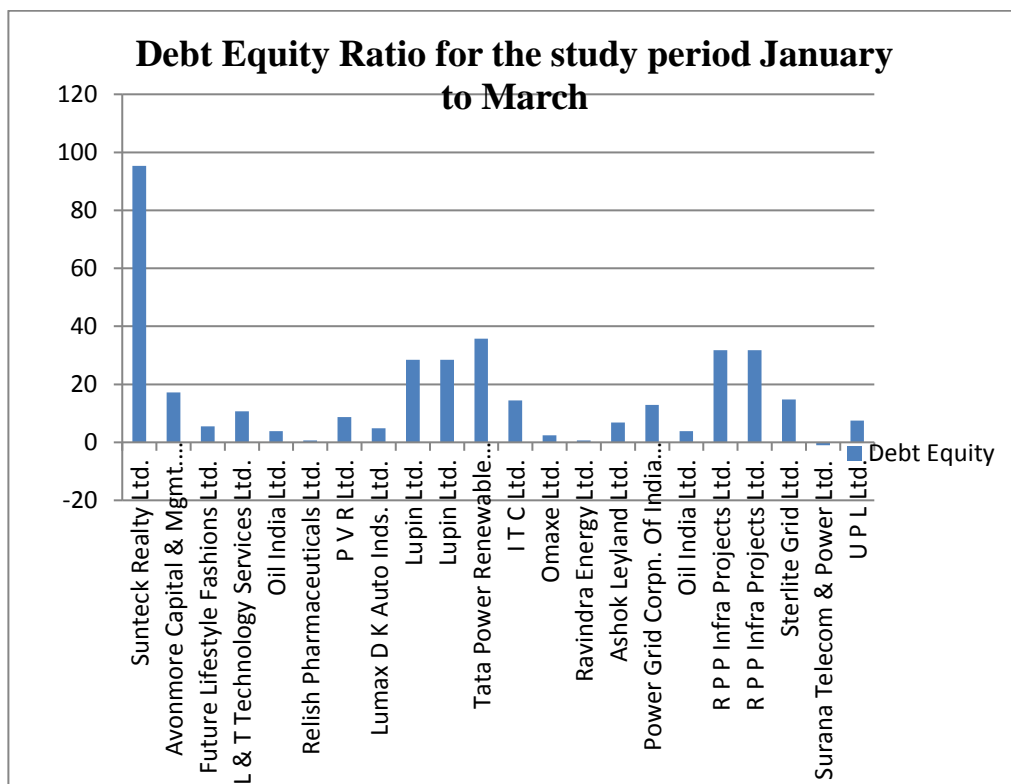
**7. Table showing DEBT EQUITY RATIO calculation:**

SI No	Acquirer	Deal Type	Sector	Target Company	Event Date	DEBT EQUITY RATIO			
						BM (Rs.in Crore)	AM(Rs. In Crore)	Debt Equity Growth in %	Growt h /Declin e
<b>January</b>									
1	Sunteck Realty Ltd.	Merger	Real estate	Marico Kaya Enterprises Ltd.	15-Jan-14	2257.383	1155.55	95.35	Growt h
2	Avonmore Capital & Mgmt. Services Ltd.	Acquisiti on of shares	Financial Services providers	Almondz Insurance Brokers Pvt. Ltd.	06-Jan-14	139.263	118.832	17.19	Growt h
3	Future Lifestyle Fashions Ltd.		Lifestyle Fashions	Resource World Exim Pvt. Ltd.	03-Jan-14	5518.59	5231.65	5.48	Growt h
4	L & T Technology Services Ltd.		IT	Newtime Infrastructu re Ltd.	14-Jan-14	123988.4	111966.4	10.74	Growt h
5	Oil India Ltd.		Petroleum and Natural Gas.	Videocon Mozambique Rovuma 1 Ltd.	07-Jan-14	57741.43	55582.63	3.88	Growt h
<b>February</b>									
1	Relish Pharmaceutic als Ltd.	Merger	Pharmaceutic als	Divine Heritage Hotels Pvt. Ltd.	11-Feb-14	32.265	32.065	0.62	Growt h
2	P V R Ltd.		Cinemas	Divine Heritage Hotels Pvt. Ltd.	14-Feb-14	1763.04	1621.58	8.72	Growt h
3	Lumax D K Auto Inds. Ltd.		Automobile	Marico Kaya Enterprises Ltd.	27-Feb-14	605.048	576.792	4.89	Growt h
4	Lupin Ltd.		Pharmaceutic al	Adani Transmissio n (India) Ltd.	03-Feb-14	22011.8	17137.6	28.44	Growt h

5	Lupin Ltd.	Acquisition of shares	Pharmaceutical	Nanomi B V	03-Feb-14	22011.8	17137.6	28.44	Growth
6	Tata Power Renewable Energy Ltd.		Power	M M S Infrastructure Ltd.	25-Feb-14	1867.376	1375.659	35.74	Growth
7	I T C Ltd.		Edible Oils	Oasis Tradelink Ltd.	06-Feb-14	74931.35	65491.41	14.41	Growth
8	Omaxe Ltd.		Builders	P P Devcon Pvt. Ltd.	07-Feb-14	6871.936	6708.839	2.43	Growth
<b>March</b>									
1	Ravindra Energy Ltd.	Merger	Power	Shree Renuka Energy Ltd. [Merged]	18-Mar-14	542.699	539.253	0.64	Growth
2	Ashok Leyland Ltd.		Automobile	Divine Heritage Hotels Pvt. Ltd.	27-Mar-14	18430.19	17255.886	6.8	Growth
3	Power Grid Corpn. Of India Ltd.	Acquisition of shares	Power	Unchahar Transmission Ltd.	24-Mar-14	196467.47	174048.7	12.88	Growth
4	Oil India Ltd.		Petroleum and Natural Gas.	Indian Oil Corpn. Ltd.	14-Mar-14	57741.43	55582.63	3.88	Growth
5	R P P Infra Projects Ltd.		Infrastructure	Greatful Mercantile Pvt. Ltd.	28-Mar-14	521.72	396.05	31.73	Growth
6	R P P Infra Projects Ltd.		Infrastructure	Birdhi Chand Pannalal Agencies Ltd.	28-Mar-14	521.72	396.05	31.73	Growth
7	Sterlite Grid Ltd.		Telecom & Power Ltd.	Rapp Transmission	12-Mar	5469.96	4764.61	14.8	Growth

				n Co. Ltd.	-14				
8	Surana Telecom & Power Ltd.		Telecom & Power Ltd.	Surana Solar Systems Pvt. Ltd.	21-Mar-14	154.842	156.444	-1.02	Decline
9	U P L Ltd.		Chemical	U P L Do Brasil Industria E Comercio De Insumos Agropecuarios S A	04-Mar-14	11163.39	10390.16	7.44	Growth

Source: From Annual Report with Authors' calculation



## Interpretation:

From the above table, we can infer that except for one transaction in the entire study period, all other company's Debt Equity Ratios have shown a growing/increasing trend.

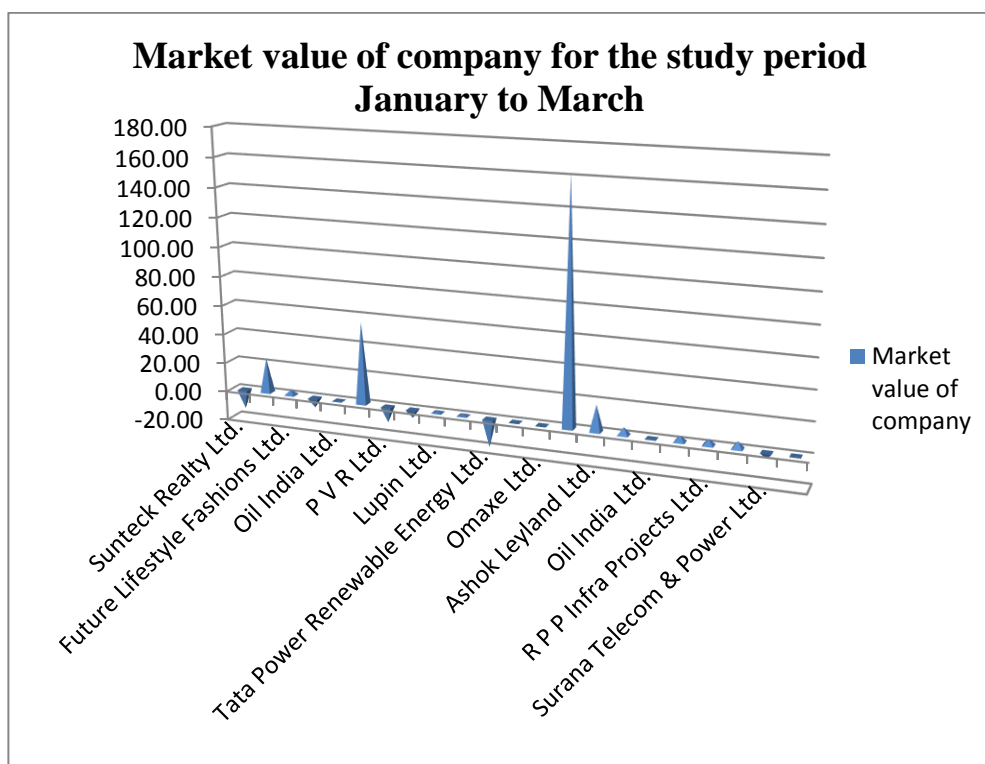
## 8. Table showing MARKET VALUE OF COMPANY calculation:

SI No	Acquirer	Deal Type	Sector	Target Company	Event Date	MARKET VALUE OF COMPANY			
						BM (Rs.in Crore)	AM(Rs. In Crore)	Growth in %	Growth /Decline
<b>January</b>									
1	Sunteck Realty Ltd.	Merger	Real estate	Marico Kaya Enterprises Ltd.	15-Jan-14	1960.70	1696.55	-13.47	<b>Decline</b>
2	Avonmore Capital & Mgmt. Services Ltd.	Acquisition of shares	Financial Services providers	Almondz Insurance Brokers Pvt. Ltd.	06-Jan-14	39.13	48.42	23.75	Growth
3	Future Lifestyle Fashions Ltd.	Acquisition of shares	Lifestyle Fashions	Resource World Exim Pvt. Ltd.	03-Jan-14	2.02	2.09	3.62	Growth
4	L & T Technology Services Ltd.		IT	Newtime Infrastructure Ltd.	14-Jan-14	99547.99	92719.88	-6.86	<b>Decline</b>
5	Oil India Ltd.	Acquisition of shares	Petroleum and Natural Gas.	Videocon Mozambique Rovuma 1 Ltd.	07-Jan-14	28211.88	28343.43	0.47	Growth
<b>February</b>									
1	Relish Pharmaceuticals Ltd.	Merger	Pharmaceuticals	Divine Heritage Hotels Pvt. Ltd.	11-Feb-14	1.19	1.85	55.73	Growth
2	P V R Ltd.		Cinemas	Divine Heritage Hotels Pvt. Ltd.	14-Feb-14	2508.37	2230.83	-11.06	<b>Decline</b>
3	Lumax D K Auto Inds.		Automobile	Marico Kaya Enterprises	27-Feb-	139.45	131.44	-5.75	<b>Decline</b>

	Ltd.			Ltd.	14				
4	Lupin Ltd.	Acquisition of shares	Pharmaceutical	Adani Transmission (India) Ltd.	03-Feb-14	40967.80	41615.88	1.58	Growth
5	Lupin Ltd.		Pharmaceutical	Nanomi B V	03-Feb-14	40967.80	41615.88	1.58	Growth
6	Tata Power Renewable Energy Ltd.		Power	M M S Infrastructure Ltd.	25-Feb-14	1854.50	1493.91	-19.44	<b>Decline</b>
7	I T C Ltd.		Edible Oils	Oasis Tradelink Ltd.	06-Feb-14	257072.81	255355.78	-0.67	<b>Decline</b>
8	Omaxe Ltd.		Builders	P P Devcon Pvt. Ltd.	07-Feb-14	3119.15	3104.67	-0.46	<b>Decline</b>
<b>March</b>									
1	Ravindra Energy Ltd.	Merger	Power	Shree Renuka Energy Ltd. [Merged]	18-Mar-14	0.00	162.44	162.44	Growth
2	Ashok Leyland Ltd.		Automobile	Divine Heritage Hotels Pvt. Ltd.	27-Mar-14	3.85	4.54	17.90	Growth
3	Power Grid Corp. Of India Ltd.	Acquisition of shares	Power	Unchahar Transmission Ltd.	24-Mar-14	49986.46	52587.44	5.20	Growth
4	Oil India Ltd.		Petroleum and Natural Gas.	Indian Oil Corp. Ltd.	14-Mar-14	28211.88	28343.43	0.47	Growth
5	R P P Infra Projects Ltd.		Infrastructure	Greatful Mercantile Pvt. Ltd.	28-Mar-14	131.62	137.12	4.18	Growth
6	R P P Infra Projects Ltd.		Infrastructure	Birdhi Chand Pannalal Agencies Ltd.	28-Mar-14	131.62	137.12	4.18	Growth

7	Sterlite Grid Ltd.	Telecom & Power Ltd.	Rapp Transmission Co. Ltd.	12-Mar-14	793.82	833.26	4.97	Growth
8	Surana Telecom & Power Ltd.	Telecom & Power Ltd.	Surana Solar Systems Pvt. Ltd.	21-Mar-14	33.33	32.00	-3.99	<b>Decline</b>
9	U P L Ltd.	Chemical	U P L Do Brasil Industria E Comercio De Insumos Agropecuarios S A	04-Mar-14	79759.08	79889.00	0.16	Growth

**Source:** From BSE & Annual Report with Authors' calculation



## **Interpretation:**

The above table reveals the decline and growth of Market Value of the Company, where the average market price per share values is taken from BSE. The outstanding share values are taken from previous year annual report. In the month of January the market value of the company is increased on an average when compared with the five acquired companies, where in the month of February the market value shows a decline for majority of the selected companies. In the month of March the selected companies shows a growth as a whole.

## **Suggestion**

The main purpose of M&A is expanding their operation and increasing their profits. Indian markets have witnessed flourishing trend in mergers which may due to business consolidation by large industrial houses, consolidation of business by multinationals operating in India, increasing competition against imports and acquisition activities.

From this study, we can understand that many big companies are more indulged in M&A, but all these M&A do not end in success there are failures too. By taking proper initiative before merger we can avoid these failures. If we focus on their creative performance of the firms, technological support, realized in lost talent, lost productivity tardiness, absenteeism, turnover, reason on their reduced output & declining morale, loyalty, commitment and by relevant leadership they can come across these failures. Therefore, we can achieve the new entity to a long run success.

## **Conclusion**

Mergers are considered as an important strategic tool in the global economy. The current study was based on the secondary data, where 22 merged and acquired companies have been analysed. Various attributes like Earnings per Share (EPS), Debt Equity Ratio (DER), Networth and Market value of companies were taken for this analysis, where growth percentage has been calculated.

And the findings were, the DER & Networth shows a common growth strategy, where Market Value of Companies shows a major growth perspective but on the

part of EPS it shows a major decline. When EPS is negative, it means the company is losing its earnings, while it typically lowers the value of stock also. Thus it can be concluded that mergers have a significant change in enhancing the 'profitability' or 'shareholders wealth' of acquirer companies.

Therefore the researcher recommends that while going for M&A we need to check the company's each and every financial aspects and their cost values, because every single aspect is linked to various other major concepts. By checking those concepts and cost values we can determine whether we can go for a merger or acquisition deal.

### **Note:**

# The Annual Report values of Sterlite Technologies Limited are taken for all calculation of Sterlite Grid. As Sterlite Grid, a subsidiary of Pune based Sterlite Technologies Limited.

# Tata Power Renewable energy is a subsidiary of Tata Power. So for calculation of MVC the BSE values are taken from Tata Power, as TPRE is not listed in BSE.

# Ravindra Trading & Agencies Ltd has changed its name to Ravindra Energy Ltd, before merger no trading is done in BSE.

\* While calculating Average MP/S, BSE closing values were taken, for pre-merger previous month values and for post-merger, merger month is taken.

### **Bibliography:**

1. Bhalla, P. (2011). "Determinants of Merger and Acquisitions of firms in the Indian Financial Sector: An Empirical Analysis". *The IUP Journal of Business Strategy* , VIII (3), 7-23.
2. Bhalla, P. (2014). "Mergers & Acquisitions in India: A sectoral analysis" . *International Journal of Business and Economic Development* , 2 (2), 119-134.



3. Bharati, P. B. (2013). "Mergers & Acquisitions: A growth perspective from India". *International Journal of Business Economics & Management Research* , 3(12), 45-58.
4. (2014). *Dealtracker – providing you with M&A and Private Equity deal insights*. New Delhi: Grant thornton India.
5. Kalra, R. (2013). "Merger and Acquisitions: An Empirical Study on the Post-Merger Performance of Selected Corporate Firms in India". *The IUP Journal of Business Strategy* , X (4), 7-67.
6. Kumar, R. (2006). "Regulatory framework for Mergers in India: An Overview". *Pranjana* , 9 (2), 93-104.
7. Kumar, R. (2009). Post-merger corporate performance: an Indian perspective. *Management Research News* , 32 (2), 145 - 157.
8. Mishra, P. M. (2014). "Run-up in Stock prices prior to Merger & Acquisition Announcement: Evidence from India" . *National Stock Exchange Working Paper* .
9. Quan Hoang Vuong, N. K. (2014). "Relationship between Innovations, Capital Expenditures and Post –M&A performance: Evidence from Vietnam, 2005-2012". *The IUP Journal of Business Strategy* , XI (1), 35-41.
10. Ramakrishnan, K. (2010). Mergers in Indian Industry: performance. *Business Strategy Series* , 11 (4), 261-268.
11. Raorane, P. J. (2011). "Merger and Acquisitions –A change paradigm in performance of Indian company". *Sri Krishna International Research & Educational Consortium* , 2 (3), 35-51.

12. Rathi, S. M. (2014). *International Mergers & Acquisitions Review 2014*. India: Euromoney Year books-Kotak Mahindra Capital Company Limited.
13. Reddy, D. (2012). "Mergers & Acquisitions: Initiatives to prevent failures". *International Journal of Physical and Social Sciences* , 2 (10), 299-309.
14. Reddy, P. M. (2008). "Type of Merger and Impact of Operating Performance: The Indian Experience" . *Economic & Political Weekly* , 43 (39), 66-74.
15. Reddy, P. M. (2007). "Relative size in Mergers and Operating Performance: The Indian Experience" . *Economic & Political Weekly* , 42 (39), 3936-3942.
16. Sathishkumar, R. A. (2014). "Impact of Merger and Acquisitions on Operating Performance: Evidence from Manufacturing Firms in India", *Managing Global Transitions*. 12 (2), 121-139.
17. Singla, A. S. (2015). "Impact of Mergers on Corporate Performance in India", No.3. *Asian Journal of Research in Business Economics and Management* , 5, 350-360.
18. Young, E. (2015). *Transactions 2015 - Confidence spurs M&A, 6th edition of Transaction Annual Report*. Ernst & Young LLP.
19. Zoysa, J. C. (2015). "Identify and analyse the impact of Mergers and Acquisition on operational performances and shareholder wealth - (Case study on Aviation and Banking sectors in India)". *BCAS Research Symposium*, 1, pp. 62-66.
20. Jens Kengelbach, Alexander Roos, and Georg Keienburg, (2014), *The 2014 M&A Report - Don't Miss the Exit*

[https://www.bcgperspectives.com/content/articles/mergers\\_acquisitions\\_divestitures\\_2014\\_m\\_a\\_report/](https://www.bcgperspectives.com/content/articles/mergers_acquisitions_divestitures_2014_m_a_report/)

21. Professor Alexander, Roberts Dr William Wallace and Dr Peter Moles, "Mergers and Acquisitions", Heriot-Watt University, Edinburgh, UK , Published in Great Britain in 2010.
22. Grant Thornton India: Half Yearly 2014, 2010-2016 India Brand Equity Foundation, An initiative of the Ministry of Commerce & Industry, Government of India, <http://www.ibef.org/pages/36677>
23. Matt H. Evans, Course 7: Mergers & Acquisitions (Part 1), Excellence in Financial Management, Continuing Professional Education , <http://www.exinfm.com/training/pdffiles/course07-1.pdf>
24. Attorney Navpreet Panjra , "Mergers and Acquisitions in India - A general Analysis - Corporate law - <http://www.legalserviceindia.com/articles/amer.htm>
25. Kamal Ghosh Ray, Mergers and Acquisitions, Strategy, Valuation and Integration, 2013, PHL Learning Private Ltd, PP 1-26

### **About the Authors**

*A R SINDHU*, Full Time Ph D Research Scholar, Department of Management Studies, M S University, Tirunelveli- 627 012, [arsindhu25@gmail.com](mailto:arsindhu25@gmail.com)

*DR. S. MADHAVAN*, Assistant Professor, Department of Management Studies, M S University, Tirunelveli- 627 012, [madhavan@msuniv.ac.in](mailto:madhavan@msuniv.ac.in)