Chapter-6
Findings, Suggestions & Conclusion
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FINDINGS, SUGGESTIONS AND CONCLUSION

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6.1 INTRODUCTION

In this global era, Merger and Acquisitions have become a common parlance. Companies are choosing Merger and Acquisition as a way to expand faster, capture new market and enter new boundaries. In Indian industry, the pace for mergers and acquisitions activity picked up in response to various economic reforms introduced by the Government of India since 1991, in its move towards liberalization, privatization and globalization. Over the last decade, mergers and acquisitions in the Indian industry have continuously increased in terms of number of deals and deal value. However, financial gain will emerge in the post merger period where the two companies are worth more together than apart. Therefore, there is a need to study the post merger financial performance compare to pre merger financial performance which can be helpful in assessing the success of merger in the financial terms. The study is conducted to investigate and test comparative financial performance before and after mergers and acquisitions of the selected Indian companies. All Companies are from the different industries like Steel, Banking services, Drugs and Pharmaceutical, Energy, Automobile, Telecommunication involved in Mergers and Acquisitions. The financial data has been collected approx from the fifteen years from 2001 to 2015 as per the year in which mergers and acquisition take place during the year 2006 to 2011. The combined performance of the entire merged companies (five years after merger) and the performance of acquiring companies (five years before merger) have been compared.

This study examines the comparative financial performance before and after mergers and acquisitions of the selected Indian companies. It is found that the companies from different industries not give always positive impact on the financial performance after mergers and acquisition compare to pre mergers and acquisition. The results of this study show that management cannot take this fact for granted that financial synergy will be generated and profits will increase simply by going for mergers and acquisitions.

To measure the overall financial performance of the selected sample companies, this research study included main five financial performance Measurement criteria. They are ROI, Profitability, Liquidity, Leverage and
Efficiency. Each financial measure involved some measurement ratios in it to measure accurately the financial performance of each and every selected sample company.

As a Financial Performance Measurement tools, total seventeen Ratios are taken in to consideration of different types of Financial Measures like ROI, Profitability, Liquidity, Leverage and Efficiency. Here in this study the assumption is, if out of total seventeen ratios, 50% ratios it means approx 8 to 9 ratios shows favorable or positive result after Mergers and Acquisitions compare to before Mergers and Acquisitions, we can say that the Financial performance of that company is improved after M & A.

6.2 FINDINGS

6.2.1 OVERALL ROI PERFORMANCE ANALYSIS

- Hutchison Essar, Ranbaxi Laboratories and HDFC Bank show positive ROI performance after mergers and acquisitions.
- Tata steel, Tata tele services and Tata Motors shows average ROI performance after mergers and acquisitions.
- Hindalco Industries, ONGC, Sterlite Industries and Suzlon Energy Shows negative ROI Performance after Mergers and Acquisitions.
- 50% Selected sample companies are able to earn positive ROA,
- Only 40% companies shows positive RONCE and ROLTF.
- And no one selected companies shows positive ROSF.

So the research study find that overall ROI performance is not significantly positive in selected sample companies.

6.2.2 OVERALL PROFITABILITY PERFORMANCE ANALYSIS

- HDFC Bank shows Positive Profitability performance after mergers and acquisitions.
- Tata Steel, Hindalco Industries, ONGC, Tata Motors and Suzlon Energy show negative Profitability performance after mergers and acquisitions.
• Hutchison Essar, Ranbaxy laboratories, Tata Teleservices and Sterlite Industries shows average Profitability after mergers and acquisitions.
• 40% selected sample companies shows positive NP and OP.
• And only 10% selected companies shows positive GP.

So that we can conclude that overall Profitability performance is not positive in selected sample companies.

6.2.3 OVERALL LIQUIDITY PERFORMANCE ANALYSIS

• Tata Steel, HDFC Bank and Sterlite Industries show Improved Liquidity performance after mergers and acquisitions.
• Hindalco Industries, ONGC, Tata Motors and Suzlon Energy shows that Liquidity performance after mergers and acquisitions is not improved.
• Hutchison Essar, Ranbaxy laboratories and Tata Teleservices shows average Liquidity after mergers and acquisitions.
• 50% selected sample companies show Improved QR after M & A.
• And 40% selected companies shows improved CR after M & A.

So that we can conclude that overall Liquidity performance is improved in selected sample companies.

6.2.4 OVERALL LEVERAGE PERFORMANCE ANALYSIS

• Tata Steel, Hindalco Industries, Ranbaxy laboratories, Tata Motors and Suzlon Energy shows negative leverage performance or ineffective capital structure after mergers and acquisitions.
• ONGC, Tata Teleservices and Sterlite Industries show positive Leverage Performance after mergers and acquisitions.
• Hutchison Essar and HDFC Bank shows average leverage performance after mergers and acquisitions.
• 33% selected sample companies shows Improved DE
• 40% companies show improved TDOF after M & A.
• And 44% selected companies shows improved LTDE after M & A.

So that we can conclude that overall Leverage performance is not improved in selected sample companies.
6.2.5 OVERALL EFFICIENCY PERFORMANCE ANALYSIS

- Hutchion Essar, Hindalco Industries, HDFC Bank and Sterlite Industries shows improved efficiency after mergers and acquisitions.
- Tata Steel, Ranbaxy laboratories, Tata Teleservices and Suzlon Energy shows average positive improved efficiency after mergers and acquisitions.
- Tata motors adversely affected in Efficiency performance after mergers and Acquisitions.
- ONGC shows 100% adverse effect in the efficiency after mergers and acquisitions.
- 80% selected sample companies show Improved TAT after M & A.
- 67% selected companies shows improved DT after M & A.
- 50% and 56% selected companies show improved FAT and IT respectively after M & A.
- And only 38% selected companies shows WCT after M & A.

So that we can conclude that overall Efficiency performance is improved in selected sample companies after mergers and Acquisitions.
### 6.2.6 OVERALL FINANCIAL PERFORMANCE ANALYSIS (COMPANY WISE)

Table-6.1 Company wise Overall Financial Performance

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Name of the Companies</th>
<th>Financial Performance Measures</th>
<th>ROI</th>
<th>Profitability</th>
<th>Liquidity</th>
<th>Leverage</th>
<th>Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tata Steel Ltd</td>
<td></td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>2</td>
<td>Hutchison Essar</td>
<td></td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>3</td>
<td>Hindalco Industries</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>4</td>
<td>Ranbaxy Laboratories</td>
<td></td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>5</td>
<td>ONGC</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>Tata Teleservices Ltd</td>
<td></td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>7</td>
<td>HDFC Bank</td>
<td></td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>8</td>
<td>Tata Motors</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>9</td>
<td>Sterlite Industries</td>
<td></td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>10</td>
<td>Suzlon Energy Ltd</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>+</td>
</tr>
</tbody>
</table>

**OVERALL ANALYSIS**

- The research study shows that out of total ten sample companies’ only three companies, Hutchison Essar, Tata Teleservices and HDFC Bank shows the favorable financial performance or positive result after M & A compare to before M & A. Hutchison Essar, Tata Teleservices and HDFC Bank are most successful company after mergers and acquisitions as per the financial performance analysis.

- Out of total twelve ratios, eleven ratios shows positive or favorable result in HDFC Bank. So that research found that HDFC Bank is 92% Financially Successful after M & A with the balance in all five criteria such as ROI, Profitability, Liquidity, Leverage and Efficiency.
• Out of total fifteen ratios, eleven ratios shows positive or favorable result in Hutchison Essar. So that study found that Hutchison Essar is 73% Financially Successful after M & A with the balance in all four criteria such as ROI, Profitability, Liquidity and Efficiency other than Leverage.

• Out of total seventeen ratios, eleven ratios shows positive or favorable result in Tata Teleservices. So that research found that Tata Teleservices is 65% Financially Successful after M & A with the balance in all five criteria such as ROI, Profitability, Liquidity, Leverage and Efficiency.

• The same research study also shows that out of total ten sample companies only one company Tata Motors shows the 100% adverse financial performance or negative result after M & A compare to before M & A. In Tata Motors, all fifteen ratios shows adverse or negative result out of total seventeen ratios after mergers and acquisitions, thus researcher can say that the merger of Tata Motors is not able to give financial synergy after M & A.

• Total three companies such as Tata Steel, Ranbaxy Laboratories and Sterlite Industries show average positive financial result after M & A.

• Rest of three companies such as Hindalco Industries, ONGC and Suzlon Energy show average negative financial result after M & A.

• Overall financial performances of six companies are positively affected and four companies are negatively affected after M & A compare to before M & A. The results of this study show that management cannot take this fact for granted that financial synergy will be generated and financial performance will increase simply by going for mergers and acquisitions.

COMPANYWISE ANALYSIS

• Tata Steel Industry is performing well in liquidity and efficiency but not able to improve return on investment, profitability and leverage.

• Hindalco Industries and Suzlon Energy Ltd. are able to improve efficiency but not able to get positive result in ROI, profitability, liquidity and Leverage.

• Ranbaxy Laboratories working very well in ROI, liquidity and efficiency but not able to maintain profitability and leverage after M & A.
• Tata Tele services and HDFC Bank performing very well in ROI, Profitability, liquidity, Leverage and efficiency after M & A.
• Hutchison Essar performing very well in ROI, Profitability, liquidity, and efficiency after M & A but performing well in Leverage performance.
• In Tata Motors overall financial performance is not improved or affected negatively after mergers and acquisitions.
• Only Liquidity, Leverage and efficiency are improved in Sterlite industry after M & A but not improved ROI and Profitability.
• In Suzlon Energy after mergers and acquisitions only capital structure and efficiency are improved, ROI, Profitability and liquidity are adversely affected after M & A.

6.2.7 OVERALL FINANCIAL PERFORMANCE ANALYSIS (RATIO WISE)
• In ROI measures, total four ratios are consider as measurement tools, they are RONCE, ROLTF, ROA and ROSF.
  • Out of ten companies, 50% companies show positive or Favorable ROA
  • 40% companies shows positive RONCE and ROLTF
  • And no one company shows positive result in ROSF
  • In short overall ROI is not improved in majority of the companies after mergers and acquisitions.

• In Profitability measure, total three ratios are considered as measurement tools are NP, GP and OP.
  • 40% companies show positive improvement in NP and OP.
  • Only 10% companies show positive result in GP.
  • Thus we can conclude that the overall profitability is not improved after mergers and acquisitions.

• In the Liquidity or short term solvency measure, two ratios CR and QR taken as measurement tools.
  • 50% companies are able to improve QR after M & A.
  • And 40% companies show improved CR after M & A.
  • Thus the average short term solvency or liquidity is improved after mergers and acquisitions.
In Leverage or long term solvency or Capital structure measure, total three ratios are taken as measurement tools. They are DE, LTDE and TDOF.

- 40% companies are getting positive or favorable result in TDOF after M & A.
- 33% companies are getting positive or favorable result in DE after M & A.
- 44% companies are getting improved LTDE after M & A.
- In short, majority of the companies cannot able to improve long term solvency or capital structure of the companies after mergers and acquisitions.

In Efficiency or Activity measure total five ratios are taken as measurement tools. They are TAT, FAT, IT, DT and WCT.

- 80% companies show positive TAT after mergers and acquisitions.
- In 67% companies DT improved after Mergers and Acquisitions.
- In 50% companies, FAT gives favorable result after mergers and acquisitions.
- In 56% companies, IT gives favorable result after mergers and acquisitions.
- But only 38% companies show improvement WCT after mergers and Acquisitions.
- Thus we can conclude that most companies are able to improve efficiency after mergers and acquisitions.

Thus researcher conclude that average 50% financial performance improved or gives positive result after mergers and acquisition in most of the companies.

Specifically we can say that majority companies are able to improve their liquidity performance and efficiency performance after mergers and acquisitions but the same companies are not able get the same positive results in ROI, Profitability and capital leverage performance after mergers and acquisitions.
6.2.8 OVERALL HYPOTHESIS RESULT ANALYSIS

TABLE-6.2
Overall Hypothesis Result Analysis

<table>
<thead>
<tr>
<th>Measure</th>
<th>Sr. No</th>
<th>Ratios</th>
<th>n</th>
<th>Tc</th>
<th>Tt</th>
<th>Result</th>
<th>Hypothesis Accepted</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROI Ratios</td>
<td>1</td>
<td>RONCE</td>
<td>10</td>
<td>-1.04</td>
<td>2.262</td>
<td>Tc &lt; Tt</td>
<td>H0</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>ROLTF</td>
<td>10</td>
<td>-1.25</td>
<td>2.262</td>
<td>Tc &lt; Tt</td>
<td>H0</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>ROA</td>
<td>10</td>
<td>-0.54</td>
<td>2.262</td>
<td>Tc &lt; Tt</td>
<td>H0</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>ROSF</td>
<td>10</td>
<td>-1.71</td>
<td>2.262</td>
<td>Tc &lt; Tt</td>
<td>H0</td>
</tr>
<tr>
<td>Profitability Ratios</td>
<td>5</td>
<td>GP</td>
<td>10</td>
<td>-2.24</td>
<td>2.262</td>
<td>Tc &lt; Tt</td>
<td>H0</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>NP</td>
<td>10</td>
<td>0.51</td>
<td>2.262</td>
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<td>H0</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>OP</td>
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<td>0.37</td>
<td>2.262</td>
<td>Tc &lt; Tt</td>
<td>H0</td>
</tr>
<tr>
<td>Liquidity Ratios</td>
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<td>CR</td>
<td>10</td>
<td>-0.80</td>
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<td>Tc &lt; Tt</td>
<td>H0</td>
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<tr>
<td></td>
<td>9</td>
<td>QR</td>
<td>10</td>
<td>1.17</td>
<td>2.262</td>
<td>Tc &lt; Tt</td>
<td>H0</td>
</tr>
<tr>
<td>Leverage Ratios</td>
<td>10</td>
<td>DE</td>
<td>10</td>
<td>0.58</td>
<td>2.262</td>
<td>Tc &lt; Tt</td>
<td>H0</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>LTDE</td>
<td>10</td>
<td>0.50</td>
<td>2.262</td>
<td>Tc &lt; Tt</td>
<td>H0</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>TDOF</td>
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<td>0.92</td>
<td>2.262</td>
<td>Tc &lt; Tt</td>
<td>H0</td>
</tr>
<tr>
<td>Efficiency Ratios</td>
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<td>TAT</td>
<td>10</td>
<td>1.58</td>
<td>2.262</td>
<td>Tc &lt; Tt</td>
<td>H0</td>
</tr>
<tr>
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<td>14</td>
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<td>2.262</td>
<td>Tc &lt; Tt</td>
<td>H0</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>IT</td>
<td>10</td>
<td>0.98</td>
<td>2.262</td>
<td>Tc &lt; Tt</td>
<td>H0</td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>DT</td>
<td>10</td>
<td>0.49</td>
<td>2.262</td>
<td>Tc &lt; Tt</td>
<td>H0</td>
</tr>
<tr>
<td></td>
<td>17</td>
<td>WCT</td>
<td>10</td>
<td>0.82</td>
<td>2.262</td>
<td>Tc &lt; Tt</td>
<td>H0</td>
</tr>
</tbody>
</table>

INTERPRETATION

The above table 5.25 shows that at 5% level of significance table value Tt = 2.262.

From the above table we can see that in all the Financial measurement-ROI Ratios, Profitability Ratios, Liquidity Ratios, Leverage Ratios and Efficiency Ratios shows the calculated value of T is less than the table value of T 2.262. Thus,

\[ Tc < Tt \]

The calculated value of ‘t’ is less than the table value of t. That’s why we can say that Null Hypothesis is accepted. The results are as per the expectation.
Result of the overall Hypothesis

\[ H_0 = \text{There is no significant difference in means score of Financial Performance in selected units, before and after Mergers and Acquisitions.} \]

Results: (Null Hypothesis Accepted)

1. \[ H_0 = \text{There is no significant difference in means score of ROI in selected units, before and after merger and acquisition.} \]
2. \[ H_0 = \text{There is no significant difference in means score of Profitability in selected units, before and after merger and acquisition.} \]
3. \[ H_0 = \text{There is no significant difference in means score of Liquidity in selected units, before and after merger and acquisition.} \]
4. \[ H_0 = \text{There is no significant difference in means score of Leverage in selected units, before and after merger and acquisition.} \]
5. \[ H_0 = \text{There is no significant difference in means score of Efficiency in selected units, before and after merger and acquisition.} \]
6.3 SUGGESTIONS

1. The Profitability related to overall return on investment is improved in 6 units like Tata Steel Ltd., Hutchison Essar, Ranbaxy Laboratories, Tata Tele services, HDFC Bank and Tata Motors Ltd.

   But rest of 4 companies shows declining growth in the Return on Investment. So these units such as Hinalco Industries, ONGC, Sterlite Industries and Suzlon Energy have to concentrate on the amount of investment again returns to improve ROI.

2. The profitability of Tata Steel, Hindalco Industries, Ranbaxy Laboratories, ONGC, Tata Motors, Sterlite Industries and Suzlon Energy was very good before Mergers and Acquisitions, But After Mergers and Acquisition it was decreased. So these units required to find out the factors which affecting profitability adversely and emphasize on cost reduction.

3. The liquidity position of Hindalco Industries, ONGC, TATA Motors and Suzlon Energy became very poor after merger and acquisition. So, these units should improve their working capital by reducing its current liabilities. This will also improve their liquidity position and short term solvency position.

4. The Leverage Position of Tata Steel, Hindalco Industries, Ranbaxy Laboratories, Tata Motors and Suzlon Energy is not good after Mergers and Acquisitions. They have to improve the long term solvency or capital structure of the company by balancing borrowed fund to owners’ fund.

5. The efficiency of all the units are improved after Mergers and Acquisition except ONGC and Tata Motors. This two units need to improve the credit policies and turnover ratios and also try to find out the factors which adversely affected to the efficiency of the companies.
6.4 CONCLUSION

Generally when any companies go for Mergers and Acquisition, the companies have two types of objectives,

1. Strategic Objectives
2. Financial Objective

Sometimes it may be possible that some companies are easily achieve the strategic objectives but not able to achieve financial objective. For short term it’s ok but for long run without good financial performance, the company is not able to go long. The strategic and the financial objectives are interdependent on each other. So each and every company has to maintain balance between strategic and financial performance.

Here in this Study, only financial performance measurements such as ROI, Profitability, Liquidity, Leverage and Efficiency are consider, which are directly related with Financial Objectives. Also only five years before and after mergers and acquisition are consider for each and every company financial performance. These two are also can be the limitations of this research result and study. And we also have to consider the limitations of each M&A deals’ terms and conditions and the limitations of Ratio Analysis itself.

By considering all the above constrains and limitations, the study found that no M & A deals gives you the assurance of Financial synergy always. For the positive financial synergy, the possibility or chances are approx 50% after M & A. this study give only generalize result regarding the selected sample companies.

This research study provide helps or guidance to industrialists, businessmen and managers regarding which factors they have to consider and where they have to keep close watch at the time of M & A deals and after M & A deals to improve the financial performance or financial synergy. This sample research is also provide the starting point to the researcher or students for the further in-depth population research and also make them aware about the complexity of M & A deals and results. This research study is also guide to all the stakeholders of the companies regarding their decision of investment or involvement in the companies which are related with M & A and Financial Performance.