Abstract

The present world scenario is such that it is the economic prowess of a country which tends to determine its standing in the world order rather than its military power. The boundaries are disappearing and the flow of goods, services, technology, capital, labor, etc is easier and hassle free comparatively than it was ever before. The production centers are no longer localized with the emergence of transnational corporations which have got productions centers sprawled all over the world. Foreign investment plays a pivotal role in the development process as it provides the much needed capital influx. Accordingly the domain of the policies have also shifted from the national to international arena as the issues to be regulated are no longer confined within the domestic boundaries.

The trend of Mergers and Acquisitions is not very new in the developed world where consolidations and restructuring has been taking place for quite some time but in India it has picked up only after the New Economic Policy was unveiled in 1991. The Liberalization, Privatization and Globalization measures led to large scale delicensing and de-regulation. It ushered in a new era for the Indian economy which was finally an open economy amidst fears and apprehensions that the domestic industrialists would not be able to survive the foreign onslaught. However contrary to the fears today the Indian Economy has made its presence felt globally and is no longer a soft target for foreign acquirers. In fact major cross border deals are being affected by Indian business houses in different parts of the world.

Mergers and Acquisitions (M&A's) have become a popular and significant tool in the hand of corporate and business houses for corporate restructuring. In the last decade
there has been a trend of consolidation where even big business houses are looking for an alliance in order to expand, kill completion, acquire technological competence, and gain entry in newer markets or for other strategic reasons. Deals worth billion are being announced now and then and making news. It appears that a Mergers and Acquisitions (M&A’s) is structured for sure shot success. However there is more than what meets the eye and the companies which go in for this strategy has a wide range of complex issues to address before and after the merger in order to ensure that all the aspects of the fall in place and the expected synergies are realised. it is a daunting task to select a target company and formalize the entire process of merger or acquisition but the bigger challenge is to ensure successful implementation of the strategy and integration of the units merged or acquired.

The Steel Industry of India was de-licensed and de-regulated in 1991 and 1992 respectively. Since then it has come a long way to become the eighth largest steel producer in the world. There has been a steady increase in the demand for steel from both domestic and international quarters and this is expected to grow with the growing focus on investment in infrastructure all over the world. There has been a remarkable rise in the export of steel also while shortages in the domestic market were met by imports. Keeping in tune with the global trend of consolidation Indian Steel Industry has also witnessed major Mergers and Acquisitions (M&A’s) both in the domestic and international sector. SAIL, a government is owned undertaking has been merging its loss making subsidiaries and expanding its production capabilities. Other major players like JSW, IMFA, and Essar Steel have also been involved in major restructuring. It is worthwhile to mention that Tata Steel is on a global acquisition spree where it acquired Thailand based Millennium Steel and Singapore based NatSteel. However the biggest acquisition was its acquisition of the Europe based Corus for approximately US$ 12.2 billion which was the largest ever cross border deal by an Indian corporate.

The statement of problem as stated in the thesis here is related to analyzing the profitability of Mergers and Acquisitions (M&A’s) of Indian Steel Industry since Liberalization. Also the Researcher makes an attempt here to investigate the impact of the merger on the profitability of the merger. It is seen whether the merger undertaken is in the interest of the parties involved that is the shareholders, management, employees, creditors etc. of both the target and bidder firms.
The issues involved are Sector-wise analysis of Mergers and Acquisitions (M&A's) in the international and domestic arena is made to develop an understanding of the ongoing trend in the global and domestic arena. A brief study of the Indian Steel Industry is made in terms of growth and development and also a synoptic view of major Mergers and Acquisitions (M&A's) in the Indian Steel Industry. The major issue this thesis deals with is the effect of the merger and its measurement in terms of the post merger financial performance. The Researcher makes an attempt to identify the effect of the merger on the performance of the companies involved in order to establish the viability of the merger. Various statistical and accounting techniques are employed to calculate various variables and statistics related to the company and an attempt is made to find out the effect of the merger on them.

Another issue dealt with in the thesis is yearly analysis of the movement in figures and studying them in the light of both macro and micro factors. A major issue faced is the financial crisis which hit the world economy in the year 2007 and had a deep impact on the Mergers and Acquisitions (M&A's) worldwide and also the valuations and post merger profitability of firms where operation were affected more by the macro factors than the micro factors.

The Review of Literature done sheds light on various gaps in the previous researches done in this field. The Researcher intends to put in an honest effort to provide her sincere contribution in this regard.

It is seen that in most works, it is the trends, policies; framework and requisites are investigated while the profitability and financial analysis of the mergers are not given due importance as was done in the case of Kang, N and S. Johansson (2000) and V, Harsh H. and Srividya, C.G. (2004). Also it is seen that the assumptions about characteristics of the firm, market condition, regulatory framework etc. might not apply in all cases. As in the case of Breinlich, Holger. (2006), the provisions of CUFTA do not apply in all Mergers and Acquisitions (M&A's). Some studies highlight the problem as in the case of Agrawal, Anup. et al. (1992) which reports that shareholders of acquiring firms suffer 10 percent loss as result of merger but appropriate measures to make the merger profitable are not dealt with. While some studies mention the theoretical implications of Mergers and Acquisitions (M&A's) they do not look into the practical application of it as is seen in the case of Perry,

However the major limitation is seen that in most of the studies, post-merger analysis, i.e. analyzing how the merged or resultant company performs financially after the merger is not done which is extremely important to study the viability and success of the Mergers and Acquisitions (M&A's) as is seen in Vithala, R. Rao. (1991), Jemison, David B. and Sitkin, Sim B (1986), Ghosh, Aloke and Lee, Chi-Wen Jevons (2000), Kumar, Nagesh. (2000), Lall, Sanjay (2002) and Lyons, Bruce. R (2001).


Since 1991 the economic boundaries of India were opened due to which the investment climate in India underwent sweeping changes. The economic and corporate scene in India is discussed at length in order to investigate the past and present scenario of Mergers and Acquisitions (M&A's). Also a realistic attempt is made to make a prediction about the future of the ongoing drive of Mergers and Acquisitions (M&A's) on the basis of trends and reports.

A separate section is devoted to study the impact of Mergers and Acquisitions (M&A's) in the Steel sector predominantly.

The study entails a detailed study of worldwide mergers and acquisitions taking place in various sectors worldwide. An attempt has been made to cover all relevant mergers which have taken in various important sectors both in the domestic and international scene. Also the various issues relating to mergers and acquisitions are being investigated in detail. The study forays into the profitability analysis of Mergers and Acquisitions (M&A's) to study the synergies and values that are created as a result of the merger.

The main objectives this thesis deals with are enlisted as below:

1. Develop and understanding of mergers and acquisitions and also its need and relevance as an expansion and survival strategy in a globalized world.

2. A study is made of the Mergers and Acquisitions (M&A's) that have taken place globally and in India. The trend of growth of Mergers and Acquisitions (M&A's) as a tool of investment and growth is made.
3. The success of Mergers and Acquisitions (M&A's) is also evaluated to test its viability as a toll for growth and expansion.

4. Sector-wise study of Mergers and Acquisitions (M&A's) is made both globally and also of those that took place in India.

5. A study of the growth and development of the steel sector since 1991 is traced and also its financial performance in the last few years is evaluated.

6. Mergers and Acquisitions (M&A's) are the quickest way for the firms to grow in size and value. Study the value and wealth created for the shareholder’s of both the target and bidding firm as a result of a Mergers and Acquisitions (M&A's).

7. An analysis of the pre and post merger financial reports is done to examine whether the Mergers and Acquisitions (M&A's) led to a profitable situation for the merging and the merged firms.

8. It is seen whether the anticipated synergies are actually created after the Mergers and Acquisitions (M&A's) is structured.

9. Furthermore an investigation is made to throw light on the reaction of the market to Mergers and Acquisitions (M&A's) by making a comparison of the movement of Market Price per Share (MPS) and Earning per Share (EPS) both before and after the Mergers and Acquisitions (M&A's).

10. In recent times major Mergers and Acquisitions (M&A's) have taken place in the Steel Sector as a part of corporate structuring both globally and at the domestic level. In the thesis a detailed introspection is made of the same to analyze the motives and success of these Mergers and Acquisitions (M&A's).

The Hypotheses formed for the study are as follows.

1. **Testing the relationship between Pre and Post Merger Profitability**

   \[ H_0 \] (Null Hypothesis) = There is no relation between the Pre and Post-merger Profitability

   \[ H_a \] (Alternative Hypothesis) = There is a relation between the Pre and Post-merger Profitability

2. **Testing the relationship between Pre and Post Merger Capital Employed Turnover Ratio (CETR) or Fixed Asset Turnover Ratio (FATR)**

   \[ H_0 \] (Null Hypothesis) = There is no relation between the Pre and Post-merger CETR or FATR
Ha (Alternative Hypothesis) = There is a relation between the Pre and Post-merger CETR or FATR

3. Testing the relationship between Pre and Post Merger Interest Coverage Ratio (ICR)

H₀ (Null Hypothesis) = There is no relation between the Pre and Post-merger ICR

Hₐ (Alternative Hypothesis) = There is a relation between the Pre and Post-merger ICR

4. Testing the relationship between Pre Merger Profitability and Pre Merger MPS

H₀ (Null Hypothesis) = There is no relation between the Pre-merger Profitability and MPS

Hₐ (Alternative Hypothesis) = There is a relation between the Pre-merger Profitability and MPS

5. Testing the relationship between Post Merger Profitability and MPS

H₀ (Null Hypothesis) = There is no relation between the Post-merger Profitability and MPS

Hₐ (Alternative Hypothesis) = There is a relation between the Post-merger Profitability and MPS

6. Testing the relation between Pre Merger MPS and Post Merger MPS

H₀ (Null Hypothesis) = There is no relation between the Pre Merger MPS and Post-merger MPS

Hₐ (Alternative Hypothesis) = There is a relation between the Pre Merger MPS and Post-merger MPS

7. Testing the relationship between Pre Merger EPS and Post Merger EPS

H₀ (Null Hypothesis) = There is no relation between the Pre Merger EPS and Post-merger EPS

Hₐ (Alternative Hypothesis) = There is a relation between the Pre Merger EPS and Post-merger EPS

8. Testing the relationship between the Pre and Post Merger Profit Margin

H₀ (Null Hypothesis) = There is no relation between the Pre Merger and Post-merger Profit Margin
Ha (Alternative Hypothesis) = There is a relation between the Pre Merger and Post-merger Profit Margin

9. Testing the relationship between the Pre and Post Merger Profit Rate

H₀ (Null Hypothesis) = There is no relation between the Pre Merger and Post-merger Profit Rate

Hₐ (Alternative Hypothesis) = There is a relation between the Pre Merger and Post-merger Profit Rate

The analysis of the case studies are presented below where each merger and each company involved is analyzed individually.

The analysis of Domestic Mergers and Acquisitions (M&A's) is as follows

The analysis of Visvesvaraya Iron and Steel Limited (VISL) does not have a great picture of the financial condition of Visvesvaraya Iron and Steel Limited. There was a consistent fall in the PAT, RONW and ROCE for Visvesvaraya Iron and Steel Limited from 1994-98. For the year 1998 the total income fell by -13.12 percent but the main source of worry was the PAT net of P&E/total Income (Percentage) at -7.29 percent and it was negative for consecutive five years. The hypothesis testing though regression analysis shows that the profitability and CETR of Visvesvaraya had a limited impact on the post merger financials of SAIL, i.e at -0.43 and -0.01 units. The correlation coefficient was negative in both cases. Visvesvaraya was a loss making unit and its merger with its parent company gave it a new lease of life. The merger made it possible for SAIL to write off its losses and get deductions on tax payments. The dismal state of affairs led to a proposal of its being taken over by the Defence Ministry as 60 percent of its products that is alloy steel were required by it. The proposal however did not materialise and its association with SAIL continued. It was in November 2004 that VISL started making profits and since then it has been a profitable concern for SAIL.

The analysis of Steel Authority of India Limited (SAIL) in case of merger with Visvesvaraya shows that the profitability declined after the merger but it was due to the recession in the global and domestic steel industry. A restructuring plan was devise to bring about a turnaround in order to separate its non-core business from its main business of production and sale of steel. The Testing of Hypothesis for various financial parameters reveals that the relation between the Pre and Post merger
Profitability, CETR and ICR is statistically insignificant. Only when six years of Pre merger is compared to eleven years of post merger of CETR, the relation is significant. Hence the testing of Hypothesis supports the notion that the merger did not have much impact on the financials of SAIL. The relation between the Post merger Profitability and MPS is however significant. The MPS is greatly affected by Profitability and other factors. The Profitability is affected by 0.25 units with a unit change in MPS while MPS is affected by 1.72 units change for a unit change in profitability. The intercept is high at 55.94. The study of the Profit Rate and Profit Margin also highlights the limited impact of the merger on the financial performance and greater effect on the operational performance with the increase in the post merger Profit Margin by 3.92 percent while the Post merger Profit Rate increased by 70.37 percent.

The financials of Indian Iron and Steel Company Limited (IISCO) show that the company was running into losses at around 20 percent and it was only in 2001 that the rate of losses fell to -3.26 percent. The test of the two Hypothesis relating to the Pre merger Profitability and CETR of IISCO with the post merger statistics of SAIL shows that the both the relations are statistically insignificant. The correlation coefficient (r) is however negative at -0.71 indicating the negative impact which was however only -0.19 units. IISCO was running into losses prior to the merger and consequently had a negative impact on the profitability of SAIL while the CETR had a positive impact on the CETR of SAIL. The correlation was of low degree but it should be kept in mind that the setting off of losses may have reduced profitability but at the same time the tax liability as well. In case of CETR the effect on CETR of SAIL is just 0.02 units.

Steel Authority of India Limited (SAIL) was making profits since 2004 and the trend continued after the merger as well. However the testing of Hypothesis shows that it’s only the relation between the Pre and Post merger ICR which is statistically significant. However the degree of correlation is low at 0.21. The Pre merger analysis of Profitability and MPS depicts that the relation between the two parameters is statistically insignificant. However post merger the relation is statistically significant and there is a high degree of positive correlation. The Profitability is affected by 0.05 units for a unit change of a unit of MPS while MPS is changed by 15.01 units change for a change in profitability. The intercept is high at -128.62. The hypothesis testing
the Pre and Post merger MPS and EPS shows that there is an effect of the merger on the two variables. For MPS the relation is moderate at 0.52 while for EPS it is of a low degree at 0.11. It is interesting in the light that the Pre merger profitability did not have a statistically significant relation with the post merger profitability. The analysis of Profit Margin and Profit Rate show significant improvement in the financial and operating efficiency. The post-merger Profit Margin increased by 1505.96 percent, while the post merger Profit Rate increased by 189.21 percent. Hence the merger did positively affect the financials of SAIL and there were also benefits in terms of greater size and production capabilities.

The pre merger figures of Indian Chrome Charge Limited (ICCL) show that the company was running into losses since 2001 but the volume of losses had considerable come down till 2005 to -1.42 percent. The test of Hypotheses reveals that the Profitability and ICR of ICCL had a relation with the post merger figures of IMFA only in the longer run. The FATR of ICCL had a statistically significant relation with the FATR of IMFA both in the shorter and longer run. The two variables had a very high degree of positive correlation at 0.91. The positive effect that the merger had on the operational efficiency was obvious. Even the EPS of ICCL had statistically significant relation with that of IMFA both in the short and long run. The degree of correlation was high at 0.89. The merger seemed to fulfil its objectives of financial and operating synergy.

Indian Metals and Ferro Alloys (IMFA) was a steady and profitable enterprise with the company managing to earn profits over ten years that is from 2000 to 2009 at a satisfactory and steady rate. The profitability rate seemed to be picking after the initial slowdown just after the merger. The Hypotheses testing reveals that there is a statistically significant relation between the Pre and post merger FATR of IMFA having a moderate degree of positive correlation at 0.62. The relation between the Pre and Post Profitability, ICR and EPS is statistically insignificant. The Profit Margin after the merger shows an increase of 120 percent while the Profit Rate registered an increase of 66.67. Hence the merger appeared to have accrued financial and operating synergies after the merger in these terms.

Bellary Steel’s historical performance was dismal with losses being incurred since 2001 and they seemed to just magnify after the merger and increased manifold over time. The study of Hypotheses reveals that the Pre merger Profitability, FATR and
ICR did not have a statistically significant relation with the post merger figures. The ICR in the short run was though affected having a high degree of positive correlation. However both in the pre merger and post merger stage there is a statistically significant relation between the Profitability and MPS. In the pre merger stage the degree of correlation is low at 0.03 while the degree of correlation is high at 0.77. Post merger the Profitability is affected by 31.19 units while intercept is high at 364.51 units. In case of MPS it is affected by just 0.019 units due to a unit change in profitability. The Pre merger MPS and EPS also do not seem to have a relation with the post merger statistic. Hence individually the MPS or EPS are not affected by merger

The financials for Pittsburgh Iron and Steel Limited was in a bad state with losses being incurred at a consistent basis. The test of Hypothesis reveals that the profitability of Pittsburgh had an impact on the profitability of Bellary while there was no effect on the EPS and FATR. The Profit Margin and Profit Rate for both the entities also did not pose a satisfactory picture. To sum up the merger was not going anywhere and both the units individually as well as jointly were making no headway. The decision of promoters to foray into the business of Steel by merging with Bellary Steel was questionable with the latter suffering from losses.

The analysis of Southern Iron and Steel Company Limited (SISCOL) reveals that the losses were converted into profits in 2004 and the two undertakings were subsequently merged in 2008 and SISCOL got benefit of with the help of core competencies of JSW. The Hypothesis testing reveals that the pre merger Profitability and ICR of SISCOL did not have an impact on the post merger Profitability and ICR of SISCOL. The post merger ICR of JSW had a relation with the pre merger ICR of SISCOL when five years of pre merger and three years of post merger were undertaken. However the study of the Pre merger EPS of SISCOL and Post merger EPS of JSW Steel appear to have a relation revealing that the shareholders were affected. The degree of correlation is a high degree of positive correlation at 0.86. Thus it is seen that the association with JSW Steel had converted a loss making unit into a profitable venture.

After running into losses for years JSW Steel finally made a turnaround in its operations in 2004 and started making profits on a consistent basis. There is no relation between the Pre and Post merger profitability on the basis of the test applied.
However the benefits of merger are not expected to accrue in the first few years. The analysis of the relation between the profitability and MPS reveals that the relation between the Pre merger profitability and MPS is insignificant. The relation between the post merger Profitability and MPS is on the contrary found to be significant with the correlation coefficient \( (r) \) high at 0.71. The value of Profitability is affected by 0.098 units for a unit change in MPS while the MPS is affected by 49.84 units for a change of a unit in Profitability. The intercept is also high at 238.75. The relation between the Pre merger EPS and MPS with the post merger EPS and MPS is also found to be significant only in the longer run. The Profit Margin for JSW Steel jumped by 635 percent and for Profit Rate the change was about 74.6 percent. The losses incurred prior to 2004 are also responsible for this huge change in Profit Margin.

The Cross-Border Mergers and Acquisitions (M&A's) undertaken for the study are as follows. The financials of NatSteel show that the company was running into profits prior to the merger but after the merger took place in 2005 there was a significant increase in the rate of profits indicating that the sale of its steel division was proving to be profitable for the enterprise. The testing of various Hypotheses shows that the relation between the Pre and Post merger FATR and WCTR is significant while the one between the pre and post merger profitability is insignificant. In case of FATR the correlation coefficient \( (r) \) is moderate at 0.38 while for WCTR it is high at 0.76. The testing of Hypothesis to determine the relation between the profitability and MPS before and after the merger is interesting. The relation between the Profitability and MPS prior to the merger is statistically insignificant while the relation between the Profitability and MPS after the merger is statistically significant. The degree of correlation is low at 0.24. the Profitability is moved by 8.84 units for a unit change in MPS while the MPS is affected by 0.062 units for a units change in EPS. In case of EPS the relation between the Pre and post merger figures is insignificant while in case of MPS the pre and post merger data are statistically significant. However there is a negative correlation between the two at -0.55.

Tata Steel earned profits on a steady basis over the last decade. The merger had an impact on the profitability of the entity with a moderate degree of correlation at 0.45. The FATR and ICR were however unaffected and were statistically insignificant. The relation between the MPS and Profitability shows that both the variables had a
statistically significant relation both before and after the merger. However the degree of correlation fell from a high degree at 0.86 to a moderate degree of negative correlation at 0.41. The post merger MPS was affected by -140.41 units for a unit change in Profitability. The intercept was very high at 3407.39. Also the Pre merger MPS and EPS had a relation with the Post merger MPS and EPS respectively. The degree of correlation between the Pre and Post merger MPS is again negative at -0.62. The Profit Margin for both NatSteel and Tata Steel increased significantly. The Profit Margin for Tata Steel increased significantly by 491.67 percent indicating a marked improvement in the operating efficiency as compared to a 158.54 percent increase in profits.

From 2000 to 2003 Corus was registering losses and it was only in 2004 that Corus earned profits. However the rate of profits from 2004 to 2006 was in the range of 2 percent to 5 percent which was not very high. The test of hypothesis shows that the Profitability and FATR prior to the merger had a relation with that of the post merger Profitability and FATR respectively of Tata Steel. While Profitability had a negative correlation at -0.57, the FATR had a positive correlation with the post merger figure at 0.27. The ICR was affected only in the longer run. Pre merger EPS had a very high degree of positive correlation with the post merger EPS at 0.90 indicating the benefits accrued to the shareholders.

The much hyped acquisition of Corus by Tata Steel reflected that the trend of profitability for Tata Steel continued. The merger had no effect on the figures of Profitability, FATR or ICR as depicted by the test of Hypothesis. The relation between the Pre and Post merger figures is statistically insignificant. The relation between the MPS and Profitability before and after the merger is most interesting. Prior to the merger MPS and profitability had a statistically significant relation with a high degree of positive correlation at 0.93. However after the merger there is a high degree of negative correlation at -0.96 indicating that the merger did not go down very well with the shareholders as per the market response. The MPS was affected by -1584.93 units for a unit change in Profitability with a very high intercept at 34175.36. The EPS was affected by the merger only in the longer run while the merger seemed to have no effect on post merger MPS. It is further seen that the Profit Margin for Tata Steel increased by 77.5 percent while the operational efficiency got a major boost with the Profit Rate moving up by 252.4 percent.
The Profitability of Algoma Steel was impressive before the merger. Though after the merger it dropped, it was back on track in 2009 at 8.53 percent. The testing of hypotheses reveals that FATR was affected as a result of the merger both in the small and long run while the profitability was affected in the small run. The degree of correlation was positive for FATR at 0.39 while negative for Profitability at -0.39. The ICR was however not affected.

Despite the huge losses incurred initially in the year 2001 and 2002, Essar Steel recovered and posted profits at a steady rate from 2003 onwards. The test of various hypotheses reveals that the merger did not have an effect on any of the parameters, i.e. Profitability, FATR, ICR or EPS. For Algoma Steel the Profit margin increased by 127.94 percent and the Profit rate fell by -25.23 percent. For Essar Steel both Profit Margin and Profit Rate increased substantially by 700 percent and 316.36 percent respectively.

The major findings of the study are discussed in the following paragraphs.

The trend of Mergers and Acquisitions (M&A's) has greatly benefitted from the opening up of the economy but it is only in the recent years that prominent outbound deals are being done.

The global Mergers and Acquisitions (M&A's) increased in terms of volume from 13 in 1991 to 319 in 2007 while the value increased from US$27 billion in 1991 to US$ 70.4 billion in 2007.

The opening of the economy has certainly gave an impetus to the trend of Mergers and Acquisitions (M&A's) in India but it has been only in the last decade that significant deals are being carved out as is evident from the volume and value of deals depicted in the thesis. Also a major proportion of FDI is contributed by Mergers and Acquisitions (M&A's) deals.

The major objective for Indian corporate for effecting a merger or takeover is related to financial synergies followed by increased operational base and reach to new markets. As per various figures, surveys and projections it is the BRIC countries which are expected to lead their contemporise as regards affecting a merger and acquisition deal. According to the 2010 Confidence Index by A.T Kearney India ranks third in the world behind only China and USA.
The ease in access and relatively cheaper rates of debt financing is facilitating a large number of Mergers and Acquisitions (M&A’s) which is a major reason for the increased activity. A major factor which affected the Mergers and Acquisitions (M&A’s) activity in the recent times is the global recession of 2007. In India the domestic deals fell by -46.73 percent in volume and cross border by -22.82 percent. Interestingly the value for domestic deals increased by 78.60 percent while for cross border deals it fell by -46.81 percent indicating the interest of the India Corporate Sector towards the domestic economy as a result of the recession. For the world economy the value of the deals fell by -34.71 percent in 2008 and 81.71 percent in 2009. The developing economy suffered the highest fall in deals due to recession by -96.72 percent.

For the global economy Pharmaceutical sector registered a growth of 167.82 percent and transport by 68.93 percent for the period 2008 to 2009. The sector having the most vibrant activity as regards Mergers and Acquisitions (M&A’s) in India are telecommunication, Pharmaceutical and Steel. Among the companies involved in major deals in recent times are Tata, Ranbaxy Laboratories, Hindalco Industries. The acquisition of Corus by Tata Steel at US$ 12.2 is the largest ever cross border deal by an Indian Company.

Besides acquiring and merging with new firms, many steel firms are merging with their subsidiaries in a bid to consolidate and expand the production faculties. This is in sync with the global consolidation trend where companies are engaging in huge restructuring and consolidation. With fierce competition the key to survival is large scale production and benefiting from the related economies of scale. Recently major producers of steel that is Tata Steel, Essar Steel, JSW Steel, Jindal Steel, SAIL and IMFA have merged their subsidiaries to catapult as leading producers of steel.

The merger with Visvesvaraya in 1999 was beneficial for both the companies as Visvesvaraya got a lease of life given the losses it was incurring and SAIL expanded its operating capacity and also could write off its profits against the losses. However the loss making Visvesvaraya Iron and Steel Limited did not have any positive impact whatsoever on the financials for SAIL.

In case of merger of SAIL with IISCO in 2006 it is seen that it was again a merger of a loss making subsidiary of SAIL with itself. The strategy was again to revive the loss
making unit with the merging of its operations with a profitable unit like SAIL. In view of the global consolidation trend of consolidation in steel industry the merger was helpful as it expanded the operating capacity of SAIL besides providing it with reduced tax liability. Also it is seen that after the merger the Profitability and MPS had a statistically significant relationship. Also the merger is seen to have an effect on the MPS and EPS after the merger. The merger had a greater impact on the financial performance rather than the operating performance as is evident by the movement of the Profit Rate and Profit Margin.

The merger between IMFA and ICCL reflected positively on the operational and financial statistics of IMFA where the profitability of IMFA was affected in the longer run and the FATR of IMFA was affected both in the long and short run by the statistics of ICCL. Also the degree of correlation was high. The EPS of IMFA and ICCL also had a high positive correlation. The comparison between the pre and post merger figures of IMFA highlights that the merger did have a positive effect as regards Profitability, ICR, FATR and EPS. The Profit Margin and Profit Rate also increased leading to the conclusion that the operating efficiencies were enhanced more than the financial efficiencies due to the merger.

In case of the acquisition of Bellary Steel by Pittsburgh Iron and Steel the acquisition seemed to be going nowhere with the trend of losses continuing unabated after the merger for both the concerns involved. The Profit Margin and Profit Rate were dismal and the test of Hypothesis also reveals that the merger was proving to be a failure.

The acquisition of SISCOL by JSW steel proved to be a boon for SISCOL which benefitted from the core competencies of JSW and made a remarkable turnaround in operations and reported profits after the deal. It is seen that the post merger relation between MPS and Profitability is significant while the pre merger relation is not reflecting the positive impact the merger had on the MPS. The Profit Margin for JSW Steel jumped by 635 percent while Profit Rate increased by 74.6 percent. The losses incurred prior to 2004 are also responsible for this huge change in Profit Margin.

In case of NatSteel, after the merger took place in 2005 there was a significant increase in the rate of profits indicating that the sale of its steel division was proving to be profitable for the enterprise. Here again the profitability and MPS have significant relation before the merger and not after the merger. While as regards MPS the merger had a negative impact on it.
Tata Steel earned profits on a steady basis over the last decade. The merger had an impact on the profitability of the entity. The FATR and ICR were however unaffected and were statistically insignificant. The relation between the MPS and Profitability show that both the variables had a statistically significant relation both before and after the merger. Also the Pre merger MPS and EPS had a relation with the Post merger MPS and EPS respectively. The Profit Margin for both NatSteel and Tata Steel increased significantly. The Profit Margin for Tata Steel increased significantly by 491.67 percent indicating a marked improvement in the operating efficiency.

From 2000 to 2003 Corus was registering losses and it was only in 2004 that Corus earned profits. However the rate of profits till 2004 to 2006 was in the range of 2 percent to 5 percent which were not very high. The test of hypothesis shows that the Profitability and FATR of Tata Steel prior to the merger had a relation the post merger figures. While Profitability had a negative correlation the FATR had a positive correlation with the post merger figures. The ICR was affected only in the longer run. Pre merger EPS had a very high degree of positive correlation with the post merger EPS indicating the benefits accrued to the shareholders.

The much hyped acquisition of Corus by Tata Steel reflected that the trend of profitability for Tata Steel continued. The merger had no effect on the figures of Profitability, FATR or ICR as depicted by the test of Hypothesis. The relation between the Pre and Post merger figures is statistically insignificant. The relation between the MPS and Profitability before and after the merger is most interesting. Prior to the merger MPS and profitability had a statistically significant relation with a high degree of positive correlation. However after the merger there is a high degree of negative correlation indicating that the merger did not go down very well with the shareholders as per the market response. The EPS was affected by the merger only in the longer run. It is further seen that the Profit Margin for Tata Steel increased by 77.5 percent while the operational efficiency got a major boost with the Profit Rate moving up by 252.4 percent.

The Profitability of Algoma Steel was impressive before the merger. Though after the merger it dropped, it was back on track in 2009 at 8.53 percent. The testing of hypotheses reveals that FATR was affected as a result of the merger both in the small and long run while the profitability was affected in the small run only. The ICR was however not affected in either case.
Despite the huge losses incurred initially in the year 2001 and 2002, Essar Steel recovered and posted profits at a steady rate from 2003 onwards. The test of various hypotheses reveals that the merger did not have an effect on any of the parameters, i.e. Profitability, FATR or ICR. For Algoma Steel the Profit margin increased while the Profit rate fell. For Essar Steel both Profit Margin and Profit Rate increased substantially.

The **Suggestions and Recommendations** based on findings of the study are as follows

The selection of the target company should be done most extensively. Care should be taken to ensure that the target and acquirer should complement and supplement each other in resources. When structuring a merger or acquisition the main idea is to exploit the post-merger synergy. However it is most important to ensure that these are valued in the right earnest. Both over-valuation and undervaluation might prove detrimental to the interest of the acquiring company. The value of deals in the case of mergers and acquisitions in the recent years is running into billions. It affects the liquidity and capital structure of the company. The success of the deal has a bearing on the financial capabilities of the company. While finalizing a deal its impact on the financial position for several years to come should be considered deeply.

In the recent years there is a global trend of restructuring prevalent where Mergers and Acquisitions (M&A's) is proving to be a potent tool. However while taking a decision regarding a deal it is important to ensure that the acquisition move is not be solely based global trend but on individual assessment of the target company and other relevant details.

Besides considering the relevant details regarding the company it is also important to consider the macro environment as it has a deep and profound impact on the future of the deals. The timing of the merger or acquisition is one of the most important aspects of merger and acquisition deal. The perfect time may always not be when the market is in the state of boom. It might be profitable to target companies which have future prospects and purchase them while the valuations are low. In the case of listed companies the parameters involve the MPS of shares which to a large extent depends on market psyche and sentiment and how the investors respond to the announcement of the deal. It is important to ensure that the confidence of the investors is maintained.
for which disseminating information and not keeping them in the dark may prove to be an added advantage

In the case of foreign acquisitions the main idea is to capture advanced technology and an entry in a new market. However the core competencies of the Indian Steel producers lie in low cost and care should be taken to ensure that the resources are not pushed beyond a certain extent which might affect the cost advantage adversely in the longer run.

In the present global scenario the BRIC economies are making a considerable impact globally with their economic prowess. Besides concentrating on international markets, the Indian Steel Industry should undertake massive development of infrastructure and expansion in the domestic arena and other developing economies. Efforts should be made to keep a hold of the untapped domestic market which appears to have great potential in the near future. Even the world’s largest steelmaker Arecelor-Mittal is looking to enter India through acquiring stake in Uttam Galva Steel. The recent trend of the Indian Steel Industry is towards consolidation and restructuring. The main idea is to increase the production capacity and gain from economies from large scale. The idea of merging or being acquired may be the hope for survival of small producers as the trend shows that there would be few big producers rather than many small producers.

The acquiring company should ensure that it does not involve or get muddled in rival bidding too deeply and end up paying more than what the acquiring company is valued. In the case of the high pitched Tata-Corus battle many industry experts feel that Tata might have ended paying a high price and the success of the acquisition is yet to be finally gauged. In the recent times the banking and financial industry has been flourishing at a remarkable pace. Their facilities in terms of loans should be judiciously used and should not be used to make unnecessary deals and create a debt burden which might be difficult to repay.

The acquiring and acquired commonly have to take care to bring about not only post merger financial and operating integration but also integration of the people involved in order to create a positive environment. Acquiring loss making subsidiaries might be a good incentive to reduce tax-liability and increase operating capacity but in a large scale industry it should be ensure that the practise does not lead to a big dent on the financial performance as maintaining balance is crucial.
The General Suggestions and Recommendations are as follows

The most important aspect of a merger or acquisition is facilitating smooth post merger integration. For the purpose various steps need to be accorded highest level of importance. It might be advisable to do so in phases in order to facilitate the complex process. Merger and Acquisition is a potent and most useful tool to expand the global presence. With major companies worldwide engaging in it fiercely it might become a necessity rather than just an option for growth. It is necessary for big and small companies to recognize and accept this trend and adjust their business strategies accordingly.

It is necessary to maintain balance in synergies and ensure that all aspects are given due importance and it does not lead to ignoring of one aspect for another. It might be advisable to study recent Mergers and Acquisitions (M&A's) in the same or related industries to develop an understanding of the same. However it cannot be solely relied upon and requires a detailed case by case study. The management of the company should be prepared to face new challenges and transform them into opportunities. A key aspect is innovation and creativity. The management should be prepared to accept changes and employ strategies keeping in mind the changed circumstances and ground realities rather than focus on just set conventions and rules. It might be advisable to develop core strategic teams which are professionally trained to facilitate a merger and acquisition integration.

It is imperative to maintain a policy of tolerance and cultural integration as it is necessary to sort out the human resource issue in the most amicable manner for post merger integration. The policy of employee retention is a sensitive aspect and care should be taken to maintain an environment where the focus is on efficiency and productivity and the workers are ably simulated and motivated to work in a new work environment after the merger.

The management should also keep contingency measures and back up plans intact. In case, the plans and strategies do not work out, risk management mechanism should be in place to address unforeseen circumstances.

The Researcher has made a sincere attempt to make a contribution to the existing literature regarding Mergers and Acquisitions (M&A's). The study aims to explore the effect of the merger on primarily the post-merger financial performance of the
companies involved in the Merger and Acquisition (M&A's) activity. For the purpose the financials of both the acquired/merged and the acquiring/merging entities are taken into consideration. Though, Mergers and Acquisitions is a widely researched topic, the studies done on the post-merger performance are limited. The Indian Steel Sector is taken up for analysis which is experiencing vibrant activity in the past few years. Significant deals that have taken place both in the domestic and international scene are taken up for detailed analysis. The data is classified on the basis of pre-merger and post-merger activity and internal and external figures affecting the performance are accounted for. The effect of the profitability on the Market Price of Shares (MPS) and vice-versa is also explored.

The study aims to study the viability of the Mergers and Acquisitions (M&A's) undertaken in the Indian Steel Industry on the basis of the post-merger financial performance.

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The study aims to study the viability of the Mergers and Acquisitions (M&A's) undertaken in the Indian Steel Industry on the basis of the post-merger financial performance.

The Researcher suggests the following core areas for the purpose of future research related to the topic of Mergers and Acquisitions (M&A's)
i. The impact of the merger announcements on the share prices of the rival and bidding firms can be examined.

ii. In the present era Human Resources is a vital factor in determining the success or failure of the Mergers and Acquisitions (M&A's) and it is a qualitative aspect which is difficult to measure and quantify but has become extremely important in the present global economy where people and cultural cohesion is the key and especially in a cross border deal.

iii. Also in the wake of recent recession question marks are being raised about the valuations of deal done under depressed conditions where the target company is valued at a much lower price than it's worth.

iv. Another important aspect is the determining the rate of exchange of currencies which keeps on fluctuating until the negotiations materialize and a rise or fall may work in favor of one company while harm another in case of cross-border Mergers and Acquisitions (M&A's). There is a need to design an appropriate model or mechanism for that.