ABSTRACT

The motivation for this research has come from the gap identified in the literature review. In number, very few studies are available in India on M&A deals. Where as many studies are there on M&A deals in other countries like USA, Canada, UK; where such deals are common phenomena of corporate world.

Since 1991, Indian industries have been increasingly exposed to both domestic and international competition and competitiveness. Hence, in recent times, companies have started restructuring their operations around their core business activities through M & As. But M & A is an area of potential good as well as potential harm in corporate strategy. It is necessary that an analysis has to be made to compare the financial performance of the pre and post – merger. Therefore, the research work is focused on mergers of Indian manufacturing industry with reference to selected Metals and Metal Products and Machinery companies during 1st April 2005 to 31st March 2010. In the chapter of data analysis the selected sample firms which merged between 1st April 2005 to 31st March 2008 were considered for analysis.

It is important to improve the competitiveness and quality of the companies in order to enhance its efficiency. Mergers take place in the Indian context in line with the trend of consolidation that has characterized the financial services industry and, in particular, the manufacturing industry. Companies the world over have been merging at a furious pace, driven by the urge to gain synergies in their operation, derive economies of scale and offer one-stop facilities to a growingly more demanding clientele. Hence, the desire to grow quickly through mergers rather than through the slow and tortuous path of normal expansion in business. Merger seems to lead to financial and strategic growth. The financial and strategic management aspect of merger is to be analyzed from several angles. The present study is about the evaluation of financial performance of selected Indian Metals and Metal Products and Machinery companies’ mergers before and after mergers.
RESEARCH GAP

- It has been observed that each research paper studied on particular parameters i.e. liquidity, solvency, profitability etc. But there is need to evaluate all these parameters with to see acquired firm is able expand their business activities after the merger or not.

- Few research papers on Indian manufacturing industry but no one did the research on specific sector like Metals & Metal Products and Machinery Companies.

OBJECTIVES OF THE STUDY

Based on Review of literature & available data, researcher stated following objectives.

a) To overview the operating performance of selected Indian Metals & Metal Products and Machinery companies during pre and post-merger period.

b) To study the types of merger during 2005 to 2010 of selected Indian manufacturing companies.

c) To evaluate the financial performance of selected Indian Metals & Metal Products and Machinery companies during pre and post mergers.

d) To study the impact of merger on the financial performance of selected Indian Metals & Metal Products and Machinery Companies.

HYPOTHESES

The present study tests the following hypotheses.

a) The merged manufacturing companies did not improve liquidity, solvency and profitability after merger.

b) The merged manufacturing companies did not expand their business activities after merger.
While selecting the sample, the researcher is used the census survey method for determining & selection of sample size for this study. After using this method, the researcher finalized 25 sample acquire firms which included 10 sample acquire firms from Metals & Metal Products and 15 sample acquire firms from Machinery companies.

This research is carried out with statistical analyses of financial data pertaining to 25 sample acquire firms which included 10 sample acquire firms from Metals & Metal Products and 15 sample acquire firms from Machinery companies and these mergers took place in the period 2005 to 2010. While selecting the sample, the researcher has used the census survey method for determining & selection of sample size for this study. The financial data are collected from CMIE Prowess Database Software for selected sample firms. The data is separated as per the various ratios as per requirement i.e. considering merger year as a base year which is denoted as 0, pre-merger year taken as -1, -2 & -3 & post 1, 2, & 3. For analysis & evaluation of the collected data, tools like Ratio Analysis, Mean, Standard Deviation & paired sample ‘t’-test are used.

The result of this study found that the liquidity position of Metals & Metal Products sector and Machinery sector & their respective selected sample firms are in better position in post-merger era as compared to pre-merger. It clearly proved that Metals & Metal Products sector and selected sample firms have not achieved solvency in post-merger period. Whereas, Machinery sector has achieved better solvency but selected firms have not achieved solvency in post-merger period as compared to pre-merger. If compared to standard norms, it is in good position. Also it is noted that, mergers were found to negatively impact on the performance in terms of profitability as well as in returns in case of Metals & Metal Products sector and sample firms. While, mergers were found to positively impact on the performance in terms of profitability as well as in returns in case of Machinery sector & their respective selected sample firms. The selected merged firms from both sector i.e. Metals & Metal Products and Machinery sector have undertaken expansion or modernization of their business activities after the merger. In the end it can be concluded that, for the acquiring firms in the sample, there is a differential impact of mergers on selected parameters for the study, for Metals & metal products and Machinery sectors in India.