Mergers and acquisitions have become principal tools of corporate growth and expansion. In today's liberalized economy they are essential to face competition, maximize profit to improve the performance after merger. The Indian companies restructured their activities through M&As route to achieve higher growth, higher rate of profitability, productivity, improvement in the operating and financial performance. In the backdrop, a study of performance evaluation of merged firms in respect of profitability, operating and financial areas, become imperative, to test whether the firms have achieved their goals of improving overall performance after merger. The present study “MERGERS AND ACQUISITIONS: A STUDY OF SELECTED BUSINESS CORPORATE ENTITIES IN INDIA” is a humble attempt in this direction. The major findings of this study are as follows.

FINDINGS:

I. Analysis of Pre-merger and Post-merger Profitability

1. Analysis of gross profit ratio (GPR) reveals that, there is improvement in the GPR after merger. The GPR of GLAXO, ATLAS, REDDY, LUPIN and POLAR improved during post-merger period as compared to pre-merger period. The net gain
in the post-merger profits was ranging from 2.50% to 8.46%. There is no improvement in GPR of TATA after merger.

2. The study reveals that the operating profit ratio (OPR) shows mixed trend. It has improved during post-merger period in case of GLAXO, ATLAS and REDDY, but reduced in case of TATA, LUPIN and POLAR as compared to pre-merger average. During post-merger period it showed “Loss in case of POLAR. In general the ratio of all firms is not satisfactory during post-merger.

3. As for as EBIT ratio is concerned, there is a growth in case of GLAXO, ATLAS and REDDY after merger. Improvement in the ratio is partly due to operating performance and partly due to non-operating income. EBIT ratio is satisfactory and the net gain was ranging between 1.54% to 11.80% after merger. But the ratio of TATA, LUPIN and POLAR reduced during the post merger period as compared to pre-merger average. The ratio of POLAR reduced considerably from 7.24 in pre-merger to 0.23 in post-merger due to losses during post-merger period.

4. The analysis reveals that, the average PAT ratio of GLAXO, AT AS, REDDY and LUPIN improved during post-merger as compared to pre-merger ratio. There was no improvement in case of TATA and POLAR. POLAR’s PAT ratio showed a loss of 9.06 due to continuous loss in 4 years of post merger.
5. The average ROTA of ATLAS, REDDY and LUPIN showed improvement in the ratio after merger. The net gain is ranging between 0.64% to 5.44%. But in case of GLAXO, TATA and POLAR the ratio did not improve. POLAR average ratio showed a loss of 0.27 due to losses.

6. The study reveals that, the ROCE ratio of GLAXO, ATLAS, REDDY and LUPIN showed a positive post merger performance as compared to pre-merger performance. There is no improvement in the ratio of TATA and POLAR after merger. The net gain after merger is ranging between 1.80% to 10.75%.

7. The average ratio of ROE recorded a significant improvement during post-merger in case of GLAXO, ATLAS, REDDY and LUPIN. The net gain in the post merger period was between 6.0% to 11.70%. But the ratio of TATA and POLAR, there was no improvement. POLAR's ratio was negative to the tune of 43.95.

8. There is a significant improvement in the average EPS after merger in case of GLAXO, ATLAS, REDDY, TATA and LUPIN. The net growth in the post-merger average is ranging between 15 to 25%.

9. The DPS ratio of GLAXO, ATLAS, REDDY, TATA and LUPIN improved after merger. It shows that the companies have
achieved their merger expectations. The DPS ratio of POLAR is zero, after merger due to continues losses.

10. The analysis reveals that, DPS is very low as compared to EPS. It indicates that the companies are retaining more earnings.

II Analysis of Pre-merger and Post-merger Operating Performance

1. The COGS to net sales ratio of GLAXO, ATLAS, REDDY, LUPIN and POLAR showed marginal improvement by 1 to 2% after merger. The average COGS reduced after merger as compared to pre-merger average. In case of TATA the ratio did not show improvement due to increase in the COGS in post merger period. It is clear that the firms have achieved operational synergy due to decrease in the COGS.

2. There is a mixed response in respect of raw material cost ratio. The average ratio of GLAXO, REDDY and POLAR reduced after merger implying improvement in post merger period. The net savings in the cost was between 5.50% to 18.22%. Where as the ratio of ATLAS, TATA and LUPIN showed marginal increase during post-merger period implying no improvement.

3. Analysis of labour cost ratio indicates that, the there is a reduction in the average ratio of ATLAS and TATA implying improvement after merger. But in case of GLAXO, REDDY,
LUPIN and POLAR the ratio showed increase in the labour cost implying no improvement. It shows that the firms have failed to achieve their merger expectations. There is no improvement because of increase in the labour cost after merger. The net increase in the cost was between 2 to 5% after merger.

4. So far as the ratio of manufacturing expenses is concerned, all firms have performed exceptionally well during post-merger period. The ratio of all firms showed reduction after merger as compared to pre-merger performance. The net savings in the cost was between 0.56% to 4.40%. It is a clear indication that, the firms have achieved operational synergies by minimizing such expenses.

5. The result of the ratio of administration and selling expenses is discouraging after merger. It is because the ratio of ATLAS, REDDY, TATA, LUPIN and POLAR increased after merger implying negative performance. It can be concluded that all the firms except GLAXO have failed to achieve operating synergies. The ratio is high due to increase in such costs after merger.

6. The inventory turnover ratio of ATLAS, REDDY, TATA and POLAR improved marginally after merger. But the ratio of GLAXO and LUPIN did not improve as compared to pre-merger performance.
7. Reduction in the average holding period of inventory (No. of days) is noticed in case of ATLAS, REDDY, TATA, LUPIN and POLAR after merger implying improvement in the post merger performance. Where as the ratio (No. of days) of GLAXO increased to 91 days in post merger from 86 days in pre-merger. It can be concluded that the firms have gained from merger decision.

8. Analysis of debtors turnover ratio suggests that, the average ratio of ATLAS, REDDY and LUPIN improved in the post merger as compared to pre-merger average. But the ratio of GLAXO, TATA and POLAR did not improve after merger.

9. The average collection period ratio (No. of days) of GLAXO, REDDY and LUPIN reduced after merger implying improvement during the post merger period. On the other hand the ratio of ATLAS, TATA and POLAR increased implying no improvement after merger as compared to pre merger ratio.

10. The study reveals that, the position of ATLAS, REDDY, TATA and LUPIN has improved after merger so far as capital turnover ratio is concerned because the ratio of the above firms increased after merger. But there is no improvement in case of GLAXO and POLAR. It shows that four firms have attained their merger goals.
11. There is a mixed response in respect of fixed assets turnover ratio. The average ratio of REDDY, TATA and LUPIN showed growth during post merger as compared to pre-merger period. On the other hand there is significant reduction in the FATR of GLAXO, ATLAS and POLAR implying no improvement. It is due to increase in the value of fixed asset and low profits.

12. In case of current assets turnover also we find mixed reaction. The ratio of ATLAS and LUPIN showed increase after merger implying improvement. But this ratio did not show improvement in case of GLAXO, REDDY, TATA and POLAR due to reduction in the ratio. It is clear that most of the firms did not achieve their goals after merger.

III. Analysis of Pre-merger and Post-merger Financial Performance

1. Analysis of debt-equity ratio indicates that the average ratio of GLAXO, ATLAS and TATA is almost near to 1:1 ratio and considered as improvement after merger. On the other hand the ratio of REDDY, LUPIN and POLAR did not improve after merger because REDDY is having very low ratio and LUPIN and POLAR are having very high ratios i.e., 2.03 and 6.12 respectively. It means these firms are depending more on debt capital which is not preferable.
2. Proprietary ratio is revealing unsatisfactory results. The ratio of REDDY has improved after merger as compared to pre-merger average. The ratio of ATLAS & TATA improved marginally in post merger over pre-merger average. But the ratios of GLAXO, LUPIN and POLAR reduced during post merger. The ratio of POLAR is very low at 16.77 and others below 60%. It indicates that these firms are depending more on external sources to finance assets.

3. The study indicates that, the times interest coverage ratio of GLAXO, ATLAS, REDDY, LUPIN has improved after merger. On the other hand there is no improvement in performance of TATA and POLAR. POLAR’s ratio is very low at 0.17 after merger.

4. We find improvement in the performance of GLAXO, ATLAS, REDDY, TATA and LUPIN after merger in respect of cash coverage ratio. The ratio of all these units has increased after merger as compared to pre-merger average. On the other hand POLAR’s ratio reduced to 0.30 in post merger from 1.23 in pre-merger.

5. Analysis of fixed assets ratio indicates that, in case of GLAXO, ATLAS, TATA, LUPIN and POLAR the ratio improved after merger. In case of GLAXO and TATA there is significant improvement, but in other units a marginal increase is noticed which is not satisfactory. There is no improvement in the ratio of REDDY.
SUGGESTIONS:

The success or failure of a merger or acquisition largely depends on the policies framed and decisions taken by the firms before and after merger. The main aim of M&A is to get success after merger. Therefore, the firms involved in M&A process should be very careful before and after merger and they should take appropriate decisions at appropriate time for achieving success.

In the light of the above findings the following suggestions are offered to improve the performance after merger.

A. Specific Suggestions:

1. Adoption of Cost Management Tools: The cost structure of a product or operation plays an important role in an organization, which is a base for profit and pricing policies. The modern enterprises compete on cost - lines rather than on price front. To be competitive, the firms should be the low-cost producer with high quality products. This calls for adoption of cost management approach. It is a system which looks into cost savings areas in products, processes, technology etc., for reduction of costs. The modern cost management tools like ABC costing, life cycle costing, efficient system of purchasing and production, modern manufacturing technologies, target costing, etc., should be applied to minimize costs and to achieve good performance.
2. **Modernization of Procurement of Materials**: The sample units being manufacturing units require huge quantity of raw material for continuous production activities. Raw material is a major component in the production and is having more influence on the cost structure. This requires proper control, so as to procure right kind of material, right quality at right time at right price to minimize cost.

3. **Human Resource Management**: The cost and quality of product depends on the quality of labour employed in a firm. A high labour cost is due to various reasons like excess staff, inefficient workforce etc., and leads to high cost of production. To have control over this a firm has to adopt modern practices of human resource management to increase the efficiency of labour. The following measures can be suggested:

   - A VRS scheme may be introduced to reduce excessive workforce.
   - Proper training and redeployment of existing labour force to meet dynamic business challenges.
   - Encouraging employees through employees stock option plans and motivating talented individuals to join and remain with the units.
   - Labour participation in decision making process.
   - A highly objective, transparent, merit based, performance-based promotions, transfers rewards etc., policies should be formulated.
> Appropriate fringe benefits should be provided.

> Recognition and appreciation of efficient labour.

All these measures would definitely motivate the workforce to bring out quality products at reasonable cost.

4. **Introduction of Cost Audit:** There is increase in the operating expenses of sample units under study. This may be due to improper check and control in respect of various cost components. Control over all the components of cost is necessary to improve operating profit or EBIT. Hence sample units are suggested to introduce cost audit system.

5. **Offering Innovative Products:** Today's modern world is customer-oriented and technology oriented. The customer is the king and demands highly innovative and creative products. A strong research and development of both products and process are needed for the survival of the firms. The product innovation fulfils customer requirements, while the process innovation is technological one which reduces the input needs and improves quality.

6. **Management Audit Programme:** Efficiency at both operating level and managerial level is quite essential for the success of manufacturing firm. The management audit aims at improving the managerial performance. To ensure the improvement in the performance, a periodical, exhaustive constructive and critical evaluation of the managerial actions in
respect of different functional areas of management, an effective management audit programme is needed. Such programme will definitely improve the managerial efficiency which in turn leads to improvement in the operating efficiency, EBIT, EPS and DPS etc, after merger.

7. **Debt Reconstruction Plan**: The analysis of the results of some sample units shows that the debt equity ratio is high. A high ratio speaks that the firms are depending on external sources, which ultimately leads to increase in the interest burden and resulting into low profits or losses. The following measures can be suggested to reduce interest burden and debt obligations.

- To repay the excessive debt.
- Reduction in interest rates.
- Extension of moratorium period i.e., conversion of short-term debt into long term debt and
- Conversion of outstanding interest amount into equity or original debt and interest payable into equity capital. All these measures would lead to reduction in the interest burden.

8. **Effective Working Capital Management**: A control over working capital (WC) is very essential. A firm should have adequate amount of WC for smooth functioning. A firm should tread cautiously to avoid the dangers of excessive and inadequate WC requirements. Moreover the composition
should be optimum. An optimum use of cash, inventories and debtors are very much needed for achieving good results. This calls for scientific approach.

9. Introduction of Performance Budgeting: The performance budgeting is a managerial tool which reveals the estimated earnings and expenditure. Therefore, it is suggested to introduce the concept of performance budgeting which serves as a tool to measure the relationship between the estimated performance and actual performance.

10. Dividend Policy: The study reveals that the DPS is very low as compared to EPS. The firms are having adequate amount of EPS, on the one hand, but on the other hand, the firms have distributed less amount to the shareholders in the form of DPS. It shows that the firms would like to retain more funds. It is suggested to pay higher dividend to the shareholders.

B. General Suggestions:

1. Creation of M&As Departments: The government has extended a helping hand to the corporate sector for M&As. The SEBI also came out with revised takeover code to assist M&A activities. The financial institutions are also taking active part in the M&A game. There is a need to have a separate department or division at the government level or bank level to assist and guide the M&A deals. Through this department,
one can avoid M&As with bad intentions. In Japan the banks are having separate merger and amalgamation divisions.

2. **Managerial Issues:** There are some managerial issues pertinent to M&A and need to be addressed properly by the management in the process of M&As for positive post merger performance.

i. Since the motives for M&As are many and varied, there is a need to prevent bad mergers. Some mergers are clearly efficiency-increasing. There are some mergers which are aimed purely for personal gains of the managements, but not for economic gains. These mergers can lead to efficiency losses. It is suggested that bad mergers with personal gains should be avoided.

ii. One of the main reasons why many mergers yield disappointing results is that there will be no proper integration of the resources of merging firms. It is suggested that, the management should take utmost care to integrate the resources properly to achieve maximum efficiency.

iii. Merger may help to increase the monopoly power of the firm and thereby helps to earn abnormal profit which would increase the wealth of the share holders of the acquiring firm at the cost of the society or general public. So it is suggested that the acquiring firm should have a balancing policy to see that, the social welfare of
the society and well being of the shareholders of merging firm would go together in the same direction.

3. Clear Vision: Creating a clear vision and strategy are foundations of a successful M&As. Vision means balancing of dreams and realities. The formulation of proper vision has become more important than ever as the pace of change in global business continues to accelerate. A merger undertaken with an unclear or unrealistic vision can be just as destructive to shareholders value. It is suggested to establishing clear vision to achieve merger expectations and to deliver superior performance after merger.

4. Good Leadership: Post-merger integration demands efficient leadership. The greatest “one business” vision imaginable is worthless if a firm fails to apply it and executed properly. Leadership is the most urgent priority when a merger closes. The merged firm should establish its management quickly by working out compromises, minimizing or preventing defections and making the most available talent and knowledge. A merger without a strong leadership in place from its early days will drift quickly and drift is deadly.

5. Growth: M&As aim at cost cutting and growth. But the primary reason for the merger decision and the obvious focal point during post-merger integration should be growth. Cost-cutting and similar synergies in M&As should have second
place. Growth can be achieved by unlocking the "merger added value" by taking advantages of the positive combinations offered by the company's combined resources. It is suggested that the acquiring firm should give priority to growth.

6. Cultural Differences: The culture of an organization is extremely important for its effective functioning. Every individual is different, each with his or her own experiences, beliefs and capabilities. Overcoming cultural differences is the most troublesome aspect of making M&As work. Therefore the firms should be very careful in handling this soft issue with hard measures. Some strategies may be suggested for dealing with cultural issues (a) one culture can be imposed on another, (b) the cultures can be left separate or allowed to merge over an extended time or (c) a "compound" culture can be created taking the best "genes" from each parent to create a better child.

7. Effective Communication: The achievement of merger integration goals depends on how well managers can pursue various parties to believe in a vision and act to achieve the goals. It ultimately depends on the communication policies of the firm. The firms have to know their own communication goals and develop a plan comprising targets, goals, content and media. Effective communication is required for a successful merger. Hence it is suggested that the merged firm
should have effective communication system which demands a comprehensive and centrally controlled plan.

8. **Risk Management:** M&As are not free from risks. The aim of M&As is growth and expansion. The high returns and strong growth promised by a merger, however, come with comparably strong risks attached. It is very important to recognize and embrace these risks instead of ducking them. The willingness to take such billion-dollar risks is fundamental to unlocking growth opportunities, unleashing creative capacities and creating a lot of value for shareholders. To overcome this problem it is suggested to have effective and disciplined risk management policies to get success.

If these measures are accepted, adopted and followed, one would definitely hope for a superior post-merger performance.

**Scope for Further Research:**

After carrying out this study it is found that there is scope for further research on these issues.

1. Effects of mergers and acquisitions on the employment.
2. Cost-benefit analysis of mergers and acquisitions.
3. Effects of mergers and acquisitions on the capital structure.
5. Human side of M&A.
It may be concluded that, the overall performance of M&As depends on the clear vision, efficient leadership, proper utilization of resources, sincere and honest management policies towards shareholders, public and the nation.