CHAPTER - I
INTRODUCTION

In a rapidly changing world, companies are facing unprecedented turmoil in the global markets. Severe competition, rapid technological changes, shrinking economic distances, policy liberalization and rising stock market volatility have increased the burden on the corporate world to deliver superior performance and value for their shareholders. In response to these pressures an increasing number of companies around the world are dramatically restructuring their assets, operations and financial structure through mergers and acquisitions (M&As). M&As have facilitated thousands of corporate entities around the world to re-establish their competitive advantage and respond more quickly and effectively to new opportunities and unexpected challenges. Mergers and acquisitions and corporate control have emerged as a major force in the modern financial and economic environment. Mergers as the source of profitable corporate growth have been the subject of careful examination in the literature, in the western context. The general rubric of corporate synergy signifies that the value created by the combination of firms may result in more efficient management, economies of scale, improved production techniques, a combination of complementary resources, the redeployment of profitable uses, and the exploitation of market power or any number of value
creating mechanisms. M&A is a peculiar scientific phenomenon in that it “Cuts across numerous disciplinary boundaries”.

M&As continue to grow rapidly in numbers and volume, world wide, bringing about radical changes in the corporate landscape. M&As have become the principal tools of corporate restructuring. Corporate expansion and growth in today’s liberalized economy are essential to face competition (domestic and global), entry into new markets, maximization of profits and empire building. M&As are gaining increasing acceptance as a mode of growth translating companies into scale and scope of economies and ability to tap capital markets. Due to the significance of M&As, corporate entities world over have witnessed a restructuring revolution through M&A route. Most of the countries all over the world have witnessed mergers and acquisitions activities. United States (US) has witnessed five periods of merger activities referred to as “merger waves” since 1897. Each wave has been dominated by a particular type of merger with specific motives. During these periods thousands of companies have undergone M&A exercise. In the United Kingdom (UK) hundreds of M&As are taking place every year and other countries like Europe, Japan, Italy, Malaysia have opted M&As as a means of growth and expansion.

The Indian corporate sector is no exception. Liberalization in the 90’s and the recession in the economy have created so many new challenges for the Indian corporate sector. The policy of decontrol and liberalization coupled with globalization of the economy, have
exposed the corporate sector to rigorous domestic and global competition.\textsuperscript{5}

Greater competition, free imports, lack of economies of scale, over creation of capacities, unwanted diversifications, funds constraints, and cost and time over-runs have become some of the new-found areas of concern to the Indian corporate sector. Therefore restructuring of corporate India has now become a major theme. The Indian companies began to restructuring their operations through mergers and acquisitions to consolidate and improve themselves in areas of their core competency. M&A is considered as a popular strategy to attain growth, diversification, to improve operating and financial performance, maximization of profits and to face domestic and global competition. The economic reforms have made M&As even more viable business strategy for expansion, growth and to face challenges. M&As are fast becoming one of the key drivers of growth in Indian industry. Therefore winds of M&As are blowing in Indian corporate sector since the liberalization of Indian economy in the year 1991. Therefore hundreds of M&As are taking place every year. During the year 2001-02 as many as 1344 M&As transactions took place in India involving Rs. 35360 crores in value.\textsuperscript{6} Such mergers are in the form of horizontal, vertical and conglomerate in nature. It is found that more than 50\% of mergers were horizontal in nature and 16\% were vertical in nature.\textsuperscript{7}

A recent survey report published in Financial Times, UK, suggests that Indian companies are becoming increasingly aggressive
in M&As as they take advantage of the restructuring, changing the face of the formerly protected domestic industry. This does suggest that the era of liberalization and globalization have a desirable impact on the domestic companies, which are gearing up to take the challenges from multinational companies (MNC) in high spirit. Well, at last the local warhorses have found one potent weapon in their armory to fight a tough battle on both the local and global turf. The progress of corporate sector helps to provide essential goods, and services, employment opportunities, attracts foreign direct investment (FDI) and ultimately leads to progress of the country.

Need for the Study:

The Indian corporate sector has experienced a major restructuring through M&As with the changes brought about by the Industrial Policy Resolution (IPR) of June 1991. The rationale behind corporate restructuring through M&As was growth, expansion, empire building, economies of scale, avoiding unhealthy competition, synergistic gains, concentrating on core competency and diversification etc. M&As have become the principal tools of corporate restructuring and are on the top of corporate agenda world over.

In India number of companies have restructured their operations through M&As in various industries like pharmaceuticals, steel, engineering, banking, textile, cement, petroleum, chemicals, consumer goods, power and service sector. M&As are driven by
incremental value expectations and the prime objective is to achieve synergy gains. There are two significant aspects of synergy in M&A literature: a) Operating synergy and b) Financial synergy. Operating synergy can be achieved by avoiding duplication of operating expenses, research and development costs, economies of scale etc., Also it is possible to achieve better performance through financial synergy by way of pooling together financial and human resources. M&As seek positive synergetic gains to increase profitability, improvement in operating and financial performance etc., after merger. The merged firms are expected to perform exceptionally well during the post-merger period. The operational and financial performance of merged firm should be positive and encouraging for further developments. M&As have emerged as a major force in the modern economy and are becoming one of the key drivers of growth in Indian Industry. M&As play a significant role in achieving maximum profits, better operating and financial performance after merger. It is of immense interest to study the impact of mergers and acquisitions on profitability, operating and financial performance in the post-merger period and to see that how far the merged firms have achieved their goal of improving performance after merger.

The studies on the theme of M&As in India have been few and far between. Some studies have well documented the response of the Indian corporate sector to the new industrial policy with reference to M&As activities, the changes in the shareholding pattern, adoption of product differentiation and other corporate strategies. Some other
studies have focused only on financial performance, operating performance or profitability etc., of related firms. Upon a review of previous researches it is found that a comprehensive study on synergistic aspects of M&As is the need of the hour. Therefore an attempt has been made in this study to evaluate the effects of M&As on the key performance areas such as profitability, operating and financial performance in a comprehensive manner.

Review of Literature:

In today’s liberalized economy the corporate sector has experienced a major restructuring through M&As route. M&As have been considered as a popular strategy for growth and expansion. Empirical studies in this field are few and far in number. Some attempts have been made by scholars in the area of M&As which are reviewed here under:

Melicher and Rush (1974) in their study “Evidence on the Acquisition Related Performance of Conglomerate Firms”, examined the results of certain pre-merger financial characteristics of conglomerate companies as well as the companies acquired. They analyzed the same characteristics for a sample of acquisitions completed by non-conglomerate companies for comparative purpose. The study found that the target of a conglomerate company was characterized by relatively higher levels of operating profitability. The conglomerate acquirer took the advantage of leverage capacity.
Steiner’s (1975) study on “Merger Motives, Effects and Policies”, examined the merger motivation, its cyclical nature, the ex-post profitability, the determination of the negotiated exchange ratios, effects of merger and policies with reference to USA. However the study is silent on operating and financial performance.

Kaveri’s (1986) study on “Financial Analysis of Company Mergers in India”, found that merger leads to efficiency and profitability.

Ravenscraft and Scherer’s (1987) study entitled “Mergers, Sell offs, and Economic Efficiency” examined the target line of business performance and found no strong evidence of improvements in performance for these target lines of business after the merger. They concluded that the acquisition activity lowers profitability and that part of this was due to the regression to norm from unsustainably high pre-merger performance. But the study ignored operating and financial aspects.

Knapp William’s (1990) study on “Event Analysis of Air Carrier Mergers and Acquisitions” attempted to determine whether firms, if given the opportunity to merge will gain market power. To analyze the results, event analysis was used. This study was on mergers in Airline industry. They found that abnormal returns experienced by competition to these airlines announcing mergers, support the merger for market power.
Hekmat Ali’s (1995) study entitled “The Effects of Different Types of Mergers on Union and Non-Union Wages in United States”, studied the effect of different types of mergers on union and non-union wages in the United States. The results showed that union wages in industries consisting of horizontally or vertically merged companies were not significantly higher than union wages in industries without merger. Conversely, non-union wages were significantly higher in industries where horizontal or vertical mergers took place. These results also showed that the wages of union workers were significantly lower in industries compared to product extension or conglomerate mergers as compared to wages in companies without merger.

Lynk William J’s (1995) study “Non-profit Hospital Mergers and the Exercise of Market Power” tested the proposition that non-profit and for profit hospitals price differently in response to the structure of the markets in which they compete. Based on a cross-sectional analysis of California hospital, it was found that estimated merger effects on hospital prices do vary by type of ownership. Private non profit hospitals prices are significantly lower than for profit hospital prices.

Ueng-Shyh-Fang’s (1995) study entitled “The External Effect of Horizontal Mergers in an Oligopolistic Industry with differentiated products”, found that a merger will raise the new company’s price
from pre-merger right after the merger is formed and then the rest of the industry will follow by raising prices.

**Thomus Brush’s (1996)** study “Predicted Change in Operating Synergy and Post Acquisition Performance of Acquired Business” was to study the changes in operating synergy and post acquisition performance of acquired firms. The outcome showed that there will be change in operational synergy and post performance gains to the acquired firms in both horizontal and vertical integrations. But this study is silent about profitability and financial performance.

**Mehata and Samanta (1997)** in their article entitled “Mergers and Acquisitions: Nature and Significance” focused on the nature and significance of mergers and acquisitions since liberalization in India. In this article they highlighted different types of mergers and acquisitions and classified specific cases.

**Bruce D. Philips’ (1998)** study on “Mergers and Acquisitions in the United States: An Analysis of Business Acquisition Activity by Firm Size and Industry” analyzed the effects of pre and post-merger and acquisition on jobs, businesses and the American economy. The study found that small firms involved in acquisition activity generated more employment (jobs) than the large firms. The acquired establishment that belonged to large firms before acquisition experienced significant losses in employment that the group of acquired firms as a whole recorded a net loss of jobs.
The study by Surendra S. Yadav, P.K. Jain and Nitinsen Jain (1999) on “Profitability of Mergers Some Selected Cases” found that, the growth has been achieved by all companies involved in merger whether Indian or MNC. But it is more in case of Indian companies with MNCs. The study focused mainly on profitability and some aspects of operating performance. However the study did not cover financial performance and other operating areas, which are essential for evaluating M&A effects.

Ruhani Ali and G.S. Gupta (1999) in their study entitled “Motivations and Outcome of Malaysian Takeover: An International Perspective”, examined the motives and effects of corporate takeovers using the Mueller’s methodology. Five financial variables i.e., size, growth, profitability, risk and leverage were used to measure the characteristics. It was found that the acquiring firms have achieved larger size at the expense of reduced profits both for themselves and the acquired firms.

Varadhan Pawaskar (2001) in his study entitled “Effects of Merger on Corporate Performance in India”, examined the pre and post-merger operating performance of the acquiring firms and identified the sources of merger-induced changes. It compared the pre and post-merger operating performance of the corporation and identified whether competitive forces would have led to profit changes even if the merger had not occurred. The study showed that there are no significant differences in the financial characteristics of the two firms.
involved in the merger and there is no increase in the post-merger profits.

Pandey, Ajay (2001)\textsuperscript{24} studied on "Takeover Announcements Open Offers and Shareholders Returns in Target Firms" has analyzed the stock price performance of target firms in the context of change in management control in the case of takeover announcements. It was found that the target firm valuations increase in the run up to announcement.

Selvam M. Vanitha S and Babu M. (2005)\textsuperscript{25} study entitled "Mergers and Acquisitions in the Banking Industry: An Evaluation", focused on the financial performance of banks before and after merger which covered growth of total assets, profits, revenue, investments and deposits. The study concluded that the banks have progressed during post-merger period in all these aspects.

The study conducted by Kavitha Patak and Vaishampayan J.V. (2005)\textsuperscript{26} on "Marketing Synergy in Mergers and Acquisitions: A Study of the Acquiring Firm in the Indian Pharmaceutical Industries" focused on the accrual of marketing synergy to the acquiring firms in the Indian pharmaceutical industry. The study revealed that marketing synergy has eluded the acquirers. The expectations from M&A have largely been unmet. It is observed that the whole process of M&A appears to have been based on agency theory i.e., the managers are governed by the selfish motives or subjective judgement of gains to the management.
Richard Nakamura H’s (2005) study on “To Merge and Acquire when the Times are Good? The Influence of Macro Factors on the Japanese M&A Pattern” examined the influence of macro factors on the Japanese M&A pattern in Japan during 1990s. The study focused on the post reform pattern which represents a significant shift from the previously low levels of M&As and that domestic and inward M&A are influenced differently by macro factors.

The study carried out by Khong Roy and Muzafer Habibullah (2005) on “Do Banks Mergers Increase Productivity? Some Results from Bank Mergers Exercises in Malaysia”, evaluated the pre and post-merger productivity in the banking sector in Malaysia. It examined the commercial banks productivity with respect to foreign banks and local banks. The results indicate that foreign commercial banks were more productive than the local banks. The acquiring banks have recorded higher productivity level compared to the targeted banks in Malaysia.

Shailesh Karnik’s (2005) study on “Do M&As Create Value for Target Companies Shareholders” examined the effects of merger announcements on the share prices of acquired (target) companies for different time periods. For this study, the listed companies of Nifty were selected as samples. The findings show that there is a significant value creation for target companies shareholders due to public announcement.
Prakash Basanna and Basavaraj C.S. (2006)\textsuperscript{30} study entitled “Means of Payments and its Impact on Capital Structure of Acquiring Companies” dealt with the means of payment for merger/acquisition in relation to equity and preference share capital of the transferor company. It is found that the pre-merger reserves and surplus of merged entity have increased immediately after merger in the cases of profitable company merging with another profitable company.

Kavita Patak’s (2006)\textsuperscript{31} study entitled “A Study of the Operating Synergy Gains to the Acquiring and Target Firms in the Indian Cement Industry”, aimed at capturing the post M&A impact in the Indian cement industry on both the acquiring and target firms. The sample covers four-acquiring firms. However in case of the target firms the synergy seems to have eluded them. This work does not cover effect of M&A on profitability and financial performance.

The study undertaken by Patrick Beital and Dirk Schiereck (2006)\textsuperscript{32} on “Value Creation by Domestic and Cross-border M&A Transactions in the European Banking Market” assessed the value implication of M&A transaction of European acquiring banks i.e., the impact of M&A on the value for shareholders in domestic and cross-border M&A transaction. The “Event Study” methodology was used for evaluating the results. The analysis revealed that cross-border bank-bank transaction with a European focus destroyed value.
Fadzlan Sufian's (2006) study on "Bank Mergers and Acquisitions: A Non-stochastic Frontier Window Event Study Approach to Analyze the Effects on Efficiency" investigated the effects of M&A on the relative changes in performance and efficiency of Singapore banking groups. The results suggested that the merger has not resulted in a higher productivity for the Singapore banking groups due to the higher costs incurred after the merger.

The study conducted by Kavita Patak and Dheeraj Misra (2006) on "Accumulation of Market Power in Mergers and Acquisitions: Evidence from the Indian Pharmaceutical Industry" focused on the accumulation of market power through M&As in the Indian pharmaceutical industry. The stress was on (a) synergy arising out of marketing operations and (b) market efficiency synergy. The results point towards no evidence of market power synergy in case of the acquiring and target firms in the Indian pharmaceutical industry.

The study by Sergio Clavijo et al. (2006) on "Mergers and Acquisitions in the Colombian Financial Sector: Impact on Efficiency" investigated the impact of M&A on the efficiency in financial sector. The study found that banks have been able to recover their efficiency levels during post-merger period. It also suggested the government to remove regulatory barriers to help the banking system to improve further.
Hee-jin Kang and Almas Heshmati (2007) conducted their study entitled "An Evaluation of Korean M&A Policy in the Post Currency Crisis" to evaluate Korean M&A policy in the post-currency crisis in Korea. The objective was to evaluate the extent of influence of government intervention in the market. In order to evaluate the government policy, financial and stock price fluctuations of firms were reviewed and firm's performances were analyzed using the cycle time theory. The results showed that a number of merged enterprises failed or their activities became more complex to manage. The merged firms were not successful, but following the merger lost value and were not able to improve their position when compared to the pre-crisis period.

Rajesh Kumar and Prabina Rajib (2007) in their study on "An Analytical Study on Multiple Mergers in India" analyzed the financial characteristics of firms that engaged in multiple mergers. The study attempted to determine the characteristics of the acquiring firms and to observe whether multiple merger firms showed superior performance compared to a matched control group. This study finds that the performance of multiple merger was supreme as compared to control group in respect of average sales, profits, cash flows and debt capacity.

Srinivasan and Mishra (2007) The researchers in their study "Why Do Firms Merge/ Acquire: An Analysis of Strategic Intent in Recent M&A Activity Among Indian Firms", investigated several intensions,
motives and theories behind M&As activities in India. They found that the firms merged to gain market leadership, new product entry and to achieve synergetic advantages.

**Statement of the Problem:**

A review of literature reveals that the studies on the theme of M&As have been carried out in Indian context. These studies relate to various industries like pharmaceuticals, petroleum, chemicals, banking, cement, engineering, power generation, manufacturing and service industries. Most of these studies concentrated on analyzing the effects of M&As on operating performance. Other studies looked at the financial performance of the firms in the same industries. A few of the studies were conducted to analyze the operating synergy gains to firms in the related industry. Some studies focused on some selected aspects on M&A like profitability, shareholder value creation, share prices, marketing synergy etc. In addition, there are a few case studies examined the effects of horizontal, vertical and conglomerate mergers on the operating performance taking two samples each from related and unrelated firms. No comprehensive study has been carried out to examine the performance of firms such as profitability as well as operating and financial performance in a wholistic manner. There has been no attempt to analyze such parameters among the unrelated companies from different industries.
A success or failure of business depends on the operating and financial performance. A better post-merger performance leads to increase in productivity and profitability which in turn helps to improve return on total assets (ROTA), return on equity (ROE), earnings per share (EPS) etc. The Indian government has given a helping hand to the corporate sector with its liberalized policy on M&As. Similarly the Securities Exchanges Board of India (SEBI) has formulated a revised takeover code to encourage such activities with good intentions and to make use of M&A, as a vehicle for growth and development. In this context, M&As play a significant role in maximizing profits, improvement in the operating and financial performance in the post-merger period.

Therefore the present study aims at studying the effects of M&As on the profitability, operating and financial performance of the companies merged in India. Hence the statement of problem is “MERGERS AND ACQUISITIONS: A STUDY OF SELECTED CORPORATE BUSINESS ENTITIES IN INDIA”.

Objectives of the Study:

The present study is an attempt to a comparative analysis between pre-merger and post-merger performance of the selected companies in India. In order to fulfill this broad objective, the following workable objectives have been set:

1. To make a case for M&A as an instrument of synergy gains.
2. To study the effect of mergers and acquisitions on the profitability and growth rate.
3. To study and analyze pre-merger and post-merger operating performance.
4. To analyze pre-merger and post-merger financial performances.
5. To identify the shortcomings of M&A strategy in achieving synergy gains and propose remedial measures.

Methodology:

For the purpose of the study, six sample cases of merger/acquisition have been selected. All these companies have been merged during the year 2000-01. The samples include two MNCs, two Indian private companies and two Indian companies. All the merged samples are of horizontal in nature. The selection of sample units was based on availability of data, coverage, importance and convince of the researcher. The details of sample units are presented in Table 1.1.
## Table - 1.1

### Sample Units: An Overview

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>M&amp;A entities</th>
<th>Name after merger</th>
<th>Industry</th>
<th>Status</th>
<th>Type of merger</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Smithkline Beecham Pharma (SKBP) with Glaxo India Ltd., (GIL)</td>
<td>Glaxo Smithkline Pharma (GLAXO)</td>
<td>Pharmaceuticals</td>
<td>MNC's</td>
<td>Horizontal</td>
</tr>
<tr>
<td>3</td>
<td>Cheminor Drugs Ltd. (CDL) with Dr. Reddy’s Laboratories (REDDY)</td>
<td>Dr. Reddy’s Laboratory (REDDY)</td>
<td>Pharmaceutical bulk drugs</td>
<td>Indian</td>
<td>Horizontal</td>
</tr>
<tr>
<td>4</td>
<td>Andhra Valley Power Supply Co. (AVPS) with Tata Power Company (TATA)</td>
<td>Tata Power Company (TATA)</td>
<td>Power generation and supply</td>
<td>Indian private</td>
<td>Horizontal</td>
</tr>
<tr>
<td>5</td>
<td>Lupin Laboratories (LUPLAB) with Lupin Chemicals (LUPCHEM)</td>
<td>LUPIN Ltd., (LUPIN)</td>
<td>Pharmaceutical</td>
<td>Indian Private</td>
<td>Horizontal</td>
</tr>
<tr>
<td>6</td>
<td>Polar Fan Industries Ltd., (POFAN) with Polar Industries Ltd., (POLAR)</td>
<td>Polar Industries (POLAR)</td>
<td>Domestic Home appliances</td>
<td>Indian</td>
<td>Horizontal</td>
</tr>
</tbody>
</table>
The performance of companies has been considered for a period of ten years i.e., from 1995-96 to 2004-05. It includes a period of five years from 1995-96 to 1999-2000 related to pre-merger and the other five years from 2000-01 to 2004-05 related to post-merger period. The selected samples were merged during 2000-01 and this year has been included in the post-merger period. The study has employed extensively both secondary data and annual reports. The secondary data were collected from capitaline plus database, the Bangalore stock exchange, Information centre, Bangalore. The analysis is based on financial statements that are available from the database in the form of balance sheets and profit and loss account statements.

The data from these reports have been analyzed employing appropriate financial and statistical tools with a view to evaluate the performance. Some of the financial tools are ratio analysis and trend analysis. Ratio analysis is used for studying pre-merger and post-merger performance related to profitability, operating and financial performance of the sample units. Trend analysis is used to indicate the direction of change in the performance over a period of time. Statistical tools like averages, percentages and t-test have been applied. The averages and percentages have been applied to calculate pre-merger averages and post-merger averages. In support of the above averages and percentages the t-test is also applied. t-test (paired t-test) has been employed to test the significant variation between pre-merger and post-merger performance. The level of
significance at 1% and 5% have been applied. Only those results of the t-test which show significant relationship between related variables are presented in the analysis.

**Hypotheses:**

For the purpose of this study the following hypotheses have been employed and tested.

**Hypothesis - 1**

This hypothesis focuses on profitability. The dimensions of profitability considered for testing include Gross profit Ratio (GPR), Operating Profit Ratio (OPR), Earnings Before Interest and Tax (EBIT) and Profit After Tax (PAT).

Hence the statement of hypothesis is as under:

1-H₀: There is no significant improvement in profitability after merger.
1-H₁: There is a significant improvement in profitability after Merger.

**Hypothesis - 2**

This hypothesis deals with return on investment. The dimensions include Return on Total Assets (ROTA), Return on Capital Employed (ROCE), Return on Equity (ROE), Earning Per Share (EPS), and Dividend Per Share (DPS).

Hence the statement of hypothesis is as follows:

2-H₀: There is no significant increase in return on investment.
2-H₁: There is significant increase in return on investment.
**Hypothesis - 3**

This hypothesis deals with cost ratios. The dimensions include Cost of Goods Sold (COGS), Material Cost, Labour Cost, Manufacturing Expenses and operating Expenses.

Hence the statement of hypothesis:
3-H₀: There is no significant reduction in the cost after merger.
3-H₁: There is significant reduction in the cost after merger.

**Hypothesis - 4**

This hypothesis focuses on the turnover ratios. The dimensions of turnover ratios considered for testing include Inventory Turnover Ratio (ITR), Debtors Turnover Ratio (DTR), Capital Employed Turnover Ratio (CETR), Fixed Assets Turnover Ratio (FATR) and Current Assets Turnover Ratio (CATR).

Hence the statement of hypothesis is as under:
4-H₀: There is no significant improvement in the turnover ratios.
4-H₁: There is significant improvement in the turnover ratios.

**Hypothesis - 5**

This hypothesis deals with the financial ratios. The dimensions include Debt Equity Ratio (DER), Proprietary Ratio, Interest Coverage Ratio and Fixed Assets Ratio.

Hence the statement of hypothesis is as under:
5-H₀: There is no significant improvement in the financial ratio.
5-H₁: There is significant improvement in the financial ratio.
Limitations of the Study:

The limitations of this study are as follows:

1) The study covers six samples and all samples are of horizontal mergers in nature.
2) The study is based on secondary data.
3) Change in the output, prices and other expenses due to inflation were not essentially identical.
4) The ratio analysis technique is used to evaluate the pre and post-merger performance and obviously this study incorporates all the limitations of ratio analysis.

Chapter Scheme:

The present study has been organized into seven chapters.

1 Introduction:

It includes a brief introduction about M&As, need for the study, review of literature, statement of problem, objectives of the study, hypothesis and research methodology.

2 Corporate Mergers and Acquisitions: A Theoretical Framework:

This chapter highlights theoretical framework, meaning, scope, motives, merger movement and role of M&As in improving corporate performance.

3 Profile of Sample units:

It is devoted to provide an overview of sample units. The overview covers history, major products and progress.
4 Analysis of Profitability:

This chapter aimed at analyzing pre-merger and post-merger profitability of sample units. The issues relating to profitability discussed in this chapter include gross profit ratio, operating profit ratio, earnings before interest and tax, profit after tax, return on total assets, return on capital employed, return on equity, earning per share and dividend per share.

5 Analysis of Operating Performance:

In this chapter pre-merger and post-merger operating performance of sample units has been discussed. The dimensions discussed in this chapter are cost ratios and turnover ratios.

6 Analysis of Financial Performance:

This chapter is devoted to examine the pre and post merger financial performance. The aspects of financial performance focused in this chapter are debt equity ratio, proprietary ratio, interest coverage ratios and fixed assets ratios etc.

7 Findings and Suggestions:

This chapter presents the summary of findings and suggestions to enhance further the synergy gains of mergers and acquisitions.
Glossary of Terms:

Capital employed: It means net fixed assets and working capital.

Cost of goods sold: It is the aggregate of cost of material consumed, labour, manufacturing overheads and depreciation.

Individual average: It means total of pre-merger ratios of five years divided by 5 years.

Long term funds: It refers to shareholders fund and long term debts.

Net fixed assets: It means gross fixed assets less depreciation.

Post-merger average: It is the total of post-merger ratios of acquiring firms during five years divided by five years.

Pre-merger average: It means individual averages of two acquired firms in pre merger period divided by two.

Proprietors funds: It includes preference share capital, equity capital, reserves and surplus.

Shareholders equity: It includes equity capital, reserves and surplus.

Total Assets: It is the aggregate of net fixed assets and current assets.

Total Debt: It refers to long term debts and current liabilities.
References:


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