Chapter-5

DISCUSSIONS & CONCLUSIONS

In this chapter the interpretations of financial and statistical analysis are discussed from the perspective of evaluation of financial performance of merged entities. With the help of this qualitative analysis conclusions are drawn. The conclusions of this research study are presented in this chapter.

Discussions based on the findings of the results of hypothesis testing for the overall sample pertaining to performance parameters of domestic mergers & acquisitions are given as follows:

5.1 M&A performance based on mean of five years performance measures:

From Table 4.1, it can be observed that for majority of performance measures the post merger performance is greater than pre merger performance. However the improvement is not significant except in case of raw ROA and EVA measures. When Industry adjusted ROA is calculated then the difference in pre and post merger ROA diminished and found as insignificant. The EVA is calculated in three ways and for all three EVA measures the results are depicting the significant improvement in performance.

The Economic Value Added measure may show the improvement because of three reasons which are i) improvement in NOPAT, ii) Decline in WACC or iii) Decline in capital invested.

For all the three methods of EVA calculation the NOPAT and Capital invested is same and the difference is only in the calculation of WACC. If the results of all the three method are showing the improvement in EVA then it can be inferred that this improvement in EVA is caused by either increase in NOPAT or decrease in capital invested. For the merged entity the probability of reduction of capital invested is quite less which is measured as fixed assets plus current assets less current liabilities. Therefore, it seems likely that increase in EVA of merged entity is driven by the increase in operating profits. It implies that mergers have contributed to the economic profits and in turn in the maximization of shareholder’s wealth.
However, the EVA calculation included several adjustments, which have been stated in the research methodology. In the light of no improvement depicted by any other performance measure, it may be suspected that EVA results are influenced by the adjustments made in the calculation of the measure for sample firms. Further in the light of no improvement in performance depicted by the accounting and cash flow measures it may also be suspected that the results of EVA improvement are influenced by extraordinary values for few sample firms as the mean results may be influenced by outlier values. Therefore, evaluation of performance also has to be done by using the cross-sectional median values.

5.2 M&A performance based on cross-sectional median for each year

From table 4.2 it can be concluded that when pre and post merger performance is compared on the basis of median values then raw measures ROA, ROE, NP margin and EVA based on market cap have shown significant improvement. Industry adjusted ROE has also shown significant improvement. Because all the profitability measures are depicting the improvements therefore it can be inferred that profit margins of combined entities have increased which may be a manifestation of increased price determining power of merged entities caused by increased market share after the merger.

It is observed that all these gains are wiped out once they are calculated after industry adjustments. It implies that increased profitability of the merged entities was industry performance related phenomenon and not the result of M&A activity.

Here Industry adjusted ROE is showing the improvement. The increase in ROE may be caused by three reasons i) increase in profit margin ii) increase in asset turnover ratio(or sales volume) and iii) increased leverage. If the increase in ROE would have been because of 1st two reasons then other profitability measures would have also depicted improvement. But only industry adjusted ROE measure is showing improvement then it can be inferred that it is caused by increased leverage in merged entities.
All the cash flow measures, all the industry adjusted accounting measures and two EVA measures have shown that there is no significant difference in pre and post merger performance.

Only the EVA measure based on market value based WACC has depicted the improvement therefore it can be concluded the increase in EVA is not caused by improvement in operating profit (NOPAT) or decline in capital invested as they are same for all three methods of EVA calculation, rather the WACC is less when calculated using market value of equity. Therefore, only one EVA measure where Ke = Net profit/market capitalization is showing significant improvement. It implies that merger has actually not resulted into improvement of economic profits rather result is influenced by the method of calculation of Ke. This is also confirmed from the no improvement shown by all cash flow measures and industry adjusted profitability measures.

5.3 Impact of various characteristics on merger characteristics:

Discussions based on the results of Regression Analysis in order to assess the impact of merger characteristics on post merger performance parameters are given as follows:

5.3.1 Post merger ROA

From the results of regression analysis done for post merger ROA as dependent variable, it can be concluded that pre-merger performance as measured by pre-merger ROA has the significant influence on post-merger ROA. Several other merger characteristics do not have a significant impact on Post merger ROA. The intercept term is also not significant. It implies that any improvement/decline in post-merger ROA is the continuation of pre-merger performance. Merger and any other merger characteristics does not contribute to success/failure of the merged firm performance.

5.3.2 Post merger industry adjusted ROE

From the results of regression analysis done for post merger industry adjusted ROE as dependent variable, it can be concluded that pre-merger performance as measured by pre-merger industry adjusted ROE has the significant influence on post-merger
industry adjusted ROE. Several other merger characteristics do not have a significant impact on Post merger industry adjusted ROE. The intercept term is also not significant. It implies that any improvement/decline in post-merger ROA is the continuation of pre-merger performance. Merger and any other merger characteristics do not contribute to success/failure of the merged firm performance.

5.3.3 Post merger ‘Cash Flows/Total Assets’

In order to assess the impact of various merger characteristics on post-merger ‘Cash flows/Total Assets’ measure, regression analysis is applied. From the results of regression analysis it can be inferred that post merger performance is the continuation of the pre-merger performance of the firms and merger and any merger characteristics does not significantly influence the post merger performance.

5.3.4 Post merger industry adjusted ‘Cash Flows/Total Assets’

In order to assess the impact of various merger characteristics on post-merger industry adjusted ‘Cash flows/Total Assets’ measure, regression analysis is applied. From the results of regression analysis it can be inferred that post merger performance is the continuation of the pre-merger performance of the firms and merger and any merger characteristics does not significantly influence the post merger performance.

5.3.5 Post merger ‘Cash Flows/Market Value of Assets’

In order to assess the impact of various merger characteristics on post-merger ‘Cash flows/Market Value of Assets’ measure, regression analysis is applied. From the results of regression analysis it can be inferred that post merger performance is the continuation of the pre-merger performance of the firms and merger and any merger characteristics does not significantly influence the post merger performance.

5.3.6 Post merger industry adjusted ‘Cash Flows/Market Value of Assets’

In order to assess the impact of various merger characteristics on post-merger industry adjusted ‘Cash flows/Market Value of Assets’ measure, regression analysis is applied. From the results of regression analysis it can be inferred that post merger performance is the continuation of the pre-merger performance of the firms and merger and any merger characteristics does not significantly influence the post merger performance.
5.3.7 Post merger EVA based on book values

In order to assess the impact of various merger characteristics on post-merger EVA based on book values measure, regression analysis is applied. From the results of regression analysis it can be inferred that post merger performance is the continuation of the pre-merger performance of the firms and merger and any merger characteristics does not significantly influence the post merger performance.

5.3.8 Post merger EVA based on market values

In order to assess the impact of various merger characteristics on post-merger EVA based on market values measure, regression analysis is applied. Here intercept term also depicts a significant positive influence on post merger EVA. The intercept can be understood as the performance caused by merger irrespective of any characteristics features of merger. From the results of regression analysis it can be inferred that post merger performance is the continuation of the pre-merger performance of the firms as well as merger has also contributed to the post merger EVA. However, any merger characteristics do not significantly influence the post merger performance.

5.3.9 Post merger EVA based on Gorden Growth model

In order to assess the impact of various merger characteristics on post-merger EVA based on Gordon growth model, regression analysis is applied. Here intercept term also depicts a significant positive influence on post merger EVA. The intercept can be understood as the performance caused by merger irrespective of any characteristics features of merger. From the results of regression analysis it can be inferred that post merger performance is the continuation of the pre-merger performance of the firms as well as merger has also contributed to the post merger EVA. However, any merger characteristics do not significantly influence the post merger performance.

5.4 Conclusions for the subsamples categorized on the basis of various merger characteristics

Performance analysis was done by dividing entire sample into two sub-samples based on each of the seven merger characteristics. For this purpose for each parameter paired t-test was applied in each sub-sample values to check whether the results for subsamples are statistically different between pre and post-merger period. This helped
us to examine the performance of each set of two sub-samples created on the basis of specific merger characteristics.

5.4.1 Sub-samples based on relative size of Target Company

From table 4.4 it can be concluded that when the whole sample is divided into two subsamples based on target size then it is found that for the subsample in which target size is less than 10% of acquirer size there is no significant difference in pre and post merger performance, across the parameters. Only the three EVA measures have shown the significant improvement. The EVA is calculated in three ways and for all three EVA measures the results are depicting the significant improvement in performance. The Economic Value Added measure may show the improvement because of three reasons which are i) improvement in NOPAT, ii) Decline in WACC or iii) Decline in capital invested. For all the three methods of EVA calculation the NOPAT and Capital invested is same and the difference is only in the calculation of WACC. If the results of all the three method are showing the improvement in EVA then it can be inferred that this improvement in EVA is caused by either increase in NOPAT or decrease in capital invested. For the merged entity the probability of reduction of capital invested is quite less which is measured as fixed assets plus current assets less current liabilities. Therefore, it seems likely that increase in EVA of merged entity is driven by the increase in operating profits. It implies that for the subsample in which target size is less than 10% of the acquirer size, mergers have contributed to the economic profits and in turn in the maximisation of shareholder’s wealth. However, the EVA calculation included several adjustments, which have been stated in the research methodology. In the light of no improvement depicted by any other performance measure, it may be suspected that EVA results are influenced by the adjustments made in the calculation of the measure for sample firms. Further in the light of no improvement in performance depicted by the accounting and cash flow measures it may be inferred that the results of EVA improvement are influenced by outlier values for few sample firms as the mean results may be influenced by outlier values.

For the subsample in which target size is more than 10% of acquirer size there is no significant difference in pre and post merger performance, across the parameters.
Only one EVA measure has shown the significant improvement and two EVA measures have shown that there is no significant difference in pre and post merger performance. Only the EVA measure based on market value based WACC has depicted the improvement therefore it can be concluded the increase in EVA is not caused by improvement in operating profit (NOPAT) or decline in capital invested as they are same for all three methods of EVA calculation, rather the WACC is less when calculated using market value of equity. Therefore, only one EVA measure where Ke = Net profit/market capitalization is showing significant improvement. It implies that merger has actually not resulted into improvement of economic profits rather result is influenced by the method of calculation of Ke. This is also confirmed from the no improvement shown by all cash flow and profitability measures.

Therefore, it can be inferred that whether the target size is small or large vis-a-vis acquirer size, mergers/acquisitions does not lead to significant improvement in profitability when measured by accounting ratios and cash flow parameters. However the Economic Value Added performance measure has shown significant improvement in post-merger scenario in comparison to pre-merger scenario for the subsample in which target size is less than 10% of acquirer size. This increase in EVA may be either the result of real economic gains or may be a manifestation of calculation methodology/exceptional values of few sample firms.

5.4.2 Sub-samples based on the level of promoter’s stake in Acquirer Company

From table 4.5 it can be concluded that when the whole sample is divided into two subsamples based on promoter’s stake then it is found that for both the subsamples there is no significant difference in pre and post merger performance, across the parameters based on accounting ratios and cash flows.

However, when performance is measured by EVA, significant improvement is found for the subsample in which promoter’s stake is less than 50 %. The subsample in which promoter’s stake is more than 50%, even the EVA parameter has also shown no significant difference between pre and post-merger performance.

For the subsample in which promoter’s stake is less than 50% in Acquirer Company all the EVA measures are depicting significant improvement, which indicates the
increase in real economic gains caused by the mergers. However in the light of no significant improvement depicted by all the other cash flow and profitability measures for this subsample it may be suspected that results are influenced either by adjustments made in the EVA calculation or the outlier EVA values of the subsample firms. Therefore, it can be inferred that whether the promoters' stake is large or small, mergers does not lead to significant difference in performance.

5.4.3 Sub-samples based on the relatedness between merged companies

From table 4.6 it can be concluded that when the whole sample is divided into two subsamples based on relatedness then it is found that for the subsample in which unrelated mergers are included, there is no significant difference in pre and post merger performance, across the profitability, cash flow and EVA parameters.

The subsample in which related mergers are taken, none of the profitability and cash flow measure has depicted significant difference between pre and post-merger period except raw ROA measure. Even the enhancement in the ROA performance is wiped out when industry adjusted ROA is calculated. All the three EVA measures are showing significant improvement. This indicates the increase in real economic gains caused by the mergers. However, in the light of no significant improvement depicted by all the other cash flow and profitability measures for this subsample it may be suspected that results are influenced either by adjustments made in the EVA calculation or the outlier EVA values of the subsample firms. Therefore it can be concluded that whether the merger is related or unrelated, it does not lead to any significant difference in the performance of merged entity.

5.4.4 Sub-samples based on the mode of payment used for M&A

From table 4.7 it can be concluded that when the whole sample is divided into two subsamples based on cash vs. non cash mode of payment then it is found that there is no significant difference in pre and post merger performance, across the parameters except raw ROA & NP margin measure for the sub sample in which mode of payment is non cash. This implies that for this subsample the gains were caused by increased price determining power of sample firm caused by increased market share after merger. However, when industry adjusted performance is measured then it is found
that these gains disappeared. Therefore, it can be contemplated that increase in ROA and NP margin was the reflection of overall industry growth and not the result of merger.

The subsample in which merged entities have used cash as mode of payment all the profitability and cash flow measures does not depict any significant difference in pre and post-merger performance. It is observed that all the three EVA measures have shown significant improvement in performance. This indicates the increase in real economic gains caused by the mergers for this subsample. However, in the light of no significant improvement depicted by all the other cash flow and profitability measures for this subsample it may be suspected that results are influenced either by adjustments made in the EVA calculation or the outlier EVA values of the subsample firms. From this it can be concluded that whether mode of payment is cash or non-cash, mergers does not lead to any significant difference in the performance of merged entity.

5.4.5 Sub-samples based on the group versus non-group nature of merger/acquisition

From table 4.8 it can be concluded that when the whole sample is divided into two subsamples based on group vs. non group mergers then it is found that for the subsample in which non-group mergers are studied no significant difference is observed across the profitability and cash flow measures in pre and post-merger period. All the three EVA measures for this subsample have shown the significant improvement. This may indicate the increase in real economic gains caused by the mergers for this subsample. However, in the light of no significant improvement depicted by all the other cash flow and profitability measures for this subsample it may be suspected that results are influenced either by adjustments made in the EVA calculation or the outlier EVA values of the subsample firms.

The subsample in which merged firms were the group companies, there is no significant difference in pre and post merger performance, across the parameters except raw ROA measure. Even this significant increase is diminished when industry adjusted ROA is measured. Therefore, it can be concluded that for the sub sample in which group companies are considered, there is no significant difference in pre and
post-merger performance. From this discussion it can be concluded that the merger does not lead to significant difference in the performance of merged entity whether they are group or non-group mergers.

5.4.6 Sub-samples based on the level of debt in acquirer company prior to acquisition

From table 4.9 it can be concluded that when the whole sample is divided into two subsamples based on the proportion of debt in acquirer capital structure is less than 40% or more, then it is found that for the subsample in which debt is less than 40% of total capital there is no significant difference in pre and post merger performance, across the accounting and cash flow parameters. This sub sample depicts the significant improvement in all the three EVA measures. This may be the demonstration of real economic gains caused by merger. As all the other measures does not support this view therefore increase depicted by EVA measure may be originated from the adjustments made in EVA calculation or it may the impact of exceptionally high EVA value of few firms in this sub sample.

The subsample in which debt is more than 40% of total capital structure of acquirer, there is no significant difference found in pre and post merger performance, across the accounting, cash flow and EVA parameters. Therefore, it can be concluded that for this subsample mergers does not lead to any considerable difference in performance. From this discussion, it can be concluded that mergers does not lead to any significant difference in the performance of merged firms whether the level of debt is high or low in the acquirer company.

5.4.7 Sub-samples based on the structure of combination of two firms as merger or acquisition

From table 4.10 it can be concluded that when the whole sample is divided into two subsamples based on the nature of combination whether it is acquisition or merger, then it is found that for the subsample in which structure of combination is acquisition there is no significant difference in pre and post merger performance, across the accounting and cash flow parameters. This sub sample depicts the significant improvement in all the three EVA measures. This may be the demonstration of real economic gains caused by merger. As all the other measures does not support this
view therefore increase depicted by EVA measure may be originated from the adjustments made in EVA calculation or it may the impact of exceptionally high EVA value of few firms in this sub sample.

For the subsample in which combination is in the form of merger there is no significant difference in pre and post merger performance, across the parameters except raw firm ROA and NP margin and EVA calculated based on market value of equity. Even this significant increase is diminished when industry adjusted ROA and NP margin is measured. Only the EVA measure based on market value based WACC has depicted the improvement therefore it can be concluded the increase in EVA is not caused by improvement in operating profit (NOPAT) or decline in capital invested as they are same for all three methods of EVA calculation, rather the WACC is less when calculated using market value of equity. Therefore, only one EVA measure where Ke= Net profit/market capitalization is showing significant improvement. It implies that merger has actually not resulted into improvement of economic profits rather result is influenced by the method of calculation of Ke. This is also confirmed from the no improvement shown by all cash flow measures and industry adjusted profitability measures. Therefore, it can be concluded that whether the combination is in the form of merger or acquisition, it does not lead to any significant difference in the performance of merged entity.

5.5 M&A performance for select industries

The entire sample is subdivided into nine subsamples on the basis of industries to which sample firms belong. Then performance of M&A for these select industries is separately evaluated.

5.5.1 M&A performance for Pharmaceutical industry

From Table 4.11 it can be concluded that for pharmaceutical industry the Net profit margin and CFFO deflated by sales have shown significant improvement for raw firms as well as industry adjusted measures. For rest of the measures no significant difference can be observed in pre and post-merger performance. From this it can be inferred that in pharmaceutical industry the merging firms are able to give better profit margins and cash flow margins on sales in comparison to their peers.
This better performance may be caused either by cost reduction because of economies of scale, efficient utilization of assets etc. or the reason for such performance may be increase in monopoly power which could have helped them to charge higher margins in comparison to their peers. Because ‘CFFO/Total Assets’ measure does not shows improvement therefore performance does not seems to be caused by efficient asset utilisation.

Finally it can be inferred that in pharmaceutical industry the merging firms are able to depict significant improvement on net profit and cash flow margins on sales caused by increase price determining power due to increased market share, which would have helped them to reap high margins.

5.5.2 M&A performance for Refinery industry

From Table 4.12 it can be concluded that for Refinery industry only the EPS for raw firms as well as industry adjusted EPS, EVA(BV) and EVA (GO) have shown significant improvement measures. For rest of the measures no significant difference can be observed in pre and post-merger performance. From this it can be inferred that in refinery industry the merging firms are able to give better returns to their shareholders in comparison to their peers.

This better performance reflected by improvement in EPS may be caused either by increased net profits or proportionately less number of shares. Because ROE measure does not shows improvement therefore performance does not seems to be caused by increased net profits. Therefore, it can be inferred that in refinery industry the merging firms are able to depict significant improvement in EPS caused by proportionately less increase in no. of shares after the merger (caused by low exchange ratios), in comparison to proportionately more increase in the combined EPS.

In case of Refinery industry EVA based on book value and EVA based on Gorden growth model has shown significant improvement. In both the cases operating profit (NOPAT) and Capital invested was same, only difference was of calculation of Ke. Because both measures have shown the significant improvement therefore it can be inferred that performance is improved either by increased NOPAT after merger or
decreased capital invested calculated as fixed assets plus net current assets. After the merger there is very little probability of decrease in capital invested. Therefore it can be inferred that in case of refinery industry the performance is increased because of increased in operating profits (NOPAT) caused by mergers.

This results also indicates that as per the conclusion given for overall sample, the outlier EVA value may have been generated by the firms belonging to refinery industry which are distorting the result of overall sample.

5.5.3 M&A performance for Automobile industry

From Table 4.13 it is observed that for automobile industry there is no significant difference in any of the performance measure between pre and post-merger scenario. Thus merger does not seem to bring any considerable variation in the performance of merged firms in automobile industry.

5.5.4 M&A performance for Chemical industry

From Table 4.14 it is observed that for the chemicals industry only the pure firm and industry adjusted ‘cash flows to market value of assets’ measure and pure firm ‘cash flow to Sales’ measures have shown significant decline in the performance. This decline may have been caused by either decline in cash flows or increase in the respective denominator values (market value of assets and sales). As the other cash flow measures have not depicted the significant decline in post merger period, it can be inferred that the decline in ‘cash flow to sales’ is caused by proportionately more increase in sales value in comparison to increase in cash flows. This is also confirmed from reduced net profit margin though that is not significant.

On the similar premise the measure ‘cash flows to market value of assets’ may has shown significant decline because of proportionately more increase in market value of assets as the cash flow measures deflated by book value of assets are not showing significant decline, though insignificant decline exists for them too.

From these results it can be inferred that in general the mergers have lead to deterioration in performance in chemical industry though for most of the measures decline is not significant.
5.5.5 M&A performance for Textile industry

Form table 4.15 it can be seen that there is no significant difference in performance across the parameters between pre and post-merger scenario, for textile industry. Though most of the parameters have shown decline in post-merger period but that is not significant.

5.5.6 M&A performance for Construction & Equipment industry

Form table 4.16 it can be seen that there is no significant difference in performance across the parameters between pre and post-merger scenario, for construction & equipments industry. Though different parameters have shown different variation in post-merger period but that is not significant.

5.5.7 M&A performance for Construction Building Materials industry

From table 4.17 it can be observed that pure firm ROA measure and raw as well as industry adjusted 'Cash flows to total assets' and 'cash flows to operating assets' have shown significant improvement in post-merger period vis-a-vis pre-merger period. The increase in these ratios may be caused either proportionately more increase in net profits/cash flows or because of proportionately less increase in the asset value. This improvement seems to be caused by increased net profits/cash flows as ROE, NP margin and other cash flow measures also have depicted increase in post merger period, though it is not significant. Thus in construction & building material industry mergers seems to lead to better performance of sample firms.

5.5.8 M&A performance for Electric & Electronic Appliances industry

Form table 4.18 it can be seen that there is no significant difference in performance across the parameters between pre and post-merger scenario, for electric & electrical appliances industry. Though different parameters have shown different variations in post-merger period but that is not significant.

5.5.9 M&A performance for Plastic & Packaging industry

From Table 4.19 it is observed that for the Plastic & Packaging industry the pure firm ROA, industry adjusted ROE, raw and industry adjusted EPS and raw and industry
adjusted ‘cash flows to market value of assets’ measures have shown significant improvement in the performance.

This increase may have been caused either by increase in profits/cash flows or less than proportionate increase in the respective denominator values (total assets, net worth, and number of shares or market value of assets). As almost all the industry adjusted measures have depicted the improvement in post merger period, it can be inferred that the increase in these ratios is caused by increase in net profits or cash flows.

It is observed here that the industry adjusted measures are showing more improvement in comparison to raw firm measures. It implies that merged firms in Plastic & Packaging industry have shown better performance in comparison to other industry mergers.

5.6 Performance of multiple mergers & acquisitions

Here the objective is to check that whether the firms which are involved in multiple mergers over a period of time are able to learn from their experience. If the acquirer learn out of their M&A experience over a period of time then this learning should be reflected in terms of better performance by the subsample of such firms. In our sample we identified two acquirers (ITC and IOC) who were involved in three-three mergers over a period of time.

From Table 4.20 it can be concluded that for firms involved in multiple mergers the raw firm ROA & NP margin, industry adjusted ROA, ROE & NP margin, EVA (based on Book Value Ke) and EVA (based on Gordon Growth Ke) have shown significant improvement measures. From this it can be inferred that in firms involved in multiple mergers are able to give generate returns on their assets and for their shareholders in comparison to their peers. This better performance may be caused either by reduced cost caused by efficient use of assets or by increased profit margin due to enhanced price determining power.

Finally it can be inferred that firms indulged in multiple mergers are able to learn from their previous acquisitions and depict significant improvement in ROA and ROE.
caused by efficient usage of assets. This would have also helped them to generate high EVA caused by proportionate increase in combined profits, after M&A.

5.7 Conclusions

Based on the above discussions following conclusions have been drawn:

1. From the above discussion it can be concluded that for the overall sample no significant difference is found in the value of profitability and cash flow based performance measures between pre and post-merger scenario. For the Economic Value Added measure the significant improvement is found. It is discussed here that this significant improvement may indicate either the better operating profits caused by M&A or may be the result of outlier values in EVA value of sample firms. The improvement in EVA may also be caused by the several adjustments made in its calculation.

2. The results of regression analysis depicts that for ROA, industry adjusted ROE, raw & industry adjusted ‘cash flows/total assets’, raw & industry adjusted ‘cash flows/market value of assets’ and EVA measure, the performance of M&A can be explained by the variation in the pre-merger performance of merged entities. Mergers and any of the merger characteristics do not seems to have a bearing on these performance measures of merged entities.

3. The results of set of two-two subsamples created on the basis of merger characteristics indicate that more or less there is no significant difference in the pre and post-merger performance of these subsamples. Therefore the difference in the merger characteristics does not seem to lead to different performance of M&A.

4. The results of the subsamples created based on select industries indicate that results of M&A vary across industries. The results of Pharmaceutical, Refinery industry, Construction Building Material industry, Plastic & Packaging industry depicts the better performance of merged companies. In Automobile industry, Textile industry, construction & Equipment industry, Electric & Electronic Appliances industry mergers have not led to any
significant difference in performance. In case of chemical industry, results indicate that mergers have led to deterioration in performance.

The improvement in EVA in the overall sample is also explained by the results of select industries. The EVA has shown significant improvement only in Refinery industry and not in any other industry. Therefore, the suspicion raised in the overall sample toward the outlier EVA values in few sample firm, found to be true. It can be concluded that only the M&A in refinery industry are able to generate high EVA which is misleading/distorting the result of overall sample.

5. The firms involved in multiple mergers have shown significant improvement in performance. This indicates that acquirer learn out of their merger & acquisition experience over time.

Thus we can conclude that different results shown by different M&A cases are the manifestation of industry specific factors related phenomenon.

Because the sample comprises of domestic firms involved in M&A from 16 acquirer industries and 67 pairs of sample firms are spread over a period of 1999 to 2007, the results of the study can be generalized in Indian context.

5.8 Recommendations

The following are the recommendations based on the results of this study:

1. As depicted by the results of this study that all the mergers are not profitable. The firms should not assume that every M&A will result may into better performance as the growth is not synonymous of improvement in financial performance.

2. The industry specific factors have a bearing on the firm performance; therefore the firms formulating the growth strategy through M&A should study the specific environment pertaining to their industry.

3. The firms should evaluate their prior M&A experience as such learning may be helpful in improving the performance of their future acquisitions.
5.9 Directions for future research

1. In this study for the evaluation of M&A performance in select industries sample sizes are very small for each industry as they are the subsamples created from the same overall sample, which is not showing improvement in the results but when broken into subsample based on industries some subsamples have shown significant improvement, while others not. This helped us to conclude that industry specific factors have a bearing on M&A performance. However, in order to have a better understanding of this aspect large sample size should be used for each industry and this aspect should be further probed for more number of industries with larger sample sizes.

2. In this study the mergers by the firm involved in multiple M&A have shown significant improvement. However, here also the sample size is very small. Therefore in order to understand the phenomenon of acquirer learning because of multiple merger experience large number of firm involved in multiple merger should be included into sample and this aspect of the work should be improved by future researches.

3. In this study we have used the profitability measures, cash flow measures and EVA for the performance measurement of M&A. There is one more performance measure Market Value Added (MVA) which is not applied here and it helps to analyze the additional value assigned by the market over and above the book value of firm. Future research work can be directed towards the analysis of increase/decrease in MVA of the merged entities before and after the merger.

4. This study has studied the performance of only domestic M&A. The cross-border mergers are not evaluated here and they should be examined in the future studies.