This chapter derives overall finding and conclusion from the analysis of the research. The core objective of the research was to conduct in depth analysis of mergers and acquisitions in India in recent period. To achieve the objective, it was indeed required not only to verify the post merger performance of the organization in terms of operating efficiency but also ensure the achievement of the motive behind merger and it’s long run and short run impact on it’s the most important stakeholders i.e. shareholders. Therefore, the scope of the research is classified into five major dimensions i.e. to conduct trend analysis of M&A for last two decades, to analyze post merger operating performance, to analyze valuation and financial synergy of the merger, to analyze impact on shareholders’ wealth and analysis of corporate approach towards mergers and acquisitions events in India in recent period. The overall conclusion may derive based on integrated findings of above five. Apart from that, the research has touched the different applications of mergers and acquisitions like accounting, legal & regulatory and taxation implications that may affects the overall conclusion of the research.

Overall Scenario
In the age of globalization and grave competition, an ideal organization structure and efficient & effective control system are the fundamental conditions for the success of any business. The world economy has witnessed mergers and acquisitions as the most preferred mean for corporate restructuring and effective strategy for expansion. Because of that, there is significant increase in the mergers and acquisitions events across the globe. Even though, it’s popular choice for inorganic development of the organization and to have corporate restructuring, there is a myth that most of the mergers fails. From the review of literature and secondary data analysis, it is
observed that most of the mergers fail to create financial synergy in long term. The basic reason observed is behavioral crash within organization and over valuation of the target company. Indian economy is witnessing the last phrase of globalization where only twelve sectors are kept reserve for the government and rest of every sectors open up for the private which made multinationals entrance in India. Mergers and acquisitions are even one of the favorite options for foreign market entry. Therefore, it was indeed required to have detail study to understand and analyze the event of mergers and acquisitions.

There are considerable studies have carried on in India to evaluate the M&A event. Maximum research is carried to evaluate impact on organization behavior and culture after the merger. In early time of the last decades, there are certain researches carried on to gauge the trend of the mergers and acquisitions but later marginal work is conducted in that direction. Certain work is defiantly conducted in the area of valuation but it considers limited motives of acquiring organization i.e. more or less they are based on future cash flows and assets valuation. The research related to evaluating operating efficiency and post merger impact is conducted in developed countries in last five to six years. In India also, different isolated and scattered researches are performed but there is a vacuum of the research which provides integrated analysis taking each of the objectives and considering the trend for last two decades. This study create the difference as at one point of time each of above objectives measured and interpretations and conclusion would derived on the basis of combine study of each objective.

Therefore, the core objective of the research is to perform in depth analysis of mergers and acquisitions in India in recent period which is further classified as follows:

- To conduct in depth analysis of the trend of the mergers and acquisitions sector in India.
- To analyze post merger operating performance and efficiency of the acquiring firm.
- To measure the post merger impact on shareholders wealth.
- To evaluate the approach of corporate towards the mergers and acquisitions events.
Different Aspects of M&A
Apart from the above objectives, there are other aspects that affect the mergers & acquisitions in India. Those aspects are legal and regulatory aspects, taxation aspects and accounting aspects of mergers and acquisitions. There is big and complex procedure for M&A in India where these aspects plays crucial role to motivate or demotivate the merger practice of corporate. In legal and regulatory environment total six laws are taken in to consideration. Those laws are Indian Companies Act, 1956; The competition Act, 2002; FEMA 1999; SEBI Takeover Code, 1994; Income tax Act, 1961 and Stamp Duty Act. Apart from this, mandatory disclosers are taken into consideration to derive conclusion. The accounting aspects of M&A give the guidelines of accounting treatment for mergers and acquisitions. The Accounting Standard 14 (AS 14) is applicable for the same. It gives the accurate meaning and legal concept of M&A related terms and its application. The third related application of the objective is the taxation aspect. It is observed from the survey of this research that it is one of the major reasons behind practice of mergers and acquisitions carried on by corporate.

This thesis is ready reference for different consideration of M&A. This is additional learning apart from the core objectives as it is significant information for M&A as sector. Overall it can be concluded that the process and system are very much structured and specific in India. The only scope of improvement is that the process is quite complex and long. Then also it is capable enough to boost the process of inorganic expansion. The regulatory authority like RBI, FEMA, The stock exchanges have structured rules and regulations so that malpractices and frauds can be avoided. There is continues improvement process going on to fix up ideal tax load for acquiring as well as merging firms. Overall it can be concluded that in India, there is indeed trustworthy system is being operated having marginal scope of improvement.

Methodology Adopted
The trend analysis is conducted for last two decades i.e. from the year 1990 to 2009. The same is further categorized into two ways i.e. sector wise trend and year wise trend. It was further classified into two categories i.e. manufacturing sectors and non manufacturing sector related mergers and acquisitions. To establish trend all the mergers and acquisition occurred in India is taken into consideration.
The conclusion on operating efficiency is derived on the basis of sample study of 30 acquisitions. Top 10 mergers based on market capitalization and availability of data of the year 2004, 2005 and 2006 were taken as sample so that three years pre merger and three years’ post merger data would available for analysis. Therefore, the conclusion is derived on post merger operating efficiency based on total six years analysis of total 30 sample acquirer companies with 18 measures related to 7 different dimensions of operating activity of the business. The accurate conclusion on impact of merger on profitability, ROCE, liquidity, Cash Flow, market capitalization and performance in foreign market is derived with help of total 18 measures. The secondary data for the same was taken from internet and capital line data base software. As mentioned above, the integrated observations can be derived based on trend analysis with operating efficiency. The conclusion of trend analysis will be supported through observations of analysis of operating efficiency.

Another major area of evaluation for the research is to measure impact of merger on shareholders’ wealth. To measure the impact, the sample of 30 companies is taken who has performed acquisitions in recent period i.e. from the year 2008 to 2010. The conclusion is derived on the basis of measured cumulative abnormal return of price and volume, the ratio of AB volume to average volume and five days moving average of share price for the month before the effective date and the month after. The sample is taken again on the base of market capitalization and availability of data. The positive impact on the wealth of the most important stake holder of the firm i.e. shareholders is always major concern to decide the success of the merger.

One detail case study analysis is performed to measure the financial synergy of the event. The case taken for consideration is Nirma Ltd. takeover of Cadila Health Care Ltd. For the analysis, financial as well as nonfinancial factors are considered for analysis. The financial factors include profitability, liquidity, operating efficiency, capital market performance and leverage where non financial factors include the motives and need of merger. At the end, the financial synergy is calculated based on widely accepted method of calculation i.e. discounted cash flows method and conclusion is derived on the basis of that.
Apart from analysis of impact, for integrated conclusion it is indeed necessary to have review of the people who are actively involved in the event of mergers and acquisitions. For that, the sample of 50 mergers and acquisitions manager and consultant from Ahmedabad, Mumbai and Surat are taken into consideration with help of structured questionnaire. Based on that, conclusion is derived on their approach on M&A different aspects of mergers and acquisitions.

**Conclusion from Analysis**

As per the expectation of the research, the multi dimensional analysis on mergers and acquisition derived indeed authentic conclusion. The overall conclusion of above objectives with given methodology may derive as follow.

i) **Trend Analysis**

- There is significant growth of M&As in India after 1990s. Between 1980-1990 total no. of M&As were 268 but it increased to 1034 during 1990-2000 and further to 2656 during 2000-2009. The trend supports the analysis as the M&A activity is growing at more than 100% growth rate if it is considered decade wise. The role of non manufacturing sector in M&A activity is reduced from the year 2000 in comparison with the previous decade i.e. 1990 to 2000 as more than 77% M&A belongs to manufacturing sector between the period of the year 2000 to 2010. It was around 65 % in the previous decade i.e. 1990 to 2010. The data is really surprising as financial services sector is growing at more than 80%. The major contribution is from reality sector as the sector has performed more than 566 mergers in last decades. Maximum mergers and acquisitions happened in the year 2006.

- In terms of periodic analysis, the first phrase i.e. before 1990 - 95 may be named as era of consolidation where major players of domestic company started with multinational players who were attracted by the liberalization policy and economic reforms in India.
The second phrase may be called as era of foreign acquisitions when international players started seeking Indian companies to enter in Indian market. The last phrase i.e. post year 2002 can be considered as venturing abroad as Indian companies have done major foreign acquisitions and placed India at global map of industrial growth. After the year 2002, there is considerable number of foreign acquisitions performed by Indian companies as the market was in booming stage and significant increase in the value of shares of top companies was experienced which leads to increase their financial strength and plan for foreign acquisitions.

- Mergers of firms belonging to the same business groups operating in similar product-lines appeared to dominate till 2000 but since then companies have increased the M&A activity for diversification. That means, M&A is used not only as mean for corporate restructuring but also it is an effective mean for expansion and entering new market.

ii) Evaluation of Post merger Operating Performance

- It is observed that out of the 30 sample companies, 28 companies i.e. around 93% post merger average sales have increased and 26 out of 30 i.e. 83% of companies have increased their profit after tax after the merger. Though sales and PAT are showing positive figures but only 7 companies are capable enough to enhance their profit margin. It indicates that only 7 companies have increased their net profit ratio. The net profit ratio is one of the important tools to measure financial performance of any organization. That means more than 70% of the acquirer organizations lose their margin on sales. This is serious concern for any acquiring firm because this
conclusion is made from the comparison of three years waitage average data of pre merger and post merger. While impact on ROCE shows mixed picture as approximately 46.6% of acquiring companies have increase their ROCE after merger. But more than 50% of companies have reduced their ROCE. This is the most important tool to measure profitability of the organization and ultimate test of operating efficiency. Even return on net worth supports the argument as RONW is reduced in 57.67% of the acquiring firm after merger. The simple reason behind that would be increase in total paid up share capital. The EPS of 23 companies i.e. 76.67% have increased after the merger and only 7 companies EPS have decreased. This is contradiction with ROCE. The reason could be either overall development in market or financial synergy achieved through merger. This is a one of primary factor for the evaluation as success of merger largely depends on increase in shareholders’ wealth. From this, it can be concluded that mergers and acquisitions are in favor of shareholders in long run but overall it is mixed performance of acquiring firm after merger in terms of profitability.

- It shows long run positive impact on liquidity of the acquiring firm as total 18 companies i.e. 60% have increased their current ratio after merger. This conclusion depends on the nature of current assets and liabilities acquired. The positive indication is only 10 companies have increased their inventory turnover ratio. That means the contribution of inventory in increasing liquidity is very much marginal. It is positive indication as higher level of inventory misguides the manager about profitability as well as liquidity and that is a negative sign of organization in terms of operating efficiency. The research concludes that inventory ration of 18 companies after merger have decreased. It indicates that 60% have witnessed dilution in operating efficiency in inventory ratio. If not inventory then only two options would be there for increasing liquidity i.e. either cash balance & bank balance is increased or increase in debtors. The chances of increase in cash and bank balance are very much limited as during event period normally it get reduces because of the unanticipated expenditures and over payment. The analysis also supports that as major companies have suffered dilution in cash flow after merger. Then only one reason could be
responsible for increase in liquidity and i.e. increase in debtors. Around 64% of companies have increased the debtor's ratio after merger. That means the decrease in debtors' turnover ratio. Therefore, the conclusion can be made on post merger liquidity of the firm that even though post merger liquidity seems to be increasing from analysis of current ratio after merger, but the major reason is increase in debtors. Up to certain extent it is not positive for the firm.

• It is observed from the analysis that total 60% of companies have reduced the debt equity ratio after takeover or merger which indicates two possibilities i.e. firstly mode of payment to shareholders of merging companies is selected Equity shares and secondly companies prefers to have change in capital structure after merger. Around 86.67% of companies have witnessed increase in Equity paid up after merger. It could be reason behind increase in interest coverage. Total 71.4% of sample companies are successful to increase their interest coverage ratio. All the symptoms are in the favor i.e. increasing equity paid up, increase in debt equity ratio and even increase in interest coverage ratio. Therefore, from the analysis it is clear that Indian companies succeed to enhance their leverage.

• The research concludes success of acquiring firms in performance in capital market as total 70% of companies have increased the Market Capitalization & dividend payments after merger. It is really strong and positive sign. The reason behind increase in market capitalization could be additional issue of shares in consideration of payment for the acquisition. Even survey of mergers and acquisitions managers suggests that payment through equity shares is the most preferred options for the payment to target company. Therefore, increase in market capitalization could have additional reason apart from operating efficiency. But increase in payment of dividend and that without reducing percentage of dividend is seriously strong positive sign of the success of merger.

• It is observed from the research that the acquiring firms have enhanced their cash flows as total 56.7% of sample companies have enhanced cash flow from Finance
activity, Nearly 50% of companies have enhanced their cash flows from Investment activity and 63.3% of companies have enhanced their cash flows from operating activity. It could be another reason for improvement in liquidity. Cash flows from financing activities may increase due to creation of additional source to pay for target firm. But increasing cash flows from operating activity and investment activity after merger genuinely presents the story of the success of merger.

- It is observed that overall 60.67% have improved their foreign earnings after merger. This is the positive sign for the acquiring organizations that have performed merger to expand or to enter into foreign market. But there are certain organizations which have reduced their foreign operation after merger. The reason could be the motive of merger would be concentration on domestic market. Else, overall it can be concluded that it shows good picture of performance of acquiring firms in terms of operating performance.

iii) Evaluation of Short term Effect on Shareholders’ Wealth
- It is observed that there is a positive relation between amalgamation and its impact on the prices of the stock. The information about the amalgamation brings abnormality in the market and market does perform efficiently. The movements in stock prices and trading volumes are influenced by the flow of new information in the market. These trading activities affect the trading volume of the shares.

- It is observed from the analysis that the amalgamation effects are reflected into the market price of the company for both long run as well as short run. The volatility starts from few days before the source date i.e. ten days before the source date to few days after the effective date i.e. ten days after the effective date. Maximum positive volatility in price of acquiring company is noticed in the time period of one day before merger to one day after the effective date of merger as Mean of Cumulative Abnormal Return (MCAR) is highest 9.32% in that period. The only month before source date has negative abnormal return i.e. – 2.25. Therefore, it is noticed that shareholders with a view to get short term benefit willing takes long position so that
they can have big AB return on the price of the share. In the long run share price behaves with fundamentals of the company and used to get normal return i.e. 4.82% MCAR in the month after the merger. This reflects that there is linear relationship between amalgamation decision and AB return on market price of the company for a long duration. It indicates the investors and shareholders trust the M&A strategy of the company. Ultimately, it can be concluded that M&A activities in Indian economy are increasing shareholders wealth.

- It is observed that the Mean of Average Abnormal Return (MAAR) is the highest i.e. 1.14% on the date of announcement. It remains normal for short run around source date i.e. ten dates before and after of the merger. That means the share price feels pressure from the short term investors. The short term investors used to cash the opportunity. Then they leave the script for another one. Therefore, in longer run MAAR is observed nominal negative i.e. -0.76%. It can be concluded that M&A in India is taken for short term advantage.

- The highest volume in the acquiring firms share is observed between the period of ED -1 to ED +1 and after the month of post acquisition. The lowest volume is observed in month before the source date. That reflects that the share volume used to behave highly volatile in the period of merger. It shows typical sentiments of the market to take short term advantage of the firm. The another reason for high volume after effective date would be increase in supply of shares after merger as in consideration the best option is payment through equity shares. But overall it indicates the positive trend.

- It is observed that the mean ratio of average volume to abnormal volume is highest on the effective date of the merger i.e. 3.002 which is considerably higher than rest of the time frames. That means the highest volatility in the share volume of acquiring firm is on the date of the merger. It fixes the cumulative return on price.
iv) Conclusion from the Case Study

- The analysis indicates the merger creates positive financial synergy of Rs. 6212.76 million. The synergy is calculated based on actual facts and figures. The actual beta as on effective date was taken into consideration. Risk Free Return was derived from the government bond rate. The growth rate was taken directly from the industry at that point of time. Finally, the financial synergy was calculated on the base of Discounted Cash Flow model. The cash flow was calculated based on actual facts and figures of the company. The financial synergy shows considerable positive value. Therefore it can be concluded that merger is successful in terms creating financial wealth.

- Further, it is observed that Nirma Ltd. has improved the operating efficiency after merger. Nirma Ltd. was successful in terms of increasing profitability of the firm in terms of both profit margins as well as return on net worth. That indicates that the company had capability to handle the pressure of additional assets and liabilities. The company had sustained the liquidity after merger as current ratio is marginal affected. In fact the quick ratio was doubled after the merger. The company was capable enough to sustain the leverage as it was before merger as only marginal changes occurred in all leverage ratios i.e. debt equity ratio, debt turnover ratio and total debt to owners fund ratio after merger. Overall the company had enhanced its coverage ratios as each ratio had improved after merger. It is observed from the analysis that company had improved the performance significantly after the merger as book value of the firm is increased by app. 64% within two years of merger. Even EPS of the company is increased by 30% after the merger. The company had improved interest coverage ratio by app. 200% after merger and it was capable to handle asset turnover ratio and inventory turnover ratio. Overall, it can be interpreted that the merger was successful by all mean and every perspective of measurement.
v) Conclusion of Corporate Approach

- It is observed from the survey that mergers and acquisitions are the most favorite mean to perform corporate restructuring in India as 95% of mergers and acquisitions prefer that. Not only that total 90% of respondents prefers acquisitions.

- The important negative aspect of economy is observed that 55% of respondents feel that it is indeed complex procedure in comparison with developed countries. While asking the same question in detail the answer received from maximum respondents is the government system is into process translation. They expect that within short time span the process would be easier.

- It is observed from the survey that the main objectives behind M&A activities are growth or expansion as 85% of mergers and acquisitions managers believe that. Total 55% of respondents say that avoidance of competition is the major objective for mergers and acquisitions. Around 40% respondents believe that tax advantage is the major motive for mergers and acquisitions.

- It is observed from the research that almost 60% of the respondents expect to achieve 10-15% rate of growth within a year or two. Total 20% of respondents believed that it was above 15%. While only 5% said the growth was between 0-5percent. It indicates that mergers and acquisitions will be increasing in economy. Even the observations of impact on shareholders wealth and operating efficiency support that opinion of M&A consultants and managers.

- All the respondents believe that assets based valuation approach is preferred approach for valuation and that is widely used. Out of them, approximately 45% of prefers valuation based on cash flows is used for valuation.

- Generally all the aspects of AS-14 (Amalgamation) are followed by the acquirer as well as the target firms for accounting implication and mainly in India, amalgamation in the nature of purchase is done as per the respondents. Both the firms also follow all
the legal rules and regulations of SEBI as well as companies act because of the strict rules of the government and also by the other institutions.

- Normally, the premium paid varies from industry to industry. Total 62% respondents stated that on an average 5-10% premium is paid by the acquirer at the time of stable market. While 24% of the respondents said that premium paid was about 10-15%. While 9% said it was between 0-5% and 5% said it was above 15%. Now, 5 – 10% of premium is very much economical. That reflects positive financial synergy of the merger.

- It is observed that cash and bank is least preferred mean of payment of consideration of mergers and acquisitions. According their review, companies generally prefers mixed bag of equity shares, bonds, and other hybrid instruments. All the respondents said that equity share is widely used mean of payment.

- It is observed from the survey, major reason behind overvaluation of the firm is goodwill of the firm as 70% of respondents believe that. Around 55% of them believed that overvaluation was also done to restrict competitor for the target firm. Sometimes due to tax benefits a company decides to merge with another or acquire that.

- Total 75% of respondents believe that growth rate is the most suitable measure for the measurement of the success. That means they prefer ROI and ROCE as tool for measurement. Total 60% of respondents believe that profitability is suitable option to decided success. Certain respondents believe market share (20%) is suitable option for measurement success.
The direct beneficiaries of the research could be companies planning for corporate restructuring or want to choose strategy to have inorganic expansion of its business with help of mergers and acquisitions. This study will also helpful to the individuals in understanding the extent to which they should trust on the mergers and acquisitions to enhance their income as investor for both short term and long run time span. This research may be useful to the Management personnel of the organizations as it touches different procedural and valuation aspects of mergers and acquisitions.

The detail research on M&A and after considerable review of literature shows rosy picture in Indian economy in coming years. In the last phrase of globalization, the Indian companies are going global and government system is supporting that. The year 2010 and beginning of the year 2011 is also motivating as more than 20% increase is registered total no. of mergers in India in comparison with the first quarter of 2010. Therefore, it may conclude that the trend is following the positive momentum that started in the year 2006. Because of cost focused and calculative nature of Indian companies, the result of analysis of operating performance shows rosy picture as they have enhanced their overall profitability, liquidity, foreign revenue, leverage and operating efficiency. The result shows that mergers and acquisitions gives maximum cumulative abnormal return in period of ten days and till one month after the effective date of merger. That indicates M&As are profitable in long run as well as short run. The financial synergy is being generated by the domestic acquirer with enhancing operating performance through mergers and acquisitions. Even experts of the field believe that Indian government is in the process of transition as it is making reform steps at regular interval. Therefore, it may be concluded from overall analysis that mergers and acquisitions in India are successful in terms of financial measures.

The further research would be conducted with the development of the sector. In short time, the consulting companies are launching valuation software for the acquiring company to value Target Company. There is huge scope of research with development in M&A activities in the area of micro valuation, valuation of IPR at the time of mergers and acquisitions, measurement of success etc. This study could be the guidelines for such studies.