# TABLE OF CONTENTS

Acknowledgements
List of Tables (i) - (iii)
List of Figures (iv) - (v)
List of Abbreviations (vi)

## CHAPTER-1 INTRODUCTION 1 - 30
1.1 Mergers and Acquisitions—A Way to Growth 1
1.2 Merger Waves 3
1.3 Mergers Waves - International Evidence 6
1.4 Merger Activity in India 10
1.5 Mergers and Acquisitions—A Concept 16
   1.5.1 Mergers 16
   1.5.2 Types of Merger 16
   1.5.3 Amalgamation 17
   1.5.4 Amalgamation in the Nature of Merger 18
   1.5.5 Amalgamation in the Nature of Purchase 18
   1.5.6 Acquisition 19
   1.5.7 Procedure of Merger 19
   1.5.8 Motivations for Mergers and Acquisitions 21
1.6 Theories of Mergers 22
1.7 Review of Literature 24
1.8 Need for the Study 25
1.9 Objectives of the Study 27
1.10 Research Methodology 28
1.11 Chapter Plan 28

## CHAPTER-2 REVIEW OF LITERATURE 31 - 66
2.1 Corporate News and Market Reaction 31
   2.1.1 Event Studies Relating to Earnings Announcements 32
   2.1.2 Event Studies Relating to Timing of Earnings Announcements 32
   2.1.3 Event Studies Relating to Dividend Announcements 33
   2.1.4 Event Studies Relating to Equity Issue Announcements 34
   2.1.5 Event Studies Relating to Bonus Issue 36
   2.1.6 Event Studies Relating to Share Buyback 36
   2.1.7 Event Studies Relating to Stock Splits 37
2.2 Value Creation through Mergers and Acquisitions 41
   2.2.1 Market Reaction Around Merger Announcement 41
   2.2.2 Performance of Mergers and Acquisitions in the Long-Run 49
   2.2.3 Relationship between Post-merger Performance and Other Factors 57
CHAPTER-3 RESEARCH METHODOLOGY 67 - 83
3.1 Hypotheses of the Study 67
3.2 Sample Selection 69
3.3 Sources of Data 70
3.4 Tools of Analysis 71
3.4.1 Event Study Methodology 71
3.4.1.1 Defining the Event Date 71
3.4.1.2 Window Period and Clean Period 71
3.4.1.3 Estimating Abnormal Returns 72
3.4.1.4 Estimating Average Abnormal Returns 73
3.4.1.5 Estimating Cumulative Average Abnormal Returns 73
3.4.1.6 Statistical Significance of Abnormal Returns 73
3.4.2 Pre-merger and Post-merger Operating Performance 75
3.4.2.1 Choice of a Benchmark 75
3.4.2.2 Performance Indicators 75
3.4.2.3 Measurement of Variables 77
3.4.2.4 Design for Computation of Test Variables 78
3.4.2.5 Statistical Significance of Abnormal Operating Performance 79
3.4.3 Multiple Regression Analysis 80

CHAPTER-4 ABNORMAL RETURNS AROUND MERGER ANNOUNCEMENTS 84 – 135
4.1 Efficient Market Hypothesis 84
4.1.1 Use of Event Study Methodology in Finance Literature 85
4.2 Sample Profile 87
4.3 Descriptives (Regression Results Using Market Model) 88
4.4 Findings of the study 94
4.4.1 Average Abnormal Returns to Acquirer Firms 94
4.4.2 Average Abnormal Returns to Target firms 98
4.4.3 Cumulative Average Abnormal Returns 101
4.4.4 Comparative Analysis of CAAR of Acquirer and Target Firms under Three Different Methods 103
4.4.5 Wealth Created by Acquirer and Target Companies 107
4.4.5.1 Wealth Created by Acquirer Companies 107
4.4.5.2 Wealth Created by Target Companies 107
4.4.6 CAR of Individual Companies 109
4.4.6.1 CAR of Acquirer Companies (Market Model) 109
4.4.6.2 CAR of Acquirer Companies (Market Adjusted Method) 111
4.4.6.3 CAR of Acquirer Companies (Mean Adjusted Method) 113
4.4.6.4 CAR Target Companies (Market Model) 115
4.4.6.5 CAR Target Companies (Market Adjusted Method) 117
4.4.6.6 CAR of Target Companies (Mean Adjusted Method) 119
4.4.7 Company Wise Distribution of CAR 121
4.4.7.1 Company Wise Distribution of CAR of Acquirer Companies 121
4.4.7.2 Company Wise Distribution of CAR of Target Companies 125
4.4.8 Size of Firm and Abnormal Returns 130
4.4.9 Book-to-market ratio of Firm and Abnormal Returns 131
4.5 Summary 132

CHAPTER-5 PRE-MERGER AND POST-MERGER PERFORMANCE OF ACQUIRER, TARGET AND MERGED FIRMS 136 - 172
5.1 Sample Profile 138
5.2 Performance Indicators 138
5.3 Results of the Study 140
5.3.1 Unadjusted Average Operating Performance 140
5.3.2 Unadjusted Median Operating Performance 140
5.3.3 Graphical Presentation of Unadjusted Operating Performance 143
5.3.4 Adjusted Operating Performance 150
5.3.4.1 Profit Margin 151
5.3.4.2 Return on Capital Employed 151
5.3.4.3 Return on Net Worth 151
5.3.4.4 Cash Flow Return on Sales 153
5.3.4.5 Cash Flow Return on Net Worth 153
5.3.4.6 Cash Flow Return on Assets 153
5.4 Company wise Distribution of Abnormal Operating Performance 155
5.5 Operating Performance and Ownership Groups 163
5.6 Operating Performance and Industry Relatedness 168
5.7 Summary 170

CHAPTER-6 RELATIONSHIP BETWEEN POST-MERGER AND PERFORMANCE ABNORMAL RETURNS 173 - 186
6.1 Relation between Pre-Merger and Post- Merger Performance 174
6.2 Relationship between Post Merger Operating Performance and Announcement Period Abnormal Returns 175
6.2.1 Descriptive Statistics 176
6.2.2 Relationship between Post-merger 179
CHAPTER 6

6.2.3 Relationship between Post-merger Performance and Announcement Period CAR (Market Adjusted Method)

6.2.4 Relationship between Post-merger Performance and Announcement Period CAR (Mean Adjusted Method)

6.3 Summary

CHAPTER-7 SUMMARY AND CONCLUSION

7.1 Value Creation through Mergers and Acquisitions—Evidence from Existing Empirical Literature

7.2 Hypotheses of the Study

7.2.1 Hypotheses Based on Event Study Literature

7.2.2 Hypotheses Based on Operating Performance Literature

7.3 Research Methodology Used in the Study

7.4 Findings of the Study

7.4.1 Market Reaction Around Merger Announcement

7.4.2 Pre and Post-merger Operating Performance

7.4.3 Relation between Pre-merger and Post-merger Performance

7.4.4 Relationship between Announcement Period Abnormal Returns and Post merger Operating Performance

7.5 Discussion and Implications of the Study

7.6 Limitations of the Study

7.7 Suggestion for Future Research

BIBLIOGRAPHY

ANNEXURES (i) – (xlv)