The study seeks to investigate the determinants of wealth creation in mergers and acquisitions. The extant literature on mergers and acquisitions highlight the importance of various strategic factors in affecting value creation in mergers and acquisitions. However, very few studies have been conducted in this regard in the Indian context. Thus, the present study tries to fill the lacuna in the existing mergers and acquisitions literature by examining the influence of strategic bid related factors viz. mode of payment, relatedness, competition, hostility and company related factors viz. size of the acquiring and the target companies on the wealth of the participating companies in domestic and cross border acquisitions. Further, the impact of contemporary strategic issue viz. earnout offers and brand acquisitions on the acquiring company shareholders wealth has also been studied.

The specific objectives of the study are as follows:

1. To examine the impact of mode of payment on the acquiring and target shareholders announcement returns in domestic acquisitions.
2. To study the effect of insider ownership on the acquiring and target shareholders announcement returns in domestic acquisitions.
3. To assess and compare the target company’s announcement returns in domestic acquisitions and in inbound cross border acquisitions.
4. To evaluate and compare the acquiring company’s announcement returns in domestic acquisitions and in outbound cross border acquisitions.
5. To study the impact of earnout acquisitions on the announcement returns of the acquiring companies.
6. To examine the impact of brand acquisitions on the announcement returns of the acquiring companies.

For attaining all the above objectives the entire database has been divided into four categories viz. domestic acquisitions, cross border acquisitions, earnout acquisitions and brand acquisitions. The sample of cross border acquisitions has further been segregated into two sub-categories viz. inbound cross border acquisitions and outbound cross border acquisitions.
On all the above sub samples derived on the basis of specified objectives, analyses have been done by following different data analysis methodologies. Announcement returns for all the objectives have been computed by employing risk and market adjusted variant of standard event study methodology as propounded by Fama and Macbeth (1973) and Fama (1976) and which is better known as the market model. Further, statistical tools viz. multiple regression analysis, logistic regression analysis, independent sample t test and one way analysis of variance (ANOVA) have been employed as per the requirement of a particular objective.

The findings of the study highlight that mergers and acquisitions are positive net present value activities for the acquiring and the target company shareholders in India. The shareholders have earned positive gains in each kind of acquisition viz. domestic acquisitions, cross border acquisitions, earnout offers or brand acquisitions. It implies that the mergers and acquisitions in India are driven by the strategic considerations and not aimed at driving personal gains by the acquiring company managers.

Further, the strategic factors that influence value creation in mergers and acquisitions in India as highlighted by the study are relatedness, size of the target company, phenomenon of direct acquisitions, extent of competition among rival bidders, the extent of hostility in a transaction, mode of payment, technology intensity of the target company and the ownership structure at the acquiring and the target company’s end. Moreover, study highlights that the earnout offers that are pursued as a strategy to mitigate the risk of adverse selection and the brand acquisitions that are undertaken to fill the intangible resource gap by the acquiring companies are also the key determinants of the wealth gains in mergers and acquisitions.

The study offers various recommendations to the managers for designing their future acquisition strategies. The study also offers recommendations to the market regulator SEBI for creating an enabling environment for foreign acquirers and also guides the promoters and the financial institutions in adopting a rational approach in mergers and acquisitions.