

IMPACT OF MERGER AND ACQUISITION OF INDIAN COMPANIES-A STUDY BASED ON SELECTED COMPANIES IN TAMIL NADU.

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ABSTRACT

Merger and Acquisition plays a vital role in Indian corporate restructuring, it leads to increasing pre and post merger financial performance of selected Tamilnadu companies to achieve their goals. This paper evaluates the financial performance of selected Tamilnadu companies like Return on investment ratio, profitability ratio, liquidity ratio, leverage ratio, growth ratio etc., the main aim of this study is to understand the theoretical background and impact of pre and post merger financial performance of selected Tamil Nadu companies. And to examine the profitability ratio analysis of pre and post merger financial performance in three companies and to study the liquidity ratio analysis of pre and post merger financial performance selected companies. Further, This study reveals the leverage ratios and growth ratio analysis of pre and post merger financial performance in selected companies. In this study data has been collected from secondary sources and to measure the reliability of data applied group or descriptive statistics and for financial ratios of pre and post merger data T test has been applied, This study reveals the significant difference between pre merger and post merger financial performance towards the companies and there is no relationship between profitability ratio, liquidity ratio, leverage ratio and growth ratio performance towards the companies. Therefore the null hypothesis is accepted alternative hypothesis is rejected.

Key words: Pre merger, Post merger, Profitability ratio, Liquidity ratio, Leverage ratio and Growth ratio.

Introduction

In today's market the main objective of the firm is to make profits, satisfy the customers needs and the shareholders wealth. Development of the companies can be considered in two ways by introducing new products and services and expanding their operations with existing products. This study is an aim to evaluate on the basis of merger and acquisition, as to why the organizations can go for an inorganic mode of expansion. The news about it Indian companies acquiring foreign based companies was few years back but present time is changed. The situation about dominant companies taking other companies has become very frequent. In India the few top merger companies such as Tata steel and Corus group, Videocon and Daewoo Electronics corporations from Korea was the second overseas deal etc., The important significance of the study of the operating performance of acquiring companies and comparing their performance before and after the merger.

Review of Literature

1. Since 2000, M/s. Beena P.L. in her paper entitled, 'An analysis of Merger in the private corporate sector in India' try to analyze the significant area of merger and acquisition and their characteristics.
2. Since 2002, Mr.Surjith kaur in his dissertation entitled, A study of corporate takeovers in India, examines the M&A activity in India during the post liberalization period. The study tested the benefits of selected financial ratios to predict corporate takeovers in India.

Objectives of the study

- ❖ The main aim of the research is to analyze the impact of merger and acquisition on the operating performance of the companies.

- ❖ To Examine the profitability ratio analysis of pre and post merger financial performance of selected companies.
- ❖ To study the liquidity ratio analysis of pre and post merger financial performance.
- ❖ To Evaluate the leverage ratios of pre and post merger financial performance.
- ❖ To offer findings and suggestions in the light of the study.

Research Methodology

It is the process of collection of information and data for the purpose of making business decision through the publication research, interviews, surveys and other research techniques, and could include the combination of present and historical information. The required secondary data constitutes the main source of information, suitable for the purpose of the present study. In this study I have been selected three companies for analysis of data. The sources of secondary data were collected from annual reports of three companies. The information of this study is gathered for the time of 10 years and also various national and international journals, periodic publications, working papers, books and article, thesis, dissertation work on pre and post financial performance of Indian companies. For the purpose of analyze applied group or descriptive statistics, independent sample T-test to know the statistical relationship between two variables and also to prove the hypotheses of the study to measure the reliability of data.

Hypotheses: The following hypotheses is used in my study to evaluate the data.

Null (H_0): There is no significant difference between pre-merger and post-merger financial performance of selected companies.

Alternative (H_1): There is significant difference between pre-merger and post-merger financial performance of selected companies.

Analysis and Interpretation:

In Return on Investment ratio:

Table 1 Return on Capital Employed Ratio in selected units

Name of the Company	Before M&A (X)	After M&A (Y)	Difference (D=X-Y)	Difference square (D ²)
India cements	52.74	52.31	0.43	0.18
EID Parry	51.29	39.31	11.98	143.52
Shriram transport	62.61	88.43	25.82	666.67
Total	X=166.64	Y=180.05	$\sum D=38.23$	$\sum D^2=1080.37$

Inference: The above table defines that return on capital employed ratio the over all pre- merger and acquisition performance of 3 companies, Shriram transport companies shows that the highest percentage of 62.61%. and EID parry ltd shows the lowest percentage of 51.29 %. And post- merger and acquisition of the financial performance indicates that shriram transport ltd shows that the highest percentage of 88.43% and wherein EID Parry ltd shows that 39.31% is the lowest percentage. So we conclude that after merger and acquisitions the financial performance was improved.

Calculation of T-Test

N	Mean	S.D	d.f.	t_c	t_t	Result
3	-4.470	19.37.	n-1 3-1=2	-0.400	2.262	H_0

Result: The Null hypothesis is accepted. The results are as per the expectation.

Table .2 Return on Long term Fund Ratio in selected units

Name of the Company	Before M&A (X)	After M&A (Y)	Difference (D=X-Y)	Difference square (D ²)
India cements	57.07	57.50	0.43	0.18
EID Parry	56.58	53.55	3.03	9.18

Shriram transport	71.18	97.29	26.11	681.71
Total	X=184.83	Y=208.34	$\sum D=29.57$	$\sum D^2=691.07$

Inference: The above defines that the data regarding return on long term fund ratio pre- merger and acquisition performance of 3 companies, Shriram transport companies shows that the highest percentage of 71.18% and EID parry ltd shows that the lowest percentage of 56.58%. And in after merger and acquisition of financial performance indicates that Shriram transport ltd shows that the highest percentage of 97.29% and wherein Accel ltd shows that the lowest percentage of 53.55%. So, we conclude that after merger and acquisition of financial performance was improved.

Calculation of T-Test

N	Mean	S.D	d.f.	t_c	t_t	Result
3	-7.836	15.919	n-1 3-1=2	-0.853	2.262	H_0

Result: The Null hypothesis is accepted. The results are as per the expectation.

Table 3. Return on Asset Ratio in selected units

Name of the Company	Before M&A (X)	After M&A (Y)	Difference (D=X-Y)	Difference square (D ²)
India cements	308.00	570.27	262.27	68785.55
EID Parry	407.97	362.30	45.67	2085.75
Shriram transport	478.36	1570.60	1092.24	1192988.22
Total	X=1194.33	Y=2503.17	$\sum D=1400.18$	$\sum D^2=1263859.52$

Inference: The above table defines that the data regarding return on asset ratio, in pre- merger and acquisition out of 3 companies, Shriram transport companies shows that the highest percentage of 478.36% and India Cements ltd shows that the lowest percentage of 308.00%. And in after merger and acquisition of financial performance indicates that Shriram transport ltd shows that the highest percentage of 1570.60% and wherein India cements ltd shows that the lowest percentage of 570.27%. So, we conclude that after merger and acquisition of financial performance was improved.

Calculation of T-Test

N	Mean	S.D	d.f.	t_c	t_t	Result
3	-436.280	588.574	n-1 3-1=2	-1.284	2.262	H_0

Result: The Null hypothesis is accepted. The results are as per the expectation.

Table 4. Return on Networth Ratio in selected units

Name of the Company	Before M&A (X)	After M&A (Y)	Difference (D=X-Y)	Difference square (D ²)
India cements	18.48	39.25	20.77	431.39
EID Parry	135.46	55.90	79.56	6329.79
Shriram transport	106.33	93.63	12.70	161.29
Total	X=260.27	Y=188.78	$\sum D=113.03$	$\sum D^2=6922.47$

Inference: The table 4 refers that the data regarding return on Networth ratio in selected units before and after merger and acquisition. Above table indicates, 3 units have been selected by the researcher and ratio also calculated. Before merger and acquisition out of 3 companies, EID parry ltd shows that the highest percentage of 135.46% and India cements ltd shows that the lowest percentage of 18.48%. And in after merger and acquisition of financial performance indicates that Shriram transport ltd shows that the highest percentage of 93.63% and wherein India cements ltd shows that the lowest percentage of 39.25%. So, we conclude that after merger and acquisition of financial performance was not improved.

Calculation of T-Test

N	Mean	S.D	d.f.	t_c	t_t	Result
3	23.830	51.083	n-1 3-1=2	0.808	2.262	H_0

Result: The Null hypothesis is accepted. The results are as per the expectation.

In profitability ratio:**Table 5. Gross Profit Ratio in selected units**

Name of the Company	Before M&A (X)	After M&A (Y)	Difference (D=X-Y)	Difference square (D ²)
India cements	66.34	68.80	2.46	6.05
EID Parry	31.86	9.37	22.49	505.80
Shriram transport	284.43	145.05	139.38	19426.78
Total	X=382.63	Y=223.22	$\sum D=164.22$	$\sum D^2=19938.63$

Inference: The above table defines that Gross profit ratio, pre-merger and acquisition performance of 3 companies, Shriram transport shows that the highest percentage of 284.43% and EID parry ltd shows that the lowest percentage of 31.86%. And in after merger and acquisition of financial performance indicates that Shriram transport ltd shows that the highest percentage of 145.05% and wherein EID parry ltd shows that the lowest percentage of 9.37%. Hence we conclude that after merger and acquisition of financial performance was not improved.

Calculation of T-Test

N	Mean	S.D	d.f.	t_c	t_t	Result
3	53.136	75.723	n-1 3-1=2	1.215	2.262	H_0

Result: The Null hypothesis is accepted. The results are as per the expectation.

Table 6. Net Profit Ratio in selected units

Name of the Company	Before M&A (X)	After M&A (Y)	Difference (D=X-Y)	Difference square (D ²)
India cements	35.74	34.23	1.51	2.28
EID Parry	123.51	40.37	83.14	6912.26
Shriram transport	80.97	95.35	14.38	206.78
Total	X=240.22	Y=169.95	$\sum D=99.03$	$\sum D^2=7121.32$

Inference: The above table refers that the net profit ratio, pre-merger and acquisition performance of 3 companies, EID parry ltd shows that the highest percentage of 123.51% and India cements ltd shows that the lowest percentage of 35.74%. And in after merger and acquisition of financial performance indicates that Shriram transport ltd shows that the highest percentage of 95.35% and wherein India cements ltd shows that the lowest percentage of 34.23%. Hence we conclude that after merger and acquisition of financial performance was not improved.

Calculation of T-Test

N	Mean	S.D	d.f.	t_c	t_t	Result
3	23.423	52.322	n-1 3-1=2	0.775	2.262	H_0

Result: The Null hypothesis is accepted. The results are as per the expectation.

Table 7. Operating profit Ratio in selected units

Name of the Company	Before M&A (X)	After M&A (Y)	Difference (D=X-Y)	Difference square (D ²)
India cements	171.33	101.99	69.34	4808.04

EID Parry	44.82	35.72	9.10	82.81
Shriram transport	378.18	371.17	7.01	49.14
Total	X=594.33	Y=508.88	$\sum D=85.45$	$\sum D^2=4939.99$

Inference: The above table explains that the operating profit ratio, pre- merger and acquisition performance of 3 companies, Shriram transport shows that the highest percentage of 378.18% and EID parry ltd shows that the lowest percentage of 44.82%. And in after merger and acquisition of financial performance indicates that Shriram transport ltd shows that the highest percentage of 371.17% and wherein EID parry ltd shows that the lowest percentage of 35.72%. Hence we conclude that after merger and acquisition of financial performance was not improved.

Calculation of T-Test

N	Mean	S.D	d.f.	t_c	t_t	Result
3	28.483	35.398	n-1 3-1=2	1.394	2.262	H_0

Result: The Null hypothesis is accepted. The results are as per the expectation.

In Liquidity ratio :

Table 8. Current Ratio in selected units

Name of the Company	Before M&A (X)	After M&A (Y)	Difference (D=X-Y)	Difference square (D ²)
India cements	7.11	5.18	1.93	3.72
EID Parry	5.49	4.49	1.00	1.00
Shriram transport	15.23	10.32	4.91	24.11
Total	X=27.83	Y=19.99	$\sum D=7.84$	$\sum D^2=28.83$

Inference: The above table refers that the Liquidity ratio. It can be divided into two ratios one is current ratio and quick ratio. In current ratio the table shows the results of selected units before and after merger and acquisition. Above table indicates, 3 units have been selected by the researcher and ratio also calculated. Before merger and acquisition out of 3 companies, Shriram transport ltd shows that the highest percentage of 15.23% and EID parry ltd shows that the lowest percentage of 5.49%. And in after merger and acquisition of financial performance indicates that Shriram transport ltd shows that the highest percentage of 10.32% and wherein EID parry ltd shows that the lowest percentage of 4.49%. Hence we conclude that after merger and acquisition of financial performance was not improved.

Calculation of T-Test

N	Mean	S.D	d.f.	t_c	t_t	Result
3	2.613	2.042	n-1 3-1=2	2.216	2.262	H_0

Result: The Null hypothesis is accepted. The results are as per the expectation.

Table 9. Quick Ratio in selected units

Name of the Company	Before M&A (X)	After M&A (Y)	Difference (D=X-Y)	Difference square (D ²)
India cements	11.77	18.93	4.61	51.27
EID Parry	5.33	6.27	0.94	0.88
Shriram transport	41.87	14.05	27.82	773.95
Total	X=58.97	Y=39.25	$\sum D=33.37$	$\sum D^2=826.10$

Inference: The above table defines that the quick ratio the table shows the results of selected units before and after merger and acquisition. Above table indicates, 3 units have been selected by the researcher and ratio also calculated. Before merger and acquisition out of 3 companies, Shriram transport ltd shows that the highest percentage of 41.87% and EID parry ltd shows that the lowest percentage of 5.33%. And in after merger and acquisition of financial performance indicates that India cements ltd shows that the highest

percentage of 18.93% and wherein EID parry ltd shows that the lowest percentage of 6.27%. Hence we conclude that after merger and acquisition of financial performance was not improved.

Calculation of T-Test

N	Mean	S.D	d.f.	t_c	t_t	Result
3	6.573	18.661	n-1 3-1=2	0.610	2.262	H_0

Result: The Null hypothesis is accepted. The results are as per the expectation.

In Leverages ratio:

Table 10. Debt equity Ratio in selected units

Name of the Company	Before M&A (X)	After M&A (Y)	Difference (D=X-Y)	Difference square (D ²)
India cements	15.81	3.17	12.64	159.77
EID Parry	3.41	5.01	1.60	2.56
Shriram transport	35.69	15.70	19.99	399.60
Total	X=54.91	Y=23.88	$\sum D=34.23$	$\sum D^2=561.93$

Inference: The above table explains that the Leverages ratio, debt equity ratio, the above table shows the results of selected units before and after merger and acquisition. Above table indicates, 3 units have been selected by the researcher and ratio also calculated. Before merger and acquisition out of 3 companies, Shriram transport ltd shows that the highest percentage of 35.69% and EID parry ltd shows that the lowest percentage of 3.41%. And in after merger and acquisition of financial performance indicates that Shriram transport ltd shows that the highest percentage of 15.70% and wherein India cements ltd shows that the lowest percentage of 3.17%. Hence we conclude that after merger and acquisition of financial performance was not improved.

Calculation of T-Test

N	Mean	S.D	d.f.	t_c	t_t	Result
3	10.343	10.976	n-1 3-1=2	1.632	2.262	H_0

Result: The Null hypothesis is accepted. The results are as per the expectation.

Table 11 Long term Debt equity Ratio in selected units

Name of the Company	Before M&A (X)	After M&A (Y)	Difference (D=X-Y)	Difference square (D ²)
India cements	12.58	2.39	10.19	103.84
EID Parry	2.22	2.33	0.11	0.01
Shriram transport	30.45	13.78	16.67	277.89
Total	X=45.25	Y=18.50	$\sum D=26.97$	$\sum D^2=381.74$

Inference: The above table shows that the long term debt equity ratio, the table shows the results of selected units before and after merger and acquisition. Above table indicates, 3 units have been selected by the researcher and ratio also calculated. Before merger and acquisition out of 3 companies, Shriram transport ltd shows that the highest percentage of 30.45% and EID parry ltd shows that the lowest percentage of 2.22%. And in after merger and acquisition of financial performance indicates that Shriram transport ltd shows that the highest percentage of 13.78% and wherein EID parry ltd shows that the lowest percentage of 2.33%. Hence we concludes that after merger and acquisition of financial performance was not improved.

Calculation of T-Test

N	Mean	S.D	d.f.	t_c	t_t	Result
3	8.916	8.462	n-1 3-1=2	1.825	2.262	H_0

Result: The Null hypothesis is accepted. The results are as per the expectation.

In Growth ratio:**Table 12. Earnings per share Ratio in selected units**

Name of the Company	Before M&A (X)	After M&A (Y)	Difference (D=X-Y)	Difference square (D ²)
India cements	40.19	43.92	3.73	13.91
EID Parry	129.52	41.30	88.22	7782.77
Shriram transport	107.47	280.21	172.74	29839.11
Total	X=277.18	Y=365.43	$\sum D=264.69$	$\sum D^2=37635.79$

Inference: The above table refers that the growth ratio, the table shows the results of selected units before and after merger and acquisition. Above table indicates, 3 units have been selected by the researcher and ratio also calculated. Before merger and acquisition out of 3 companies, EID parry ltd shows that the highest percentage of 129.52% and India cements ltd shows that the lowest percentage of 40.19%. And in after merger and acquisition of financial performance indicates that Shriram transport ltd shows that the highest percentage of 280.21% and wherein EID parry ltd shows that the lowest percentage of 41.30%. Hence we conclude that after merger and acquisition of financial performance was improved.

Calculation of T-Test

N	Mean	S.D	d.f.	t _c	t _t	Result
3	-29.416	132.362	n-1 3-1=2	-0.385	2.262	H ₀

Result: The Null hypothesis is accepted. The results are as per the expectation.

Table 13. Dividend per share Ratio in selected units

Name of the Company	Before M&A (X)	After M&A (Y)	Difference (D=X-Y)	Difference square (D ²)
India cements	3.00	9.50	6.50	42.25
EID Parry	40.90	15.00	25.90	670.81
ShriramTransport	22.00	37.00	15.00	225.00
Total	X=65.90	Y=61.50	$\sum D=47.40$	$\sum D^2=938.06$

Inference: The above table defines that the Dividend ratio analysis, the table shows the results of selected units before and after merger and acquisition. Above table indicates, 3 units have been selected by the researcher and ratio also calculated. Before merger and acquisition out of 3 companies, EID parry ltd shows that the highest percentage of 40.90% and India cements ltd shows that the lowest percentage of 3.00%. And in after merger and acquisition of financial performance indicates that the Shriram trans port ltd shows that the highest percent India cements ltd shows that the lowest percentage of 9.50%. Hence we conclude that after merger and acquisition of financial performance was not improved.

Calculation of T-Test

N	Mean	S.D	d.f.	t _c	t _t	Result
3	1.466	21.582	n-1 3-1=2	0.118	2.262	H ₀

Result: The Null hypothesis is accepted. The results are as per the expectation.

Findings of the study:

The following are the findings of the study

- In the context of overall return on capital employed pre merger and acquisition performance was 166.64 crores and post merger and acquisition was 180.05 crores this shows the post- merger and acquisition performance was high compared to pre merger and acquisition performance in selected companies in Tamilnadu.
- In the return on long term fund ratio, the overall pre and post merger and acquisition was 184.83 times and 208.34 times respectively.

- The over all return on assets of pre and post merger and acquisition of performance was 1194.33 times and 2503.17 times of selected companies.
- In net profit ratio the over all pre and post merger and acquisition performance was recorded as 240.22% and 169.95% of selected companies.
- The over all quick ratio of pre and post merger acquisition performance was recorded 58.97 times and 39.25 times respectively.
- In debt equity ratio the over all pre and post merger and acquisition performance was recorded 54.91 times and 23.88 times respectively.
- In Earning per share ratio, The overall pre and post merger and acquisition performance was recorded Rs.277.18 and Rs365.43. this indicates the post-merger and acquisition performance was high compared to pre merger and acquisition.
- In Dividend per share, the overall pre and post merger and acquisition performance was recorded Rs.65.90 and Rs.61.50. it shows that the pre merger and acquisition performance was high compared to post merger and acquisition.

Suggestions for the study:

The following are the suggestions for the study

- After LPG was introduced, Government of India liberalize their policies relating to merger and acquisition to enhance number of deals between companies.
- The SEBI has also encouraged the merger and acquisition through investors education.
- The Investors are ready to Increase their investment in newly established companies.
- The entrepreneur wants to expand their business operation to worldwide.
- Government should be creating awareness relating to merger and acquisition through training and development programs are conducted to improve the efficiency.
- The Proprietors should be concentrating on liquid management competencies and strategies to maintain liquidity position of the companies.

Conclusion

Merger and acquisition of companies create a greater impact in the recent economy. Merger and acquisitions rendered as a useful method of expansion. The present study focused on over all ten years of performance data out of that five years considered as pre merger performance and remaining five years as post merger performance for the purpose of measure the performance of selected companies in Tamil Nadu, they used different ratios such as return on investment ratio, profitability ratios, liquidity ratios, leverages ratios and growth ratios, this results shows selected companies are able to perform better after merger and acquisition with other amalgamated companies.
