EFFECT OF MERGER AND ACQUISITION ON THE FINANCIAL PERFORMANCE OF THE FIRMS

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***Abstract*: To keep the head high in globalized economy one has to follow the path of growth, which contains various challenges and issues; one has to overpower these challenges and issues to become a success story. Business is one of the oldest professions that mankind possesses, as time passed and with the advent of technology the earth seemed to squeeze, distances started to minimize, the age of globalization had begun. In the last decade, businesses from developing countries have started to buy out businesses of developed countries as their economies are doing better compared to the developed world due to low cost of production. The process of mergers and acquisitions has gained substantial importance in today's corporate world. This process is extensively used for restructuring the business organizations. In India, the concept of mergers and acquisitions was initiated by the government bodies. Some well known financial organizations also took the necessary initiatives to restructure the corporate sector of India by adopting the mergers and acquisitions policies. The Indian economic reform since 1991 has opened up a whole lot of challenges both in the domestic and international spheres. The increased competition in the global market has prompted the Indian companies to go for mergers and acquisitions as an important strategic choice. The trends of mergers and acquisitions in India have changed over the years. The immediate effects of the mergers and acquisitions have also been diverse across the various sectors of the Indian economy. Till recent past, the incidence of Indian entrepreneurs acquiring foreign enterprises was not so common. The situation has undergone a sea change in the last couple of years. Acquisition of foreign companies by the Indian businesses has been the latest trend in the Indian corporate sector. The Indian IT and ITES sectors have already proved their potential in the global market. The other Indian sectors are also following the same trend. The increased participation of the Indian companies in the global corporate sector has further facilitated the merger and acquisition activities in India. The various factors that played their parts in facilitating the mergers and acquisitions in India are favorable government policies, buoyancy in economy, additional liquidity in the corporate sector, and dynamic attitudes of the Indian entrepreneurs are the key factors behind the changing trends of mergers and acquisitions in India. Even though mergers and acquisitions (M&A) have been an important element of corporate strategy all over the globe for several decades, research on M&As has not been able to provide conclusive evidence on whether they enhance efficiency or destroy wealth. There is thus an ongoing global debate on the effects of M&As on firms. This article seeks to explore the trends and progress in M&As India**

IndexTerms - M& A, Strategy, globalization, government, efficiency, buoyancy, liquidity.

Introduction

In the fast changing business world, companies have to strive hard to achieve quality and excellence in their fields of operation (Pinto, Prakash and Balakrishna C.H.,: 2006, pp. 29-35). Every company has the prime objective to grow profitably. The profitable growth for the companies can be possible internally as well as externally. The internal growth can be achieved either through the process of introducing or developing new products or by expanding or by enlarging the capacity of existing products or sustained improvement in sales (Mallikarjunappa, T. and P. Nayak,: 2007, pp. 53-69). External growth can be achieved by acquisition of existing business firms (Ghosh, A. and B. Das,: 2003, pp. 543-545). Mergers and Acquisitions (M&A) are quite important forms of external growth (Mallikarjunappa, T. and P. Nayak,: 2007, pp. 53- 69). According to Hopkins (1999), Peng and Wang (2004) , Epstein (2005) , and Duncan and Mtar (2006) M&As can enhance cost efficiency.

In today's globalized economy, mergers and acquisitions are being increasingly used the world over as a strategy for achieving a larger asset base, for entering new markets, generating greater market shares/additional manufacturing capacities, and gaining complementary strengths and competencies, to become more competitive in the marketplace (Mantravadi, P. and A. Reddy,: 2007).

Mergers and Acquisitions (M&A) are an extensive worldwide phenomenon (Pinto, Prakash and Balakrishna C.H.,: 2006, pp. 29-35) and Mergers and Acquisitions (M&A) have emerged as the natural process of business restructuring throughout the world (Prasad, 2007). The last two decades have witnessed extensive mergers and acquisitions as a strategic means for achieving sustainable competitive advantage in the corporate world (Pinto, Prakash and Balakrishna C.H.,: 2006, pp. 29-35). Mergers and Acquisitions (M&A) have become the major force in the changing environment. The policy of liberalization, decontrol and globalization of the economy has exposed the corporate sector to domestic and global competition (Selvam, et. al., 2009). Mergers and Acquisitions (M&A) have also emerged as one of the most effective methods of corporate structuring, and have therefore, become an integral part of the long-term business strategy of corporate sector all over the world (Mallikarjunappa, T. and P. Nayak,: 2007, pp. 53-69). Almost 85 percent of Indian companies are using M&A as a core growth strategy (Rizvi, Y., 2008; Iyer, V.P., 2008).

Literature Review

"It is clear that you cannot stay in the top league if you only grow internally. You cannot catch up just by internal growth. If you want to stay in the top league, you must combine." -- Daniel Vasella, Chief Executive Officer, Novartis, July 2002.

The topic of mergers & acquisitions (M&A) has been increasingly investigated in the literature in the last two decades (Appelbaum et al., 2007) in response to the rise in M&A activities as well as the increasing complexity of such transactions themselves (Gaughan, 2002). Corporate mergers and acquisitions (M&A) have long received a lot of attention from the corporate world, the public as well as the academic world. Many corporations across the world have been considering M&A strategies to realize cost synergies against increased competition, pricing pressures, gaps in product mix and asset concentration (Hoang, Thuy Vu Nga Lapumnuaypon, Kamolrat, 2007). Mergers and acquisitions (M&A) as an external growth strategy has gained spurt because of increased deregulation, privatization, globalization and liberalization adopted by several countries the world over.

Simkowitz and Monroe (1971) in a study titled "A Discriminat Analysis Function for Conglomerate Targets" used multiple discriminant analysis (MDA) to study conglomerate target firms merged in 1968. Data from the COMPUSTAT tapes for 25 non-merged firms and 23 merged firms were used to construct the discriminant function. A holdout group of 23 firms was used to test the discriminant function derived from the analysis groups. 24 variables were selected to provide a quantitative measure of (1) growth, (2) size, (3) profitability, (4) leverage, (5) dividend policy, (6) liquidity, and (7) stock market characteristics. Of the original 24 variables, seven high market activities, price earnings ratio, past three years' dividends, growth in equity, sales, loss carryover, and the ratio of the last three years' dividends to common equity were found to be significant.

Weston and Mansinghka (1971) carried out an analysis on "Tests of the Efficiency Performance of Conglomerate Firms" and studied the pre-and post-merger performance of conglomerate firms, and found that their earning rates significantly underperformed in those control sample group, but after 10 years, there were no significant differences observed in performance between the two groups. The development in earnings performance of the conglomerate firms was explained as evidence for successful achievement of defensive diversification.

Pinches and Mingo (1973) in a study entitled "A Multivariate Analysis of Industrial Bond Ratings" applied factor analysis to classify 51 log-transformed financial ratios of 221 firms for four cross sections six years apart. The study identified seven factors viz., return on investment, capital intensiveness, inventory intensiveness, financial leverage, receivables intensiveness, short-term liquidity, and cash position. These factors explain 78% to 92% (depending on the year) of the total variance of the 51 financial ratios. Moreover, the correlations for the factor loadings and the differential R-factor analysis indicate that the ratio patterns are reasonably stable over time.

Ikeda and Do (1983) in a study "The Performance of Merging Firms in Japanese Manufacturing Industry during 1964 – 1975" examined the financial performance of 49 merging corporate firms in the Japanese manufacturing industries over the period from 1964 to 1975. The study performance was tested on parameters, such as, profitability, efficiency, firm growth, and research and development. The study reported financial performance results for two time periods: three years and five years, which indicate that the profitability was higher in the five year period, showing increase for 25 corporate firms than that of for 19 firms in the three year period.

Sankar and Rao (1998) made an empirical study entitled "Takeovers as a Strategy of Turnaround" and analysed the implications of M&As from the financial point of view with the help of certain parameters like liquidity, leverage, profitability and more. They observed that if a sick firm is taken over by a good management and makes serious attempts, it is possible to turn it around successfully.

Ming and Hoshino (2002) in an article "Productivity and Operating Performance of Japanese Merging Firms: Keiretsu-related and Independent Mergers" examined the effects of M&As on the firms' OP using a sample of 86 Japanese corporate mergers between 1970 and 1994. The success of M&As was tested based on their effects on efficiency, profitability, and growth. The study used total productivity as an indicator of the firm's efficiency or productivity, return on assets and return on equity as indicators of the firm's profitability, and sales and growth in employment to indicate the firm's growth rate. The results reveal insignificant negative change in productivity, significant downward trend in profitability, significant negative effect on the sales growth rate, and downsize in the workforce after M&As. In general, the study concluded that M&As have a negative impact on firms' performance in Japan.

Beena (2004) in a work "Towards Understanding the Merger Wave in the Indian Corporate Sector – A Comparative Perspective" analysed the pre-and post-merger performance of a sample of 115 acquiring firms in the manufacturing sector in India, during 1995 – 2000, using a set of financial ratios and paired two samples t-test. The study could not find any evidence of improvement in the financial ratios during the post-merger period, as compared to the pre-merger period for the acquiring firms. In short, the number of merging firms-which is less than 10% of all firms in the industry-overall performance is far better than that of the others and their own pre-merger period performance, thereby leading to conclude that if the industry is able to transfer a part of its improved performance due to consolidation to the consumers in the form of a price reduction and a better quality of drugs, it would be a welcome sign; and on the other hand if it leads to increased market power and consequent price rise, then it would deserve special attention.

Pazarskis Collins et al. (2006) in a study entitled "Exploring the Improvement of Corporate Performance after Mergers – The Case of Greece" examined, empirically, the impact of M&As on the OP of M&As–involved firms in Greece. The study used financial and non-financial characteristics, and the post-merger performance of 50 Greek firms, listed at the Athens Stock Exchange that executed at least one merger or acquisition from 1998 to 2002. Selected accounting variables (financial characteristics) were used to measure OP and compare pre-and post-merger firm performance for three years before M&As and three years after M&As. The results were then evaluated on the basis of certain non-financial characteristics (type of merger, method of evaluation and payment), and financial characteristics (a set of seven selected financial ratios). The main finding of the study was that there was strong evidence that the profitability of a firm that performed an M&As decreased due to the M&As event.

Kumar and Bansal (2008) in their study "The Impact of Merger and Acquisitions on Corporate Performance in India" attempted to analyse whether the claims made by the corporate sector while going for M&As to generate synergy are being achieved or not in the Indian context. They did so by studying the impact of M&As on the financial performance of the outcomes in the long- run and compared and contrasted the results of merger deals with acquisition deals. The study used ratios and correlation matrix for analysis, and found that in many cases of M&As, the acquiring firms were able to generate synergy in the long run, which might have been in the form of higher cash flow, more business, diversification, cost cuttings and more.

Sidharth and Sunil (2009) in a research study "Comparison of Post-merger Performance of Acquiring Firms (India) Involved in Domestic and Cross-border Acquisitions" attempted to study the impact of M&As on the OP of acquiring firms by examining some pre-and post-merger financial ratios and to study the differences in the pre-and post-merger ratios of the firms that went in for domestic M&As, and the firms that went for the international / cross-border M&As. Data on key financial ratios depicting the OP for up to two years after the acquisition year and two years before the acquisition year was collected from the database viz Capitaline. The study sample of 54 firms was used. The study used t-test (paired two samples for means), and the pre-and post-merger performance was tested. Only M&As where the equity stock of the acquiring firm was issued to firm-acquired (target) shareholders, as consideration for the acquisition / merger, have been considered for the study. Instances where there have been cash acquisitions are excluded from the study to ensure comparability of results across the sample. The study proved that there are variations in terms of impact on performance following M&As, depending on the type of firm acquired-domestic or cross-border. In particular, M&As have had a positive effect on key financial ratios of acquiring domestic firms while a slightly negative impact on the acquiring cross-border firms.

Gurusamy and Radhakirishnan (2010) in a study "Merger and Acquisitions – An Empirical Study on Pre-and Post-acquisition Performance of Selected Indian Corporate Sector Enterprises" analysed the impact of M&As on the performance of selected corporate sector enterprises in four industries groups (chemicals drugs and fertilizers industry, basic metal industry, IT and telecom industry, and manufacturing of machinery and equipment industry) in India. The study has used secondary data to analyse the pre-and post–M&As performance of the 117 acquiring firms and for this purpose the data collected spans over 12 years ranging from 1994-95 to 2005-06. The study used statistical tools, namely, trend analysis, one way ANOVA, factor analysis, and cluster analysis. The study proved that the post-acquisition performance of the acquiring firms' profitability, assets utilization, debt utilization, cost utilization, liquidity, and capital structure had not uniformly changed in all the sample industries. The horizontal, vertical, and conglomerate M&As had no uniform impact to change the post-acquisition performance of the sample industries. However, horizontal M&As have greater influence in improving the post-acquisition performance when compared with the other two types of M&As, namely, vertical and conglomerate.

Singh and Mogla (2010), in an analysis "Profitability Analysis of Acquiring Companies" examined the profitability of acquiring firms in the pre-and post-merger periods. They took a sample of 153 listed merged corporate firms, the data were compiled from 1993 to 2003, categorizing the sample acquirer corporate firms on the basis of the financial health of the target in the pre-merger period. The first category comprised the acquirers which were merged with loss-incurring firms, while the second group comprised acquirers merged with financially healthy firms. 'Loss-incurring' is defined as the negative average net profit margin (NPM) in the three years prior to merger. By following the said criterion, two groups of acquirers were identified, that is, 38 sick acquisitions and 115 healthy acquisitions. The study performance was tested on parameters, such as, operating profit margin (OPM), net profit margin (NPM), return on net capital employed (ROCE), return on net worth (RONW), and net asset turnover ratio (NATR) to determine the profitability of acquiring firms.

The study used paired samples t-test to assess the difference in performance between pre-and post-merger periods. The study indicated that a majority (55%) of the corporate firms reported a decline in performance after merger. Only 29% of the corporate firms could improve their performance following the merger. The profitability results were not healthy in the post-merger period of the acquiring firms. The study indicated that a few corporate firms, though OPM, NPM, and ROCE declined RONW improved in the post-merger period. The ROCE, which is called the master ratio, seemed to be the better measure of profitability than the RONW. The DuPont analysis used reveals that OPM improved significantly while NATR declined significantly following the merger.

Azhagaiah and Sathishkumar (2011), in a study "Corporate Restructuring and Firms' Performance: An Empirical Analysis of Selected Firms Across Corporate Sectors in India" analysed the impact of M&As in the short- run period, viz., compared the firms' performance three years prior to M&As, and three years immediately after M&As covering an overall period from 2004 to

2010. The sample units (firms) drawn were based on the list of firms that ventured into the M&As process with the help of the comprehensive list provided during the calendar year 2007. Fifty-two corporate firms underwent M&As activities, out of which 12 firms were only considered for analysis based on full-fledged data availability.

Jain and Raorane (2011), in a paper "Mergers and Acquisitions- A Change Paradigm in Performance of Indian Company" attempted to evaluate the impact of M&As on the performance of the acquiring and target firms. The sample size of the study was limited to 13 firms. Empirical tests were carried out on the financial data with the help of liquidity ratios, namely, current ratio and quick ratio in order to ascertain whether M&As resulted in SW or not. The study used paired samples t-test for measuring the pre-merger and post-merger average performance of the acquiring and target firms. The study concluded that the acquiring firms always benefited more than that of the target firms in the M&As event.

Azhagaiah and Sathishkumar (2012) in a study "A Study on the Short-run Profitability of Acquirer Firms in India" attempted to study the impact of M&As on the short-term post-merger profitability (P) across industries in India with a sample of 10 corporate firms each in four major industries which have undergone M&As in the same industry (related merger) during the period 2004 to 2007 with an objective of comparing the post-merger P using appropriate P measures (ratios) and compared the mean P of acquiring firms for three years before merger and three years after merger by use of t–test. The study indicated that the P (in terms of P measures namely Operating Profit, Gross Profit, and Net Profit) is increased after merger for the Information Technology Industry, Real Estate & Infrastructure Management Industry, and Pharmaceutical & Healthcare Industry, and hence it was concluded that there is a significant improvement on the short-run post-merger P of acquiring firms across industries in India except Banking and Finance Industry

Mergers and acquisitions (M&A) have become an important medium to expand product portfolios, enter new markets, acquire new technology, gain access to research and development, and gain access to resources which would enable the company to compete on a global scale (Yadav, A. K. and B.R. Kumar,: 2005, pp. 51-63). However, there have been instances where Mergers and acquisitions (M&A) enter into for non-value maximization reasons, i.e., to just build the company's profile and prestige (Malatesta, P. H.,:1983, pp. 155-181; Roll, R.,: 1986, pp. 197-216). Even though different companies have diverse reasons for engaging in mergers and acquisitions, the main purpose is to create shareholder's value over and above that of the sum of two companies (Sudarsanam, 2005). Prakash and Balakrishna (2006) consider mergers and acquisitions as a strategic means for achieving sustainable competitive advantage in the corporate world but Prakash and Balakrishna (2006) investigate that the gains to be derived from M&A have increasingly become dependent upon the successful integration of cultures of the combining organizations and people, the role of human factors in determining merger outcomes has assumed greater relevance. Maquieira, Megginson, and Nail (1998) examine 260 mergers in the US between 1963 and 1996 and record significant net synergistic gains in non-conglomerate mergers and insignificant net gains in conglomerate mergers. The study of Bradley, Desai, and Kim (1988) empirically examine that a successful merger offer increases the combined value of the merged entity by an average of 7.4%. A comparative study of mergers and other forms of corporate investment at both industry and firm levels in US has been performed by Andrade and Stafford (2004) in order to investigate the economic role of mergers. Merilise Smit (2007) identifies that the success of a merger between two or more companies depends as much on cultural fit as it does on strategic fit and financial fit and the proper management of change and employee response thereto. Swami Prasad (2007) analyses the trends, direction and composition of cross border M&A in India and also throws light on certain issues in cross border M&A deals. The aim of the doctoral thesis of Christina Oberg (2008) is to identify categories and patterns of how customers impact and are impacted by an M&A. Christina Oberg (2008) emphasizes that the customers are important elements of the motives behind M&A and they are rarely seen as actors affecting and being affected by an M&A. The synergy motive is regarded as the most popular motive for M&A (Wang, J.,: 2007, p. 17). One important source of synergy is from the transfer of some valuable intangible assets, such as know-how, between targets and acquirers (Seth, et al.,: 2000, pp. 387-405; Wang, J.,: 2007, p. 17). Most companies pursue to save production cost through M&A, because low costs are vital for corporations' profitability and success. Economies of scale can help companies achieve that goal. Economies of scale refer to the average unit cost of production going down as production increases (Brealey, et al.,: 2006; Seth, A.,: 1990, pp. 99-115; Wang, J.,: 2007, p.19). M&A appears to become a greater part of corporate strategy (Blunck, B. W.,: 2009, p.10) on account of modern deal design and anti-trust regulation, as well as specific changes in business models and competition brought on by the shareholder value paradigm, ongoing computerization, deregulation and globalization (Jensen, M. C.,: 1993, pp. 831-880; Sudarsanam, S., 2003).

Vander Vennet (1996) used a sample of 422 domestic and 70 cross border acquisitions of European Community (EC) credit institutions that occurred over the period 1988-1993 to examine the performance effects of M&As. The results of the study can be summarised as follows: (a) domestic mergers among equal-sized partners significantly increased the performance of the merged banks, (b) improvement of cost efficiency was also found in cross-border acquisitions, (c) domestic takeovers were found to be influenced predominantly by defensive and managerial motives such as size maximization.

Overview of Literature and Research Gap

Nowadays, corporate restructuring is one of the important events in the business world. So, a large number of Indian corporate firms are trying to go in for corporate restructuring via merger, amalgamation, and absorption. Generally, the acquiring and target firms are expected and are getting benefits through M&As like, operational synergy, financial synergy, economies of scale, increased revenue or market share, taxation benefits, resource transfer, empire-building, marketing synergy, managerial synergy, expenses synergy, cost of capital synergy, revenues synergy etc. However, the question that often arises is whether all the firms those are merged / acquired end up with increase in OP and SW? Because, in some firms, OP and SW get a negative impact after M&As. The previous studies concluded that the OP of merging firms improved significantly positively following acquisitions (Ikeda and Do, 198380; Healy et al., 199281; Harari, 199782; and Lau et al., 2008). 83 Post-merger profitability was compared with pre-merger profitability by Pawaskar, 200184; and Pazarskis Collins et al., 200685 who all, however found no significant improvement in profitability. Post-merger performance is the function of relative size, price-to-book ratio, synergy, cost of equity, and book value change, and these factors affect the profitability of a successful merger simultaneously (Nam et al., 200886 ; Gurusamy and Radhakirishnan, 201087, and Jain and Raorane, 2011). 88 Indian manufacturing corporate firms involved in M&As have achieved an increase in the liquidity position, operating performance, profitability, and financial and operating risk which lead to increase in the overall efficiency of acquiring firms (Azhagaiah and Sathishkumar, 201189, and Indhumathi et al., 2011).

Most of the previous studies used cumulative average abnormal returns to identify the SW impact in the post-merger period; the post-merger period saw a negative abnormal return (Revenscraft and Scherer, 1989).91 Coontz, 200492 found that M&As did not improve the SW of the acquiring firms, rather, it actually decreased it. However, international M&As announcements by Indian firms create significant short-term SW, but in the long-run international M&As have a negative impact on the SW (Malhotra and Zhu, 2006). 93 And M&As created significant positive abnormal returns for target shareholders (Malabika Deo and Shah, 2011). The above literature provides an overview of OP, SW, and different valuation models associated with the measurement of impact of M&As. The previous studies, by and large, attempted to study the short run impact say three years prior and after the merger period. Moreover, most of the previous studies undertook almost similar methods to evaluate OP and SW in the pre-and post merger periods. With these evidence and support an attempt has been made in the present study to measure the impact of M&As on the OP as well as on SW in the long-run five years prior to merger year and five years after the merger year. The present study also attempts to overcome the limitations of the previous studies by use of chow test and a differing inference will be found from the analysis of manufacturing sector. Hence, the present study aims at to fulfill the research gap in the existing literature in terms of two dimensions, one long-run impact, and the other applying chow test to study the shift-in-structure due to M&As.

Objectives of the study

The broad objective of this study is to measure the impact of mergers and acquisitions on financial Performance of Indian Corporate Sectors. Other objectives of the study are mentioned as under. To examine and evaluate the impact of merger and acquisitions on Return on Investment, Profitability and Liquidity position of selected companies

Methodology

Data Collection

The study is based on the secondary data taken from the annual reports of selected units. And all the data relating to history, growth and development of Industries have been collected mainly from the books and magazine relating to the industry and published paper, report, article and from the various news papers, bulletins and other various research reports published by industry and various websites.

Selection of Samples

The study has been carried out on the micro-level, as it is not possible for the researcher to conduct it on the macro-level. The population of the study consists of all types of the companies having different operations of business and totally different nature of industries. As the study is to be carried out by the individual researcher it is not easy to select all the companies as the samples for the study. So, selection based upon growth aspect of companies from Indian industry in present scenario.

Period of the Study

The present study is mainly intended to examine the financial performance of merged companies five years before merger and five years after merger.

Hypothesis of the Study

On the basis of data collection, the researcher identified the following broader hypothesis for the study:

Null Hypothesis

There would be no significant difference in means score of Financial Performance in selected units, before and after merger and acquisition.

Alternate Hypothesis

There would be significant difference in means score of Financial Performance in selected units, before and after merger and acquisition.

TOOLS OF ANALYSIS

Data Analysis

Pre-merger and post-merger performance ratios were estimated and the averages computed for the selected units, during five years before merger and five years after merger. Average pre-merger and post-merger financial performance ratios were compared to see if there was any statistically significant change in financial performance due to mergers, using Student paired "t" distribution test.

Ratio Analysis

Ratios are among the well known and most widely used tools of financial analysis. Ratio can be defined as "The indicated quotient of two mathematical expressions" an operational definition of ratio is the relationship between one item to another expressed in simple mathematical form.

T-test Analysis

T – Test is based on T – Distribution and is considering an appropriate test for judging the significance of a sample mean. It can also be used for judging, the significance of the coefficients of simple and partial correlations.

The relevant test statistic, is calculated from the sample data and then compared with its problem value based on T – distribution at a specified level of significance for concerning degrees of freedom for accepting or rejecting the Null Hypothesis.

NO	RATIOS	MEAN(D)	S.D.(σ)	tc	tt	RESULTS
01	EPS	-0.255	14.34	0.056	2.262	H_0
02	GPR	-1.111	5.63	0.624	2.262	H_0
03	NPR	-2.654	4.43	1.889	2.262	H_0
04	ROGCE	2.637	3.85	2.168	2.262	H_0
05	RONCE	-3.835	5.53	2.268	2.262	H_1
06	ROSHFUNDS	-6.069	9.60	1.999	2.262	H_0
07	ROLTFUNDS	-4.253	10.99	1.224	2.262	H_0

In the above table, the researcher has calculated averages, standard deviation of different ratios like Return on gross capital employed, Return on net capital employed, Return on shareholder's funds, Return on long term funds, Earning per share, Gross profit ratio, Net profit ratio, and Operating profit ratio for five years before merger and five years after the merger for selected units.

Ho = $\mu1 = \mu0$ H1 = $\mu1 \neq \mu0$
In the above table the researcher has calculated the T-test for different ratios. In majority of cases the calculated value of 'T' is lower than the tabulated value of 'T', which means that there is no significant effect of merger and acquisition on the financial performance of selected units but in the case of operating profit ratio and earnings per share ratio of Exide Industry the calculated value of 'T' is higher than the tabulated value of 'T', that means there is significant effect of merger and acquisition on operating profit and earnings per share of Exide Industry. From the above table it can be stated that there is no any significant effect of merger and acquisition on ROGCE, ROSHFUNDS, ROLTFUNDS, EPS, GPR, NPR, and OPR. But there is a significant effect of merger and acquisition on RONCE.

LIMITATION OF THE STUDY

Every live and non-live factor has its own limitations which restrict the usability of that factor. The same rule applies to this research work. The major limitations of this study are as under:

- This study is mainly based on secondary data derived from the annual reports of industry. The reliability and the finding are contingent upon the data published in annual report.
- The study is limited to five years before merger and five years after merger only.
- Accounting ratios have its own limitation, which also applied to the study.
- This study is related with ten units. Any generalization for universal application cannot be applied here.

Financial analysis does not depict those facts which cannot be expressed in terms of money, for example – efficiency of workers, reputation and prestige of the management

Conclusion

It is evident from the above analysis both the hypothesis are not fully accepted. The conclusion emerging from the point of view financial evaluation is that the merging companies were takeover by companies with reputed and good management. Therefore, it was possible for the merged firms to turnaround successfully in due course. However it should be tested with a bigger sample size before coming to a final conclusion.

LIST OF ABBREVIATION

EPS - Earning Per Share
GPR - Gross Profit Ratio
NPR - Net Profit Ratio
ROGCE - Return on Gross Capital Employed
RONCE - Return on Gross Capital Employed
ROSHFUNDS - Return on Share Holders Fund
ROLTFUNDS - Return on Long – Term Funds

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