MERGER & ACQUISITION – ANALYTICAL REVIEW ON THE PERFORMANCE APPRAISAL OF TOP THREE MERGERS AND ACQUISITIONS IN INDIAN BUSINESSES DURING 2016

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Abstract: In the modern era of business field, companies have to struggle to succeed and maintain the quality in the area of operation. There is an improvement in doing the business through mergers and acquisitions. It is suitable for the current competitive corporate world as mergers & acquisitions predominately focus on creating a synergy effect and by also reducing cut-throat competition amongst similar kinds of industries which helps them in becoming a market leader thereby having a perpetual succession. The study focus on the overall financial performance of the companies before and after amalgamation. The researchers analyzed short-term and long term solvency, revenue and profitability position of the companies post amalgamation using ratio analysis. The outcome of this study is the benefit of merger and acquisition we can't expect within shot span of time it will take long time to get the exact benefit of merger and acquisition.

***Index Terms* – Merger and Acquisition, Profit maximization, Corporate Restructuring**

I. INTRODUCTION

In today's world profit maximization and shareholder's prosperity are the main objectives of every business organization. When two companies are formed one is termed as Mergers and when one company takes over other company is called as Acquisitions. The motive behind Merger and Acquisition of two different companies termed as one creates synergy effect when compared to individual company. The company's profits and productivity can be improved through M & A. It has showed that M & A is one of the most effective methods of restructuring corporate which is essential for long-term business strategy worldwide.

The study focus on the three companies Mergers and Acquisitions. Firstly, Tata Power Renewable Energy acquired Welspun Renewable Energy's 1.1 GW portfolios for an estimation of Rs 10,000 Crore as this is the largest Renewable M&A in the Asia. Next, Reliance Communications and Aircel had amalgamated for wireless operations with assets worth Rs 65,000 crore by decreasing their debts of Rs 20,000 crore and 4,000 crore correspondingly. Lastly, this acquisition includes Aditya Birla Fashion and Retail Limited (ABFRL) and American fast-fashion brand Forever 21. The ABFRL has acquired Forever 21's online and offline rights in the Indian market which includes existing store network for Rs 175.52 crore.

Government's steps to build up Indian economy and improve global grade in World Bank's Ease of Doing Business, have created a merger storm in the nation. With Alibaba's acquisition in Paytm and the much heated Walmart-Flipkart merger has shown the rise of foreign investors' interest in the Indian market. Further, with time lined and eased procedures in merger laws in the country, India will not only attract foreign investors but will also strengthen its position and help in making India the hub for foreign cross-border mergers.

1.1REVIEW OF LITERATURE

In this study the researcher aims to find out the impact of merger and acquisition on organizational performance. Also this study focused on the impact of top 4 merger and acquisition happened on 2016 in India. The researcher's find out the below review of literature which is relevant for in this study.

Amish Bharatkumar Soni (2016) : **"** (Soni, 2016)**":** In this research paper the researcher analyze the impact of merger and acquisition on shareholders wealth with the help of top 10 merger and acquisition in Indian companies. Based on this study it is clear that there is a huge impact of merger and acquisition on shareholders wealth.

Krishna Prasad V and Mridula Sahay (2018): (V, 2018): In this paper tried to find out the reason for why companies looking for merger and acquisition and identify the benefits the companies are getting through these process and what all steps they have to consider before going for M&A process.

Momodou Sailou Jallow, Massirah Masazing and Abdul Basit: (Jallow, 2017) (Rani, 2011)**:** The objective of this research is to examine the effect of merger & acquisitions on financial performance on United of Kingdom firms. The research was done on 40 companies listed under London Stock Exchange (LSE) that has undergone consolidation in 2011.

1.2 IMPORTANCE OF THE STUDY

Mergers and acquisitions (M&A) means consolidation of companies. Differentiating the two terms, Mergers is the combination of two companies to form one, while Acquisitions is one company taken over by the other. M&A is one of the major aspects of corporate finance world. The main reasons for merger and acquisition is to financial synergy for lower cost of capital, to Improving Company's performance and accelerate growth, to Diversification for higher growth products or markets, to increase market share and positioning giving broader market access and to Strategic realignment and technological change. Hence it is important to know the impact of merger and acquisition on company's overall performance.

1.3 OBJECTIVES OF THE STUDY

- To study the variance of profitability and sales before and after merger and acquisition
- To study the debt equity mix before and after merger and acquisition
- To study the working capital efficiency of the organizations before and after merger and acquisition
- To analyses the EPS of the companies before and after merger and acquisition

1.4 METHODOLOGY

This study is mainly based on secondary data. The secondary data has been collected by the researcher's from various websites, journals and articles etc. The researchers used Ratio for data analysis and interpretation.

1.5 DATA ANALYSIS & INTERPRETATION

The main objectives of this study is to study the variance of profitability and sales before and after merger and acquisition, to study the debt equity mix before and after merger and acquisition, to study the working capital efficiency of the organizations before and after merger and acquisition, to analyses the EPS of the companies before and after merger and acquisition

The researcher has been done the data analysis and interpretation with the help of various ratios like Debt Equity ratio and EPS

Below table show the profitability of various companies before and after merger and acquisition. As per the table it is clear that there is a no improvement in the profitability of the organization after the merger and acquisition. Reliance communication and Tata Power company profitability has been declined post-merger and Aditya Birla fashion Retails has been achieved slight profitability after the acquisition.

Table 1.1: Profit/Loss before Tax

Company Name	2018 Profit/Loss Before Tax	2017 Profit/Loss Before Tax	2016 Profit/Loss Before Tax	2015 Profit/Loss Before Tax	2014 Profit/Loss Before Tax
Reliance Communications	64	-6,891.00	131	-1,627.00	1,340.00
Aditya Birla Fashion & Retail	48.97	48.97	53.5	-104.14	-228.14
Tata Power Company	-3,244.60	515.23	1,734.29	1,515.65	1,491.16

Source: Money Control

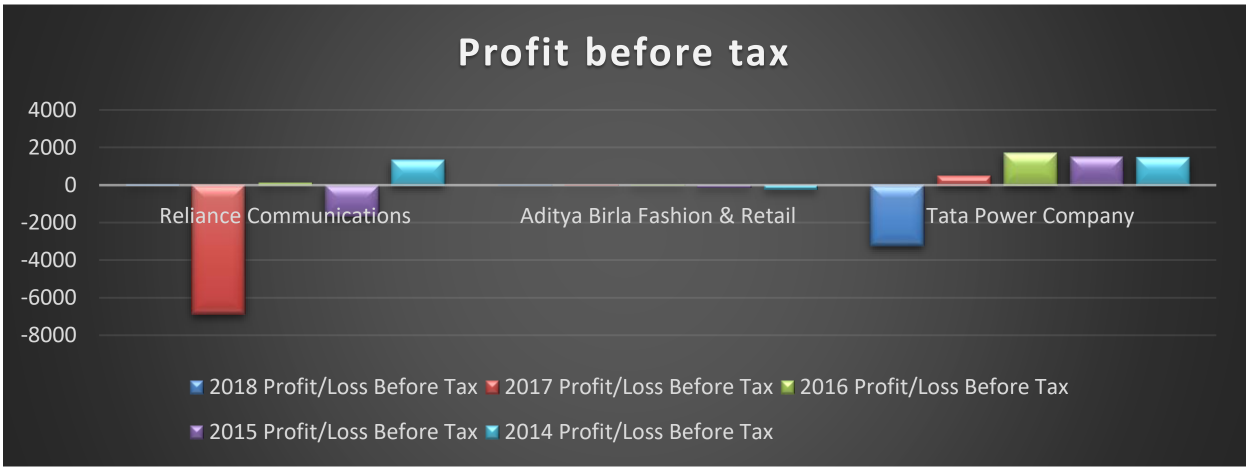

Figure 1.1: Profit/Loss before Tax

Below table show the turnover of various companies before and after merger and acquisition. As per the table it is clear that there is a variation in the sales turnover after the merger and acquisition. Aditya Birla Fashion & Retail has been increased their sales turnover and Reliance Communications & Tata Power Company has been reduced their revenue after the merger and acquisition.

Table 1.2: Revenue from operations

Company Name	Revenue From Operations - 2018	Revenue From Operations - 2017	Revenue From Operations - 2016	Revenue From Operations - 2015	Revenue From Operations - 2014
Reliance Communications	**2,231.00**	**2,231.00**	**3,537.00**	**11,180.00**	**11,925.00**
Aditya Birla Fashion & Retail	**7,148.50**	**7,172.07**	**6,557.77**	**6,017.80**	**1,816.88**
Tata Power Company	**7,396.54**	**6,784.68**	**8,465.73**	**8,528.29**	**8,497.05**

Source: Money Control

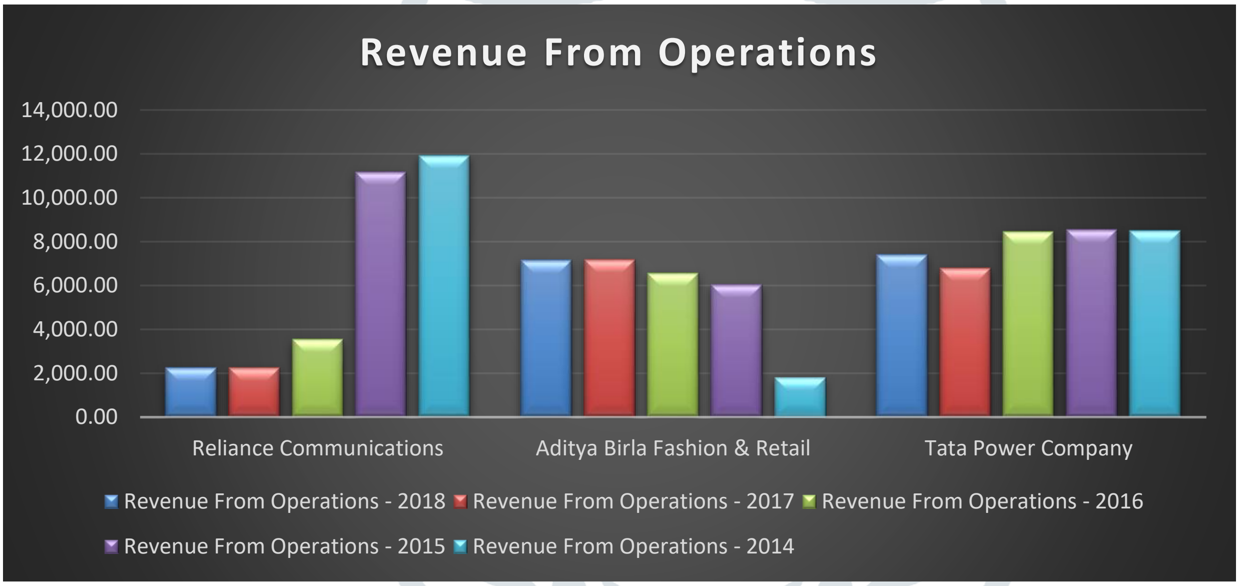

Figure 1.2: Revenue from operations

To analyses the long term solvency position, the researcher has done the debt equity ratio.as per the below table it is clear that debt equity ratio has been increased after the merger and acquisition. Hence the companies solvency position better after the merger and acquisition.

Table 1.3: Debt equity ratio

Company Name	Debt equity Ratio - 2018	Debt equity Ratio - 2017	Debt equity Ratio - 2016	Debt equity Ratio – 2015	Debt equity Ratio - 2014
Reliance Communications	3	3	1.1	1.02	0.76
Aditya Birla Fashion & Retail	1.61	1.61	2.13	1.57	3.58
Tata Power Company	0.96	0.68	0.68	0.67	0.67

To analyses the short term solvency of the business organisation after and before merger & acquisition the researcher used current ratio. Current ratio measure the ability of the organisation to meet the short term obligation. In a sound business current ratio of 2:1 considered an ideal one. The below table reflect the current ratio of the various firms before and after merger & acquisition.

As per the table it is clear that firm's current ratio is less than two. Which means company not in a stable position to meet there short term obligation after and before merger and acquisition.

Table 1.4: Current Ratio

Company Name	Mar-18	Mar-17	Mar-16	Mar-15
	Current Ratio			
Reliance Communications	0.95	0.61	0.72	1.26
Aditya Birla Fashion & Retail	0.84	0.83	0.69	0.6
Tata Power Company	0.52	0.72	0.59	0.46

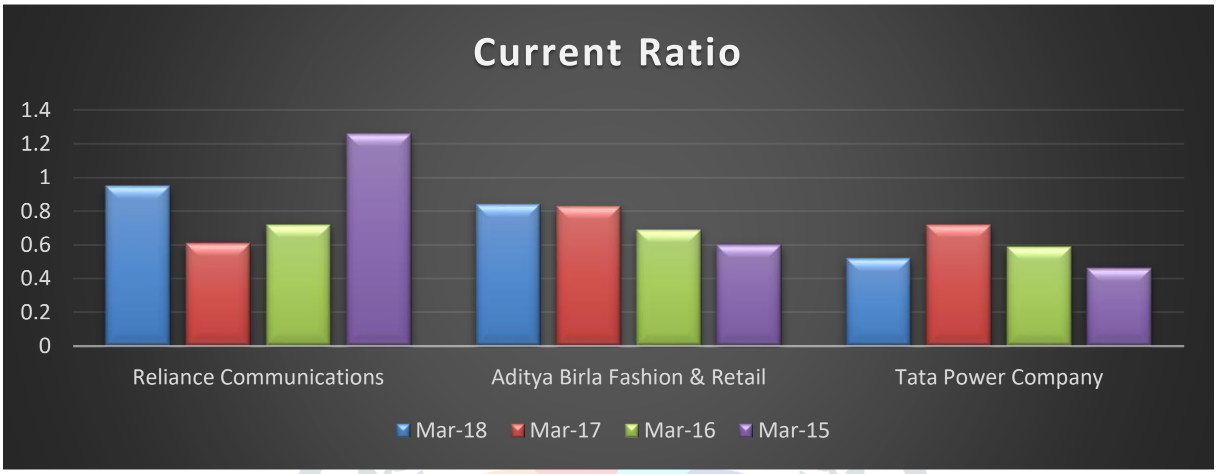

Figure 1.3: Current Ratio

The below table reflect the earnings available for equity share holders. As per the table it is clear that EPS has been reduced after the merger and acquisition. In HDFC Standard Life Insurance Company Limited and Aditya Birla Fashion & Retail there is a slight increase in the EPS

Table 1.5: EPS

Company Name	Mar-18	Mar-17	Mar-16	Mar-15
	EPS			
Reliance Communications	-38.22	-7.28	-1.54	-0.66
HDFC Standard Life Insurance Company Limited	5.53	4.47	4.1	3.94
Aditya Birla Fashion & Retail	1.52	0.69	-1.35	-24.59
Tata Power Company	-12.05	1.06	4.59	3.3

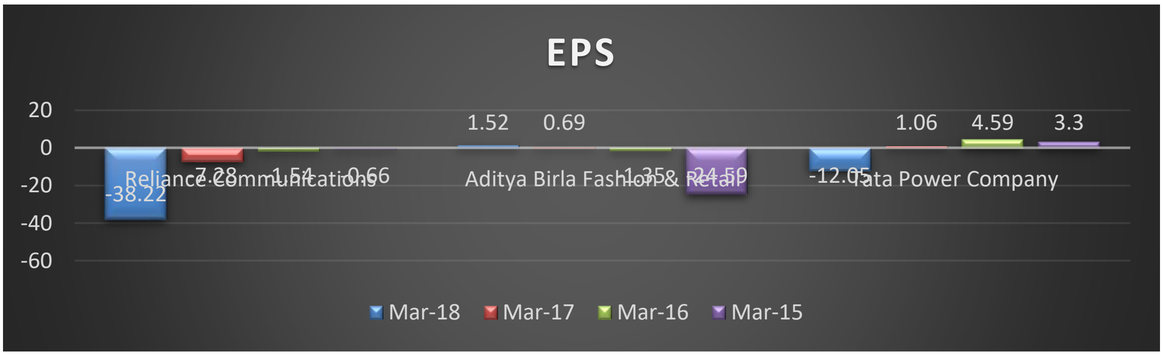

Figure 1.4: EPS

FINDINGS

This study mainly focused on the impact of merger and acquisition on the company's profitability, revenue, short term and long term financial position. As per the study the researcher find out the following.

- Company's not able to maintain or increase the profitability of the organisation after the merger & acquisition.
- There is huge increase in the sales after the merger and acquisition, however it is not reflecting on the profitability portion. Which means company's not able to control the operational and other relevant expenses according to the sales.
- There is an increase in debt – equity ratio after the merger and acquisition, which is good sign for the company's long term solvency position.
- Company short term solvency position is not satisfactory after and before merger and acquisition.
- Company's not able to maintain EPS after the merger and acquisition.

CONCLUSION

The major purpose behind the merger and acquisition process is to synergies the organizational performance, diversification, growth and eliminate competition. This study has been taken place to analyses the impact of merger and acquisition on company's profitability, revenue, short term and long term solvency position. As per the analysis it is clear that the company's not receiving the exact benefits of merger and acquisition. Company's sales rapidly increased however it is not reflecting on the company's overall performance. If the companies have good management and direction, definitely it will lead to increase the overall performance of the organisation and also the returns of merger and acquisition in the future however we can't assume the same performance in the span of two year after the merger and acquisition.

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