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Value Creation through Mergers and Acquisitions: An Empirical Study of Select Indian Organizations

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Abstract

Purpose of research

Mergers and Acquisitions (M&As) and corporate restructuring are a big part of the corporate Strategy. Mergers and acquisitions have become increasingly important channels of cross-border industrial restructuring and foreign direct investment all over the world (Nagesh Kumar 2000). The M&A boom in India has reached to newer heights. According to Grant Thornton India, the total number of M&A deals in 2008 was 445, with a total announced value of US \$ 30.72 billion. This is compared to the 676 deals in 2007 with a total value of \$ 51.11 billion and 480 deals in 2006 amounting to US\$ 20.30 billion. The value and volume of deals reduced by 40 per cent and 34 per cent respectively compared to 2007 which can be attributed to cascading effects of the global credit crisis in the second half of the year 2008 (The Financial Express, 2007). There were 42 cross-border deals with an announced value of \$ 4.11 billion, carried out by Corporate India in May 2008, while 32 domestic M&As garnered just \$ 0.26 billion to their kitty (The Economic Times, 2008). India is among the top five countries in the region in terms of the number of M&A activities in the first three months of 2009 with 331 deals, even as the deals saw a 72 per cent decline from the same period a year-ago (The Financial Express, 2009).

The above statistics show that mergers and acquisitions have become common in India today. However, very little appears to be known about the post-merger performance of cross border and domestic merging firms in India, and the strategic

factors that affect this performance. Our study attempts to fill this gap in knowledge about M&As in India. The aim of this study is to find out the impact of mergers and acquisitions on corporate performance in Indian context. Also, an attempt is made to identify sources that affect the profitability of the firms. The current study also tries to conceptualize existing literature and shows the correlation between M&A and performance of Indian corporates.

Methodology

This empirical study analyses the financial data of selected merging firms in the period 2000-2008. The data is collected from various sources; newspapers, magazines and CMIE database PROWESS. Tabulation and ratio analysis are being used to study the performance of M&As in India. The performance of mergers was checked on various parameters to see the overall financial position of merging and acquiring firms. These parameters include the liquidity position, operating efficiency, overall position, return on shareholders' equity and solvency position of the firm.

Findings

The result of the study indicate that M&A cases in India show a significant correlation between financial performance and the M&A deal, in the long run, and the acquiring firms were able to generate value creation in one or the other form, that is higher cash flows, cost cutting, greater market power, increase profits through synergies and economies of scale.

Implications

In India it is a general belief that synergy will be created and profits will be increased simply by going for M&As even in the absence of empirical data to support this preposition. This study is an attempt to fill this void.

Key Words: *Strategic alliances, Mergers and Acquisitions, Corporate Performance, India*

Introduction

Strategic alliances and Mergers and Acquisitions (M&A) are the dominant corporate strategies followed by organizations looking for enhanced value creation. The growing tendency towards mergers and acquisitions (M&As) world-wide, has been driven by intensifying competition. There is a need to reduce costs, need for global size, take benefit of economies of scale, investment in technology for strategic gains, desire to expand business into new areas and need for improvement in shareholder value. During the first wave (i.e., 1990-95), the Indian corporate houses seem to have been bracing up to face foreign competition while the second wave (i.e., 1995-2000) experienced a large presence of multinational firms [Beena 2000]. The third wave of M&As in India (since 2000) is evident of Indian companies venturing abroad and making acquisitions in developed and developing countries and gaining entry abroad. The relative size of target and acquiring firm has also increased. The size differences between the bidder and target firms influence acquisition performance and large acquisitions would have a greater combination potential [Kitching 1967]. M&As also determined, to a large extent, the nature of foreign investment in the country during this period. M&A comes in all shapes and sizes, and investors need to

consider the complex issues involved in M&A. The most beneficial form of equity structure involves a complete analysis of the costs and benefits associated with the deals.

Corporate restructuring including M&As have given rise to a host of important issues for business decisions, for public policy formulation and economic regulations. Business firms can grow both internally and externally. With increased global competition, it has become imperative for the business firms to grow inorganically that is externally. A look at the sectoral trends reflects that Indian financial sector is adopting inorganic strategies to grow its businesses. Researchers and economists have observed that due to smaller size, the Indian banks may find it very difficult to compete with international banks in various facets of banking and financial services. Hence, one of the strategies to face the intense competition could be, to consolidate through the process of mergers and acquisitions. The recent reports on banking sector indicate that India is slowly but surely moving from a regime of 'large number of small banks' to 'small number of large banks' and 'larger the bank, higher its competitiveness and better prospects of survival'. However, there is little published empirical literature on the impact of M&As in India. This study is an initial attempt to fill the void in literature published about the impact of financial performance of mergers in India. The aim of this study is to find out the impact of mergers and acquisitions on corporate performance in Indian context particularly in relation to companies of financial sector and telecommunication sector. Specific research objectives of the study are:

1. To evaluate the financial performance of M&As particularly of financial sector and telecommunication sector companies, before and after merger to assess its impact in terms of value creation for the merged or acquiring firms
2. To compare the performance of financial sector and telecommunication sector companies in India

Present status of M&A in India

There has been an increase in the number of mergers and acquisitions India. Global economic slowdown notwithstanding, India Industries announced more billion dollar M&A deals in 2008 compared to the previous year when the markets were on a bull run. Although involving the mega \$10 billion plus deals of last year, Tata Corus and Vodafone-Hutch were missing in 2008, there were however other large size transactions which kept the Indian -bankers busy. HDFC bank's acquisition of Centurion Bank of Punjab was the lone large domestic M&A deal in 2008. In year 2007, all the top ten M&A transactions were cross border (**Table 1**). Since 2000-2001 India has experienced upward trend in outbound deals (**Figure 1**).

M&A research has peaked during the last decades and the research material on different aspects of M&As is extensive. In our paper, we have reviewed literature covering motives of M&A and specifically the impact of M&A on financial viability of the companies.

Review of Literature: Mergers and Value Creation

Extensive research is available in context to M&A. It has been observed that they primarily cover nature of mergers in terms of their management, profitability and efficiency of merging companies, operating and financial synergies, post-merger operating performance of acquiring firms and comparison of pre- and post merger financial ratios in India (**Table A**).

Table A: Selected studies on M&A

Motive	Contributors	Central objective/finding
PROFITABILITY AND MARKET SHARE	Cartwright & Cooper, 1993; Sudarsanam, 1995; Chatterjee et al., 1992; Wullaerts, 2002 ,	Examined the prospect of increasing profitability and market share by acquisitions
SHAREHOLDERS VALUE CREATION	Angwin, 2001 Rappaport 1981 And many more	Used shareholder value to guide strategic investments
SYNERGIES	Haspeslagh and Jemison, 1991; Bradley, Desai and Kim (1983, 1988) ; Sirower, 1997	Argued that mergers create synergies. Synergies actually achieved are just not sufficient to justify the premiums paid
CROSS-BORDER MERGERS	Cartwright and Cooper 1991; Child, 2000; Larsson, 1993	Organizational Cultures and management styles has become a common panacea yet little is known about learning through international acquisitions
ASSESSMENT OF FINANCIAL ASPECT	Beena, 1998; Agarwal, 2002; Surjit, 2002; Swaminathan, 2002; Arora, 2003; Mantravadi and Reddy, 2007; Bhaumik and Selarka ,2008.	Studied the financial and operating performance of the companies

(Source: compiled by authors)

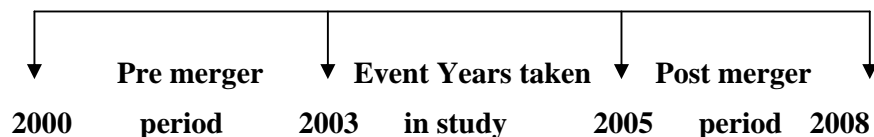
The above body of work has provided considerable knowledge on M&As concepts, and scholars have proposed additional research into many issues. But bulk of research has been in the context of U.S and European industries. At this juncture, it is pointed out that it is important to also study industries in context to India.

In this paper an attempt has been made to find out the impact of mergers and acquisitions on corporate performance in Indian context particularly in relation to companies of financial sector and telecommunication sector and a comparative analysis of the same has been done. Studies by **Surjit, 2002; Swaminathan, 2002; Arora, 2003** have Guided the methodology employed in the paper. **Surjit, 2002** carried out an analysis of 20 merging firms to compare the pre and post takeover performance, applying a set of eight financial ratios. He found that profitability and efficiency of merging companies declined in the post takeover period. **Swaminathan, 2002** studied the sample of five companies and found four of the five acquiring firms improved operating and financial synergies (measured through certain financial ratios). **Arora, 2003** examined the post merger performance of merged companies using the value added metrics of corporate performance such as EVA, MVA and RONW.

Evaluation of the financial performance of M&A: The Methodology

This empirical study analyses the financial data of selected merging firms in the period 2000-2008. In order to evaluate the financial performance of the merging firms in the long run, at least three years financial data is required. Therefore, 2003, 2004 and 2005 are considered as the event years to identify the M&A deals in India and to compare the financial performance of the cases pre merger and post merger during 2000-2008. The pre merger years taken for comparison are from 1st April, 2000 to 31st March, 2003 and years 1st April, 2005 to 31st March, 2008 are taken as post merger years (**figure A**). The data is collected from various sources; CMIE database PROWESS, newspapers, magazines and journals.

Figure A: Period taken in study



In all total 491 (all industries) mergers took place during the event period. Our study concentrated on the financial and telecommunication sector companies. The sample under study includes 17 companies in financial sector (**Table B**) and 6 companies in telecommunication sector (**Table C**). The financial data for these 23 companies is collected for six years i.e. for three years pre merger and three years post merger period (average of three years). To check the financial health of these cases, the financial performance is measured on four parameters, which are analyzed with the help of financial ratios. These are:

- a. Overall profitability parameters from Return to Equity Shareholders point of view, return on net worth and earning per share are calculated.
- b. Liquidity parameters- current ratio is measured
- c. Solvency parameters - debt to equity is calculated
- d. Overall efficiency parameters- profit before tax and profit before tax to total income

Table B: List of financial sector companies merged between 1st April, 2003 and 31st March, 2005

S. no.	Name of sector	Sample merged companies
1.	Banking	10
2.	Financial institutes	2
3.	Non banking financial companies	5
Total		17

(Source: Prowess database of CMIE)

Table C: List of telecommunication sector companies merged between 1st April, 2003 and 31st March, 2005

S. no.	Name of sector	Sample merged companies
1.	Telecommunication	6
Total		6

(Source: Prowess database of CMIE)

Findings and Discussion

I. Overall profitability parameters (Return to Equity Shareholders)

In the present study Return to Equity for shareholders is measured with the help of two ratios: Return on Net Worth and Earning Per Share. The use of both these ratios presents a broad picture of a company's efficiency, financial viability and its ability to earn returns on shareholders' funds and capital employed.

Return on Net Worth (RONW)

RONW measures the rate of return on the shareholders equity of the owners. It measures the company's efficiency of using the capital (shareholders funds) entrusted to it and generating profits. The average amount of net worth of financial sector (**Table 2**) and telecommunication sector (**Table 3**) companies after merger was higher than that of pre merger period.

Major observations in Table 2 and Table 3

- Out of 17 merger cases of financial sector, 11 merging firms showed a positive sign, i.e. increase in RONW and 6 merging firms showed decline in net worth. Among the sample, 3 merging firms showed negative net worth during post merger period.
- Out of 6 merger cases of telecommunication sector, all 6 cases showed increase in the value. In one of the cases the increase is minimal and remains negative.

Earning Per Share (EPS)

In order to get true idea of return on investment owner should evaluate his investment returns not on the basis of the dividend received, but on the basis of the EPS i.e. earnings per share. The more the EPS better are the performance and prospects of the company.

Major observations in Table 4 and Table 5

The EPS of merged company during pre and post merger periods given in **Table 4** can be interpreted as:

- It is interesting to note that among the sample of 17 merging cases, 15 merging firms indicate increase in EPS and only 2 merging firms showed decrease in average of three year of EPS during post merger period when comparing with pre merger performance of same cases.
- Also out of 17 merging cases, 9 firms EPS increased more than fifty per cent during post merger period as compared to pre merger performance of the companies.
- 2 merging firms having negative value, showed an increase in EPS during post merger period but it was observed that inspite increase in amount of EPS the value was still negative.

The results of **Table 5** are depicted as below:

- It is observed that in all the merging cases for which data was available showed an increase in the value of EPS when compared to pre merger performance of the companies.

II. Liquidity parameters

Liquidity ratios measure the short term solvency i.e. the firm's ability to pay off current dues. In the present study current ratio is used to check the liquidity of the firm.

Current Ratio

In a sound business, a current ratio of 2:1 is considered an ideal one. A very high ratio will result in idleness of funds and therefore, is not a good sign. On the contrary, a low ratio would mean inadequacy of working capital.

Major observations in Table 6 and Table 7

The results of the current ratio of sample merging firms before and after merger have been presented in **Table 6**.

- Among the 17 merging cases, 7 merging firms showed increase in current ratio and 10 merging firms showed decrease in current ratio.
- In the case of Laxminarayan Investment Ltd. current ratio increased from 1 times to 10 times (approx.), showing a huge increase in working capital, it can be interpreted that the firm may have idle funds available as current assets increased relatively with greater speed than current liabilities.

The current ratios of merged company in telecommunication sector during pre and post merger periods given in **Table 7** can be interpreted as:

- The current ratio in all cases showed an increase in the value but still companies have scope to increase and improve their current ratio position as only one company is near ideal ratio and rest are below ideal ratio.

III. Solvency parameters

Solvency parameters indicate the ability of an enterprise to meet its long term indebtedness (obligations). In this study debt-equity ratio is used to measure the solvency position.

Debt-Equity ratio

The debt to equity ratio is worked out to ascertain soundness of the long term financial policies of the firm. A higher ratio indicates a risky financial position while a lower ratio indicates safer financial position. The debt to equity ratio of sample merged companies during pre and post merger period of financial sector is exhibited in **Table 8** and telecommunication sector is exhibited in **Table 9**.

Major observations in Table 8

- Out of 17 merging firms, there was increase in debt to equity ratio of 11 merging firms, which means that debt (leverage) in the firm increased. It is important to note that the average increase in the value of 4 firms over three year was small.

- 2 firms out of 17 merging cases showed decline in debt to equity ratio which can be interpreted as firms with safer financial position and for rest 4 firms data was not available.

Major observations in Table 9

- Out of 6 merging cases, 2 firms showed decline in the value and 3 firms showed increase in debt to equity ratio and for rest 1 firm data was not available.

IV. Overall efficiency parameters

The main objective of business is to earn profit. Therefore, efficiency in business is measured by profitability. Thus, a measure of profitability is the overall measure of efficiency. To check the overall efficiency of the merging cases, profit before tax, profit after tax and profit before tax to total income are calculated.

Profit before tax (PBT)

Profit before tax, or PBT, measures the profits of the companies before paying corporate taxes. **Table 10** depicts PBT of the merging cases in financial sector and **Table 11** depicts PBT of the merging cases in telecommunication sector and can be interpreted as follows:

Major observations in Table 10

- It is interesting to know that all 17 merging cases taken under study have shown increase in the profit before taxes.
- Among these 17 merging cases, 5 companies had negative profits before taxes during pre merger period but it is observed that during post merger period the average of three years profit before taxes was positive. It can be interpreted as good sign for the companies going for merger.

Major observations in Table 11

- It is interesting to note that in all the merging cases in telecommunication sector a drastic increase can be seen in the value of profit before taxes when pre merger period compared to post merger period.

Profit before tax to Total income

Profit before tax (PBT) to total income is the relationship between profit before tax and total income incurred by the business. The results of PBT to total income of sample merging firms before and after merger of financial sector companies have been presented in **Table 12** and of telecommunication sector in **Table 13**.

Major observations in Table 12 and Table 13

- It was observed that out of 17 merging cases in financial sector, 11 firms showed increase in PBT to total income and 6 firms showed decline in ratio.
- Out of 6 merging cases in telecommunication sector, only 1 firm has shown decline in the value and rest cases have shown increase in the value.

Conclusion

Among the merging firms more than half of the firms showed improved financial performance in the post merger time period as compared to the pre merger period. The result of the study indicate that in most of the M&A cases, in the long run the acquiring firms were able to generate value creation in one or the other form, that is higher cash flows, cost cutting and greater market power, however in spite of improved financial performance sixty four per cent of cases showed increased debt to equity ratio. It is also significant to note that profit before tax in all the merging cases has shown a positive trend for both financial sector and telecommunication sector companies.

Limitations of the study

Although, the study offers some interesting insights about the financial performance of M&As particularly the financial sector and telecommunication sector in India, it concentrates on only four parameters. Further study can be undertaken with reference to other sectors also. In order to reach conclusive results, further study can be undertaken covering a larger sample of M&As with broader time period and different statistical tests.

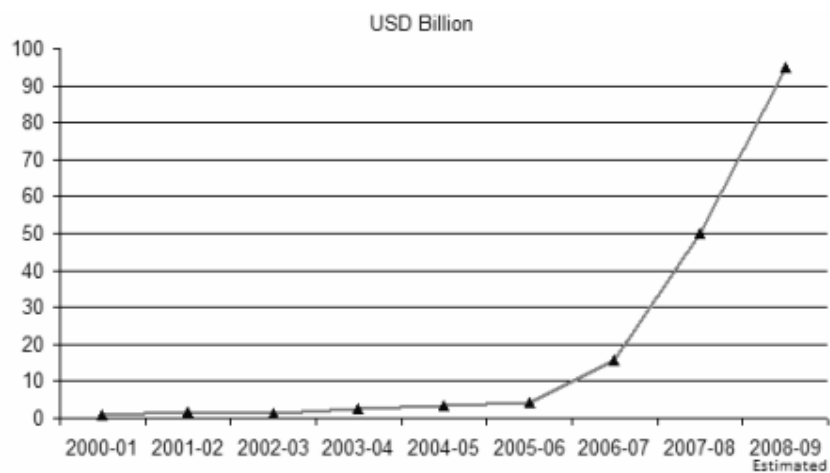
Annexure

Table 1: Top 10 acquisitions made by Indian companies worldwide

Acquirer	Target Company	Country targeted	Deal value (\$ ml)	Industry
Tata Steel	Corus Group plc	UK	12,000	Steel
Hindalco	Novelis	Canada	5,982	Steel
Videocon	Daewoo Electronics Corp.	Korea	729	Electronics
Dr. Reddy's Labs	Betapharm	Germany	597	Pharmaceutical
Suzlon Energy	Hansen Group	Belgium	565	Energy
HPCL	Kenya Petroleum Refinery Ltd.	Kenya	500	Oil and Gas
Ranbaxy Labs	Terapia SA	Romania	324	Pharmaceutical
Tata Steel	Natsteel	Singapore	293	Steel
Videocon	Thomson SA	France	290	Electronics
VSNL	Teleglobe	Canada	239	Telecom

(Source:<http://trak.in/tags/business/2007/08/16/indian-mergers-acquisitions-changing-indian-business/>)

Figure 1: Indian outbound deals since 2000



(Source: <http://trak.in/tags/business/2007/08/16/indian-mergers-acquisitions-changing-indian-business/>)

Table 2: Return on Net Worth (RONW)

S.No.	Company Name	Pre merger	Post merger	Change in RONW
1	Bank Of Baroda	13.8733	11.3767	D
2	Bank Of India	18.2400	19.8567	I
3	Corporation Bank	18.3367	12.7867	D
4	Eicher Ltd.	-17.6967	28.5233	I
5	I D B I Bank Ltd.	-4.5133	-3.5133	I
6	Indusind Bank Ltd.	10.6900	-1.0200	D
7	Infrastructure Development Finance Co. Ltd.	11.6167	15.9000	I
8	L & T Finance Ltd.	4.8667	20.7233	I
9	Laxminarayan Investment Ltd.	3.6167	5.3833	I

10	Oriental Bank Of Commerce	19.4467	8.2333	D
11	Pioneer Investcorp Ltd.	-4.6133	43.4933	I
12	Punjab National Bank	19.0933	15.3633	D
13	Sundaram Finance Ltd.	6.6733	18.1200	I
14	Tulip Star Hotels Ltd.	-2.9967	31.6367	I
15	Union Bank Of India	15.8533	19.5700	I
16	Vijaya Bank	19.9967	12.1033	D
17	Walchand Peoplefirst Ltd.	-6.1500	-2.9100	I

Source: Computed from Prowess

Note: 1. D=Decrease, I=Increase

2. Figures in percentage

Table 3: Return on Net Worth (RONW)

S.No.	Company Name	Pre merger	Post merger	Change in RONW
1	Bharat Sanchar Nigam Ltd.	3.67	7.176667	I
2	Vodafone Essar Digilink Ltd.	37.54	1437.76	I
3	Vodafone Essar East Ltd.	0	24.54	I
4	Vodafone Essar Gujarat Ltd.	-21.82	48.52667	I
5	Vodafone Essar Mobile Services Ltd.	-2.603333333	20.57333	I
6	Vodafone Essar South Ltd.	-23.33333333	-22.3	I

Source: Computed from Prowess

Note: 1. D=Decrease, I=Increase

2. Figures in percentage

Table 4: Earnings Per Share (EPS)

S.No.	Company Name	Pre merger	Post merger	Change in EPS
1	Bank Of Baroda	17.9433	30.0967	I
2	Bank Of India	10.5900	25.2300	I
3	Corporation Bank	24.1000	39.8700	I
4	Eicher Ltd.	-13.6967	10.6233	I
5	I D B I Bank Ltd.	13.6767	8.8400	D
6	Indusind Bank Ltd.	3.7700	1.8367	D
7	Infrastructure Development Finance Co. Ltd.	1.6533	4.2100	I
8	L & T Finance Ltd.	0.5500	7.1467	I
9	Laxminarayan Investment Ltd.	0.4133	1.0500	I
10	Oriental Bank Of Commerce	16.9733	32.3033	I
11	Pioneer Investcorp Ltd.	0.0667	14.7100	I
12	Punjab National Bank	24.9267	53.1567	I
13	Sundaram Finance Ltd.	41.3900	50.5533	I

14	Tulip Star Hotels Ltd.	-1.2367	-0.7200	I
15	Union Bank Of India	8.6333	19.1900	I
16	Vijaya Bank	3.9300	5.6633	I
17	Walchand Peoplefirst Ltd.	-6.6667	-1.9867	I

Source: Computed from Prowess

Note: 1. D=Decrease, I=Increase

2. Figures in Rupees

Table 5: Earnings Per Share (EPS)

S.No.	Company Name	Pre merger	Post merger	Change in EPS
1	Bharat Sanchar Nigam Ltd.	4.983333333	11.53667	I
2	Vodafone Essar Digilink Ltd.	-7.86	12.15	I
3	Vodafone Essar East Ltd.	-	-	-
4	Vodafone Essar Gujarat Ltd.	0.333333333	8.606667	I
5	Vodafone Essar Mobile Services Ltd.	-0.03	17.72333	I
6	Vodafone Essar South Ltd.	-0.88	0.226667	I

Source: Computed from Prowess

Note: 1. D=Decrease, I=Increase

2. Figures in percentage

Table 6: Current Ratio

S.No.	Company Name	Pre merger	Post merger	Change in Current Ratio
1	Bank Of Baroda	3.2933	4.2567	I
2	Bank Of India	2.4333	3.5233	I
3	Corporation Bank	2.5900	2.6000	I
4	Eicher Ltd.	1.0333	0.2000	D
5	I D B I Bank Ltd.	1.1000	2.1667	I
6	Indusind Bank Ltd.	4.5567	3.9133	D
7	Infrastructure Development Finance Co. Ltd.	2.1533	0.6233	D
8	L & T Finance Ltd.	2.1333	0.5100	D
9	Laxminarayan Investment Ltd.	1.2333	10.1800	I
10	Oriental Bank Of Commerce	5.1767	3.5867	D
11	Pioneer Investcorp Ltd.	3.9100	2.0467	D
12	Punjab National Bank	2.6333	3.6833	I
13	Sundaram Finance Ltd.	1.4767	0.5067	D

14	Tulip Star Hotels Ltd.	1.9900	0.6700	D
15	Union Bank Of India	3.9733	2.6100	D
16	Vijaya Bank	3.8100	4.5700	I
17	Walchand Peoplefirst Ltd.	2.1667	1.9700	D

Source: Computed from Prowess

Note: 1. D=Decrease, I=Increase

2. Figures in Times

Table 7: Current Ratio

S.No.	Company Name	Pre merger	Post merger	Change in Current Ratio
1	Bharat Sanchar Nigam Ltd.	1.123333333	2.553333	I
2	Vodafone Essar Digilink Ltd.	0.12	0.436667	I
3	Vodafone Essar East Ltd.	-	0.546667	-
4	Vodafone Essar Gujarat Ltd.	0.093333333	0.516667	I
5	Vodafone Essar Mobile Services Ltd.	0.17	0.783333	I
6	Vodafone Essar South Ltd.	2.2	0.53	I

Source: Computed from Prowess

Note: 1. D=Decrease, I=Increase

2. Figures in percentage

Table 8: Debt-Equity Ratio

S.No.	Company Name	Pre merger	Post merger	Change in Debt equity ratio
1	Bank Of Baroda	0.5967	0.7333	I
2	Bank Of India	1.7900	1.7500	D
3	Corporation Bank	0.4933	0.7167	I
4	Eicher Ltd.	2.1800	-	-
5	I D B I Bank Ltd.	7.3567	7.4233	I
6	Indusind Bank Ltd.	1.0967	1.5033	I
7	Infrastructure Development Finance Co. Ltd.	1.1767	4.3133	I
8	L & T Finance Ltd.	5.0933	5.8667	I
9	Laxminarayan Investment Ltd.	-	0.9200	-
10	Oriental Bank Of Commerce	0.4100	0.4533	I
11	Pioneer Investcorp Ltd.	-	0.6567	-
12	Punjab National Bank	0.6933	0.8633	I
13	Sundaram Finance Ltd.	3.9833	5.9600	I

14	Tulip Star Hotels Ltd.	1.0533	0.6433	D
15	Union Bank Of India	0.7867	1.5900	I
16	Vijaya Bank	0.8900	0.9733	I
17	Walchand Peoplefirst Ltd.	-	0.0067	-

Source: Computed from Prowess

Note: 1. D=Decrease, I=Increase, - = data not available

2. Figures in Times

Table 9: Debt-Equity Ratio

S.No.	Company Name	Pre merger	Post merger	Change in Debt equity ratio
1	Bharat Sanchar Nigam Ltd.	0.19	0.043333	D
2	Vodafone Essar Digilink Ltd.	1.513333333	1.603333	I
3	Vodafone Essar East Ltd.	-	-	-
4	Vodafone Essar Gujarat Ltd.	1.946666667	0.083333	D
5	Vodafone Essar Mobile Services Ltd.	-14.52	0.113333	I
6	Vodafone Essar South Ltd.	17.68666667	24.79333	I

Source: Computed from Prowess

Note: 1. D=Decrease, I=Increase

2. Figures in percentage

Table 10: Profit Before Tax (PBT)

S.No.	Company Name	Pre merger	Post merger	Change in PBT
1	Bank Of Baroda	808.6433	1658.6700	I
2	Bank Of India	722.1600	1711.0767	I
3	Corporation Bank	494.4833	852.1667	I
4	Eicher Ltd.	-24.5833	10.9867	I
5	I D B I Bank Ltd.	-285.8700	711.2267	I
6	Indusind Bank Ltd.	72.4300	93.2867	I
7	Infrastructure Development Finance Co. Ltd.	187.6733	621.8533	I
8	L & T Finance Ltd.	3.8067	93.8033	I
9	Laxminarayan Investment Ltd.	0.6900	1.6700	I
10	Oriental Bank Of Commerce	528.8167	766.7300	I
11	Pioneer Investcorp Ltd.	-0.9200	20.5667	I
12	Punjab National Bank	840.0300	2499.9567	I
13	Sundaram Finance Ltd.	85.4700	218.3767	I

14	Tulip Star Hotels Ltd.	-0.1133	9.9500	I
15	Union Bank Of India	506.1967	1378.4733	I
16	Vijaya Bank	135.6500	292.5300	I
17	Walchand Peoplefirst Ltd.	-1.3167	2.8567	I

Source: Computed from Prowess

Note: 1. D=Decrease, I=Increase

2. Figures in Rupees in Crores

Table 11: Profit Before Tax (PBT)

S.No.	Company Name	Pre merger	Post merger	Change in PBT
1	Bharat Sanchar Nigam Ltd.	3513.38	7089.583	I
2	Vodafone Essar Digilink Ltd.	13.29333333	282.9967	I
3	Vodafone Essar East Ltd.	-	188.7333	-
4	Vodafone Essar Gujarat Ltd.	-12.46	598.1533	I
5	Vodafone Essar Mobile Services Ltd.	3.51	446.96	I
6	Vodafone Essar South Ltd.	-47.5	137.6067	I

Source: Computed from Prowess

Note: 1. D=Decrease, I=Increase

2. Figures in percentage

Table 12: PBT/Total income

S.No.	Company Name	Pre merger	Post merger	Change in PBT/Total income
1	Bank Of Baroda	11.4167	14.8667	I
2	Bank Of India	10.2233	14.7667	I
3	Corporation Bank	20.8200	20.3833	D
4	Eicher Ltd.	-3.9367	44.9633	I
5	I D B I Bank Ltd.	-4.1133	8.1267	I
6	Indusind Bank Ltd.	7.8433	5.0600	D
7	Infrastructure Development Finance Co. Ltd.	47.8000	37.4533	D
8	L & T Finance Ltd.	4.0800	27.6167	I
9	Laxminarayan Investment Ltd.	70.0033	55.0300	D
10	Oriental Bank Of Commerce	14.7133	12.9133	D
11	Pioneer Investcorp Ltd.	-34.0767	70.1200	I
12	Punjab National Bank	10.5767	18.1467	I
13	Sundaram Finance Ltd.	15.9967	27.5833	I
14	Tulip Star Hotels Ltd.	0.4367	-663.5600	D
15	Union Bank Of India	10.6633	15.3533	I
16	Vijaya Bank	7.4700	8.4833	I
17	Walchand Peoplefirst Ltd.	-125.9233	19.8100	I

Source: Computed from Prowess

Note: 1. D=Decrease, I=Increase

2. Figures in Times

Table 13: PBT/Total income

S.No.	Company Name	Pre merger	Post merger	Change in Debt equity ratio
1	Bharat Sanchar Nigam Ltd.	3513.38	17.59667	D
2	Vodafone Essar Digilink Ltd.	13.29333333	15.63667	I
3	Vodafone Essar East Ltd.	-	29.55333	-
4	Vodafone Essar Gujarat Ltd.	-12.46	37.02	I
5	Vodafone Essar Mobile Services Ltd.	3.51	27.44667	I
6	Vodafone Essar South Ltd.	-47.5	-1.58	I

Source: Computed from Prowess

Note: 1. D=Decrease, I=Increase

2. Figures in percentage

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