

# Financial performance evaluation in post-acquisition – a case study of JK AND VIKRANT TYRES

Nandini. H<sup>1</sup>, Dr. Manoj Kumara N.V<sup>2</sup>

*Research student, department of management sciences, Maharaja Institute of Technology-Mysore  
Associate Professor, D, Department of Management Science, Maharaja Institute of Technology-Mysore*

**Abstract-** The concept of Merger and acquisition are common in today's world. The topic is selected to know the financial performance evaluation of JK and VIKRANT TYRES . This study used descriptive statistics (mean, standard deviation, kurtosis and skewness) and T-test as the statistical tools and ratios as financial tools. The study consisting the period of 5 years from 2013 to 2017 and used secondary sources to determine the position of the company. The most of the ratios are positively increased in all the descriptive. There is a changes in financial performance evaluation of the company JK and VIKRANT TYRES .

ratio of the merger has been decided at 2.5, with shareholders of Vikrant tyres getting two shares of JK Industries for every five shares of Vikrant. JK has also decided to demerge its sugar and agri- genetics businesses into independent companies. The shareholders of JK will also get shares of both the newly carved out entities sugar and agrigenetics.

The consolidated business will dominate with a 25 per cent plus share of the commercial tyre segment, which is nearly 75-80 percent of the total tyre industry turnover, a statement said Vikrant tyres is a subsidiary of JK tyre.

According to industries data, India produced 706,130 tyres for trucks and buses in the last year to march 2002 and production in the current year is expected to grow 5.0 percent on the back of rising cement and steel sales boosting freight movement.

## 1. INTRODUCTION

The merger and acquisition performance measures are diverse owing to heterogeneous views on what constitute merger and acquisition performance and organization performance.

Performance of merger and acquisition is a topic that has been with extensively in merger and acquisition research since the 160s. In this descriptive analysis we search peer- reviewed journals in the areas strategy, finance and accounting and applied economics and identify 730 papers published the received papers cover a wider range of time segments, approximately 30 years and include both domestic mergers and acquisitions and cross- border merger and acquisitions. Merger and acquisition turned out to be significant from of corporate restructuring in put globalization period in Indian industries.

## 2. BACKGROUND OF THE STUDY

JK Industries Ltd in 1997 acquired Vikrant tyres Ltd, Mysore. VTL has the first truck/ bus steel radial in India. This has state of the art technology in technical collaboration with continental A. G. Germany.

The board of directors of JK tyre and Vikrant tyres on Monday decided to merger two entities. The swap

## 3. LITERATURE REVIEW

Mergers and acquisition have become common phenomenon in recent times. Mergers & Acquisitions (M&A) are the strategic growth devices in the hands of more and more Companies not only to stay in the competition but also to extend their margins, market share and dominance globally (Andreea Nicoleta, 2014).The development of mergers & acquisitions (M&A) is not an invention of recent times. The first appearance of M&A in a high frequency evolved at the end of the 19th century. Since then, cyclic waves are observed with different waves emerging due to radical different strategic motivations(Pradeep Kumar Gupta, 2012). 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((Dr.K.A.Goyal and Vijay Joshi, 2012)). When considering the impact of mergers and acquisitions on the market value of

shares, the authors study how the performance of the bidder institution or/and the target bank grows or remains the same (Rima Tamosiuniene and EgleDuksaite.).M&A's have many potential benefits, which mainly focus boosting profits and shareholder value through the economies of scale produced by increasing market share, the expended use of an existing distribution network by the acquisition of new products capabilities, the extension of a strong product capabilities into new markets and the diversification of products and market risks(Mehroz NidaDilshad, 2012). Reasons behind decision to participate in M & A dealers Growth, Synergy and Access to intangible assets(Halen Anderson, 2003).The extensive literature on the implications of M&A produces mixed results regarding the merits of M&A on outcomes for specific stakeholder groups, with most attention going to shareholders(Sandra A. Waddock and Samuel B. Graves, 2006).Analysed on cost efficiency, economies of scale, and the scope of the Taiwanese banking industry, specifically focusing on how bank mergers affect cost efficiency, and concluded that bank merger activity is positively related to cost efficiency(Harari 1997).Acquiring-firm shareholders may suffer from overpayment, while target-firm shareholders may benefit in the short term, although some claim that the question remains unsettled. Some of the Reasons of Failure the mergers and acquisitions are Cultural differences, Lack of Experience and Knowledge, External Environment and Over-optimism(Deepak Khazanchi, 2016).“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 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(Ming and Hoshino 2002). In this 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 Ikeda and Do (1983). 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 Sankar and Rao (1998). Carried out an analysis entitled “Operating Performance and the Method of Payment in Takeovers” wherein they investigated the relation between the method of payment, earnings management, and OP. The study depended on a sample of 959 M&As (mergers and tender offers) announced and completed between January 1985 and December 1997, where current and long-term accumulations have been separately used to detect any earnings management Heron and Lie (2002).

#### 4. OBJECTIVES OF THE STUDY

To examine the financial performance in post acquisition.

#### 5. RESEARCH METHODOLOGY

##### 5.1 Type of research:

Descriptive research – Descriptive research study is used to describe the characteristics of a population or phenomenon being studied. It does not answer questions about how/when/where/why the characteristics occurred.

5.2 Sampling design: It is a part of the target population, which can be an individual element or group from within a statistical residents to estimation the characteristics of the entire population.

##### Sample

Sl no	acquiring	Acquired	Type of activity	Deal of value	Year of accurance	Reasons
1	JK Tyre ltd	Vikrant Tyre	Acquisition	Stock	2002	To provide more quality of tyres to the public.

##### 5.3 Sources of data

Secondary data - Secondary data are data which are already collected and published by others, and they

are journals, articles, company records, books, websites, etc.

5.4 Tools for the study:

(a)Statistical tools:

Descriptive statistics – these are used to describe the basis features of the data in a study. They provide simple summaries about the sample and the measures.

Mean – Simple or arithmetic average of a range of values or quantities, computed by dividing the total of all values, also called Arithmetic mean.

Standard deviation – It is a measure of the dispersion of a set of data from its mean. It is calculated as the square root of variance by determining the variation between each data point relative to the mean.

Kurtosis & skewness: skewness is a measure of symmetry, or more precisely, the lack of symmetry a distribution, or data set, is symmetric if it looks the same to the left and right of the centre point.

Kurtosis is a measure of whether the data are heavy-tailed or light-tailed relative centre point.

Correlation – It is a statistical technique that can show whether and how strongly pairs of variables are related.

T test – A t-test is an analysis of two populations means through the use of statistical examination; s t-test with two samples is commonly used with small sample sizes, testing the difference between the samples when the variance of two normal distributions are not known.

TABLE: 6.1 PROFITABILITY RATIOS

Particulars	March 2017	2016	2015	2014	2013
OM	12.47	16.84	12.29	11.01	8.97
ARN	13.55	29.30	24.07	25.17	18.39
RLTF	18.78	28.54	25.01	25.96	20.70
LTE	0.98	1.06	1.30	1.39	1.52
FATOR	1.43	1.64	1.88	1.98	2.05

The above table says that the net profit margin is increasing till the year 2016 but, in the year 2013 it has decreased slightly and for the next year it has increased. In the same way the OM is increased year by year but in the last year 2017 is decrease. The return on ARN is increase in 2014 and 2016 and the remaining is decrease and RLTF is continuously

increased, but in the year 2017 is decrease and LTE is also continuously increased but in the 2017 is decrease. And has increase in the year 2013 compared to the year 2014 and 2017.

TABLE: 6.2 DISCRIPTIVE STATISTICS

Particulars	OM	ARN	RLTF	LTE	FATOR
MEAN	9.442	15.47	12.91	13.10	10.33
STANDERD DIVIATION	7.89	13.89	11.48	144.05	80.13
SKEWNESS	-0.177	-0.12	-07	24.97	0.23
KURTOSIS	-2.45	-3.00	-2.98	0.21	-2.84
MINIMUM	0.98	1.06	1.3	1.39	19.18
MAXIMUM	18.78	29.3	25.01	25.96	1.52

The above table says that the mean in OM is 9.44, SD is 7.89, kurtosis is -2.45, skewness is 1-0.177, minimum and maximum is 0.98 and 18.78. Mean in ARN is 62.36, SD is 63.25, kurtosis is 1.99, skewness is 1.52, minimum and maximum is 10.53 and 177.49. Mean in RLTF is 12.91, SD is 11.48, kurtosis is -2.98, skewness is -07, minimum and maximum is 1.3 &25.01. Mean in LTE is 13.10, SD is 11.48, kurtosis is 0.21, skewness is 24.97, minimum and maximum is 1.39 & 25.96. .Mean in FATOR is 10.33, SD is 80.13, kurtosis is -2.84, skewness is 0.23 , minimum and maximum is 19.18 & 1.52

One-Sample Test						
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
OM	9.53	4	0.001	12.316	8.728	15.904
ARN	8.01	4	0.001	22.096	14.442	29.750
RLTF	13.37	4	0.000	23.798	18.854	28.742
LTE	12.38	4	0.000	1.250	0.970	1.530
FATOR	15.64	4	0.000	1.796	1.477	2.115

Interpretation:

In the present study the table finds that the value of "t-value" is found positive for the respected ratios i.e., NPM,OPM,ROI,ROE,GPM,ROCE. The degree of freedom is taken as 4 for all the ratios i.e., NPM,OPM,ROI,ROE,GPM,ROCE which is taken in the above table. The "P-Value" is less than 0.05 significant level, therefore the Ho is rejected. Henceforth, it is proven that there is a significant impact of M&A on firms performance in post acquisition.

7. FINDINGS & RECOMMENDATIONS

- The net profit margin is increasing till the year 2016.

- OM is increased year by year but in the last year 2017 is decrease.
- ARN is increase in 2014.
- LTE is also continuously increased but in the 2017 is decrease.
- Mean in OM is 9.44, and the maximum is 18.78.
- Kurtosis in FATOR is -2.84, skewness is 0.23.
- Mean in LTE is 13.10.

## 8. CONCLUSION

Mergers and acquisitions plays a very important role in the modern days. The purpose of this study is to identify the financial performance evaluation of the JK AND VIKRANT TYRES. The P value is less than 0.05 in all ratios so the Ho is rejected..

## BIBLIOGRAPHY

- [1] Dr.K.A.Goyal and Vijay Joshi – March 2012 – Mergers and Acquisition in Banking Industry : A case study of ICICI Bank limited – International Journal of Research in Management – Vol. 2 – Issue 2 – ISSN 2249-5908
- [2] AndreeaNicoleta – 2014 – The Impact of Mergers and Acquisition on the Market Value of Shares of ERSTE Bank group – Timisoara Journal of Economics and Business – Vol. 7 – Issue 1 – ISSN 2286-0991
- [3] Pradeep Kumar Gupta – August 2012 – Mergers and Acquisition: The Strategic Concepts for the Nuptials of Corporate Sector – Innovative Journal of Business and Management – ISSN 2277-4947
- [4] Rima Tamosiuniene and EgleDuksaite – The Impact of Mergers and Acquisitions in Today's Economy
- [5] Mehroz, NidaDilshad – December 2012 – Profitability Analysis of Mergers and Acquisitions: An Event Study Approach – Business and Economic Research – Vol. 3 – ISSN 2162-4860
- [6] Halen Anderson, VirpiHavila and Johan Holtstrom – September 2003 – Are Customers and Suppliers participants of a Mergers or an Acquisition? – A literature review
- [7] Sandra A. Waddock and Samuel B. Graves – April 2006 –The Impact of Mergers and Acquisition on Corporate Stakeholder Practices – Journal of Corporate Citizenship – Vol. 22
- [8] Deepak Khazanchi – 2016 – Evaluating IT Integration Risk Prior to Merger and Acquisition – ISACA Journal – vol. 2
- [9] Harari– 1997 – Curing the merger and Madness – Management review 86 (7) : 53-6
- [10] Ming and Hoshino – 2002 – productivity and operating performance of Japanes merging firms: Keiretsu related and independent mergers – Japan and the world economy 14(3) : 347-66
- [11] Ikeda K and N. Do – 1983 – The performance of merging firms in Japanese manufacturing industry 1964-75 – the journal of Industrial Economics – 31(3) : 257-66
- [12] Sankar R and K.V.Rao – 1998 – Takeovers as a strategy of turnaround – An empirical study – The Indian journal of Commerce
- [13] Heron R and E. Lie – 2002 – Operating Performance and the method of payment in takeovers – Journal of Financial and Quantitative analysis