Profitability Analysis in Post- Acquisition of Cyient DLM Private limited

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***Abstract*- Mergers and acquisitions are transactions in which the ownership of companies, other business organizations, or their operating units are transferred or consolidated with other entities. The purpose of this research is to test the efficiency of the market with respect to declare or announcement of merger and acquisitions using an event study methodology. Specially this study analysed the effects of merger and their announcements on the prices of stocks in company. the study the company involvement in merger and acquisition years to 2014-2018 in order to investigate the returns of shareholders of the target and acquirers. Evidence here supports that significant increasing of return were evidences of excess returns after the merger announcement was also observed along with the leakage of information that resulted in the rise of stock price few days before the announcement of merger or acquisition**

Index Terms- efficiency, profitability, mergers, acquisition

1. INTRODUCTION

Acquisition may be completed to expand a company's reach or gain market share in an attempt to create shareholder value. Merger and acquisition describe the consolidation of companies or assets. M&A can include a number of different transaction that are often in the pursuit of synergy, diversification, growth, competitive advantage or to influence the supply chain.

Profitability analysis is one the tools of financial ratio analysis is profitability ratios, which are used to determine the company bottom line and its return to its investors. It measures the company managers and owner alike.

2. LITERATURE REVIEW

Mehroz Nida Dilshad (2013) The main objective of this research is to test the efficiency of the market with respect to the merger and acquisition. T. Venkatesan, Dr. S. K. Nagarajan (2012) profitability is the profit earning capacity which is crucial contributing for the survival of the firm. The profitability level should maintain at increasing level in over to overcome this problem. Dr. Monica Tulsian (2014) the main purpose of a business unit is to make a profits. Its done throw light on the current operation performance and efficiency of business. Mrs Shanthini Gnanasooriyar (2014) this research is determine the profitability of selected listed manufacturing companies in Sri Lanka over the period of 2008 to 2012 and the performance of the companies against four commonly used fina3ncial performance indicators. Brierley J.A (2016). This paper extends the limited research into profitability analysis by using research interviews to examine the circumstances when profitability analysis is or is not prepare, why various types of profitability analysis are prepared and the how it is used in decision making. Asma Khan and Jyoti Singhal (2015) The study covers a period of five years and applies various profitability ratios and found that the performance of HCL technologies was satisfactory except in return on net worth and return on long term funds whereas in case of tech Mahindra return on net worth and return on long term funds in satisfactory. B Kayathiri Bai, V Buvaneshwaran (2015) the hotel industry is a mature industry marked by intense competition. Market share increase typically comes at a competitors expense. Industry wide, most growth occurs in the international, rather than the domestic area. Georgeta Vintila and Elena Alexandra Nenu (2016). Recent studies have been generally focused

on the relationship between markets liquidity and the real economy, and also on the effects that the banking system could generate as the basis of the entire financial system.

Dr. Arti Mudaliar, Dr. B.M.S. Bhadauria (2014) keeping sector complexities in mind this study is carried out and it is focused on analysing the profitability of two multinational companies. Rakhi Hotwani. It involves in depth analysis of profitability of the company with the help of key ratios. Statistical analysis and growth chart in terms of turnover and profit. Mohan Kumar M.S, Safeer Pasha M, and Bhanu Prakash T N (2015 The research paper mainly focus on analysis of profitability of selected cement companies in India. The tools used for analysis are mean, standard deviation, co-efficient of variation and compound annual growth rate, Dr. S. K. Khrtik titto Varghese (2011) They found the profitability more or less depends upon the better utilization of resources and to manpower. It is worthwhile to increase profitability, not only against the investment, but also for investors return points of view.

Dr. T. Srinivasan Dr.M.Thiru Narayanasamy (2015) in their study has found that better utilization of the resources can lead for enhance profitability of the organization apart from customer satisfaction through quality services , cutting off expenses etc, clear that profitability. Chitra Sheth (2016) The management of business should find out profitability ratio to evaluate their own performance and get an idea of progress of their business. Dr. hiral Desai (2018) the study re33333veals that there is efficient and profitability utilization of capital invested into the business in the FMCG sector of India. The ROE ratio is satisfactory from the viewpoint of equity shareholders as far as return on their investment is concerned.

2.1 Research Gap:

There literature reviews related to merger and acquisition company profitability analysis in this study. This analysed for profitability in the companies. To know the profitability performance in out of the companies.

- The few studies are made in profitability analysis in India.
- The few studies focus on only secondary data and some the study used both primary and secondary data.
- The few studies focus on the mean, standard deviation, co-efficient of variation and compound annual growth rate.
- The few studies there is efficient and profitability utilization of capital invested into the business
- The few studies focus on analysis of profitability of selected cement companies and hotel industry in India.
- The few studies focused on the relationship between markets liquidity and the real economy.

2.2 Statement of the problem

The primary objective of the business undertaking is to earn profits. Profit earning is considered essential for the survival of the business. A business needs profit not only for its existence, but also for expansion and diversification the investors want an adequate return on their investment as well as workers, creditors, and a business enterprise can discharge its obligation to various segments of the society only through earning of profit.

3. OBJECTIVE OF THE STUDY

To investigate the financial performance with respect to profitability of merger and acquisitions.

4. RESEARCH METHODOLOGY

4.1 Financial tool

Gross profit ratio: Gross profit is a profitability ratio that calculates the percentage od sales that exceed the cost. It shows the margin left after meeting manufacturing costs of goods sold. It measures the efficiency of production as well as pricing.

Net profit ratio: It shows the earnings left for shareholders as a percentage of net sales. The net profit percentage is the ratio of after tax profits to net sales. It reveals the remaining profit after all costs of production, administration, and financing have been deducted from sales, and income taxes recognized.

Operating ratio: It shows the efficiency of a company's management by comparing the total operating expense of a company to net sales. The operating ratio shows how efficient a company's management is at keeping costs low while generating revenue or sales. The smaller the ratio, the more

efficient the company is at generating revenue versus total expenses.

Return on Equity: It shows the relationship between the earning of the company and owners fund. In corporate finance, the return on equity is a measure of the profitability of a business in relation to the book value of shareholder equity, also known as net assets minus liabilities. ROE is a measure of how well a company uses investments to generate earnings growth.

Return on Capital: Employed Return on capital employed (ROCE) is a financial ratio that measures a company's profitability and the efficiency with which its capital is used. In other words, the ratio measures how well a company is generating profits from its capital. The ROCE ratio is considered an important profitability ratio and is used often by investors when screening for suitable investment candidates.

Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives a manager, investor, or analyst an idea as to how efficient a company's management is at using its assets to generate earnings. Return on assets is displayed as a percentage.

4.2 Statistical tool

T-test: A t-test looks at the t-statistic, the t-distribution values, and the degrees of freedom to determine the probability of difference between two sets of data. To conduct a test with three or more variables, one must use an analysis of variance.

Descriptive method: this study used descriptive method. It try to prove the reason for effectiveness of cost control and company performance based on the review of literature was find that there is indifference performance of profitability but the result found some are negative and positive inputs therefor the study is gain to ascertain weather its impact negative or positive with respect to related company by consisting the study period of 5 years.

Mean : the mean or average that is used to derive the central tendency of the data in question. It is determined by adding all the data points in a population and then dividing the total by the number of points.

Medium: The statistical median is the middle number in a sequence of numbers. To find the median, organize each number in order by size; the number in the middle is the median.

4.3 Hypothesis of the study

Ho ; There is no significance of profitability in post acquisition period.

5. DATA ANALYSIS AND INTERPRETATION

Table -5.1 Profitability Ratio

Profitability Ratios	2014	2015	2016	2017	2018
PBDIT Margin (%)	19.1	16.89	15.9	17.56	16.6
PBIT Margin (%)	16.49	-16.36	13.24	14.87	14.19
PBT Margin (%)	16.28	13.2	12.04	14.22	13.41
Net Profit Margin (%)	12.27	9.94	9.12	10.69	10.32
NP After MI And SOA Margin (%)	12.9	10.52	9.58	10.35	10.36
Return on Net worth /Equity (%)	19.15	17.78	16.23	17.29	18.66
Return on Capital Employed (%)	17.96	15.77	14.9	15.77	22.6
Return on Assets (%)	13.69	11.91	10.96	11.81	12.3
Total Debt/Equity (X)	0.07	0.1	0.08	0.1	0.13
Asset Turnover Ratio (%)	106.1	113.3	114.32	114.02	118.72

Source; Money Control Data Base- Author Calculation

In this ratio analysis PBDIT margin in the year 2014 is high compared to 5 years and low in the year 2016.in the PBIT margin there is negative value in the year 2015 and compared to the 5 years in 2014 is high. In PBT margin is decrease in the year 2015 due to more expenses and operating expenses and increases in the year 2014 for the purpose of getting a tax benefits. In net profit margin ratio is low in the year 2016 due to down pressure on sale prices such as discounts due to competition and high in the year 2014 for the purpose of efficient management and valuation of stock. In return on net worth/ equity ratio is low in the year 2016 due less efficient deployment of equity resources and in 2014 is high compare ton 5 years because of to decline in value of shareholders equity. Return on capital employed ratio is decrease in the year 2015 and 2017 for the purpose of in efficiency of the management and failed to make an optimum utilization of the capital fund. In return on assets is low in the year 2016 due to lower asset productivity and wastage and compare to other year in 2014 is high because of better utilization of

the company assets. The debt/equity is less in the year 2015 and 2017 due to the company settlement of financial obligation and in 2018 is higher because of additional investment and collection of receivables.

In the asset turnover ratio it is low in the year2015 due to in efficient in its use of its assets and high in the year 2018 use a more capital intensive approach.

Table-5. One-Sample Statistics

Ratio	N	Mean	Std. Deviation	Std. Error Mean
PBDITM	5	17.21	1.212972	0.542457
PBITM	5	15.03	1.399625	0.625931
PBTM	5	13.83	1.575754	0.704699
NPM	5	10.468	1.16343	0.520302
ROE	5	17.822	1.149465	0.514056
ROCE	5	17.4	3.119191	1.394944
ROA	5	12.134	0.997762	0.446213
DER	5	0.096	0.023022	0.010296
TATOR	5	113.292	4.549035	2.03439

Sources: SPSS Data Base- Author Calculation

The mean value of profitability ratio in the range of 10% to 17%. The ROE and ROCE ratio in the range of 12% to 17%. The ROE ratio in the range of 0.096 and TATOR ratio in the range of 113.29.

5.3 One- sample Test

Ratios	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
PBDITM	31.726	4	0.00	17.21	15.7039	18.7161
PBITM	24.01222	4	0.00	15.03	13.29214	16.76786
PBTM	19.62541	4	0.00	13.83	11.87344	15.78656
NPM	20.11909	4	0.00	10.468	9.023411	11.91259
ROE	34.66935	4	0.00	17.822	16.39475	19.24925
ROCE	12.47362	4	0.00	17.4	13.52701	21.27299
ROA	27.19329	4	0.00	12.134	10.89511	13.37289
DER	9.324344	4	0.00	0.096	0.067415	0.124585
TATOR	55.68843	4	0.00	113.292	107.6436	118.9404

Sources: SPSS Data Base- Author Calculation

The study found that, selected profitability ratios are results significant. Therefore the present study is reject the null hypothesis.

6. RESULTS & DISCUSSIONS

- In PBT margin is decrease in the year 2015 due to more expenses and operating expenses
- In net profit margin ratio is low in the year 2016 due to down pressure on sale prices such as discounts due to competition.
- In net profit margin ratio is low in the year 2016 due to down pressure on sale prices such as discounts due to competition.
- The debt/equity is less in the year 2015 and 2017 due to the company settlement of financial obligation.
- In the asset turnover ratio it is low in the year2015 due to in efficient in its use of its assets

7. CONCLUSION

After the analysis of the various ratio related to the cyient company founded in theoretical statement. It is clear that profitability more or less depends upon the better utilization of resource, cut off expenses and quality of management function in the product, production capacity and use advance technology to cutdown the cost of production and wage cost in order to increase profitability, not only against the investment, but also for investors return point of view. These programs are helpful to increase profitability of the company in future prospects. The company maintains an equity ratio higher than the debt ratio, it builds a good reputation to the creditors in the sense that it has the ability to settle such obligation.

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