VALUE OF THE FIRM PERFORMANCE ANALYSIS WITH SPECIAL REFERENCE TO MAHINDRA MAHINDRA MERGE THE SCHONEWEISS

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Abstract- **Merger and acquisition means merging two or more company combining together forming to one company, acquisition means acquiring one company two another company. The purpose of this study is to study the concept of mergers n the detail by taking one example of some companies. the objective of this paper is to evaluate value of firm under net income. Companies are merging more and more companies in order to expand their business and with many reasons. The examines the value of the firm from 2013 to 2017. In this study data collected are evaluated and analysed through financial and statistical tools.**

I. INTRODUCTION

Merger and acquisition are among the most effective ways to expedite the implementation of the plan to grow rapidly. Companies in all industries have grown at lighting speed. In part because of an aggressive merger and acquisition strategy.

Merger refers to two companies joining (usually through the exchange of shares) to become one. Acquisition occurs when one company, the buyer, purchase the assets or shares of another company. The seller, playing in cash, stock or another asset of value to the seller.

Merger and acquisition frenzy has created intense competition for the same target companies, where a premium is placed on price and speed. The fear I many board rooms is that the company will be left out or left behind if it does not move quickly to acquire other business.

II. BACKGROUND OF THE CASE

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Mahindra and Mahindra limited is an Indian multinational automobile manufacturing corporation headquarters in Mumbai, India. It is one of the largest vehicles manufacturer by production in India. Mahindra and Mahindra acquired 90% of schoneweiss, a leading company in the forging sector in Germany. The deal took place in 2007, and consolidated Mahindra position in the global market. Mahindra and Mahindra German has stepped up its presence in Germany with the acquisition of 90.47 percent stake in Germany schoneweiss and company , a leading forgings sector company. The acquisitions carried out by its maturities based subsidiary Mahindra forging global limited. The transaction was consummated on January 1,2007.

REASONS

- **Strategy-** mergers and acquisitions are clearly more strategically motivated now than were their counterparts of the 1980s and early 1990s.jobs are often being added ,not lost , as a results of these deals. Companies are being built up , not busted up
- **Value-**The financing behind deals is sounder and more secure than ever before. Buyers are using their stock as currency and sellers are gladly accepting this form of payment , in lieu of or in addition to cash , which forces both parties to work together on a post
- **Industry trends -**These include rapidly changing technology pressureto control costs and reduction in demand.
- **Need to transform corporate identity –** for example , the airline value jet began looking for a merger partner to provide a new image that could offset the negative publicity caused by a major crash and revelation about its spotty safety records .
- **Spread risk and cost-**Developing new technology as in the communication and aerospace industries, researching medical discoveries(medical device and pharmaceutical industries) o gaining access to new sources of energy (oil and gas exploration and drilling) account for a number of recent acquisition.

III. LITERATURE REVIEW

‘‘It clears that you can not stay in the top league if you only grow internally. You can not catch up just by internal growth. If you want to stay in the top league, you must combine”. Merger and acquisition are a significant form of business strategy for Indian corporate. Merger and acquisition are power full indicators of a robust and growing economy. The legal frame for such corporate restructuring must be easy and facilitative and not restrictive and mired bureaucratic and regulatory hurdles. The merger and acquisition in banking sector, the bank look for strategic benefits in banking sector. they also try to enhance their customer base. In this research paper they selected simple random sampling, and this research paper is merger and acquisition in banking sector. They basically merge with or acquire each other strength try to one another weakness thus leading to increased market shares and profitability, and the important tactics for merger and acquisitions. Internal capabilities, strategic goals and alignment, selection criteria, target selection. This article an attempt has been made to help HR professionals develop an insight into their role in merger and acquisition in the pre-during and post phases of such merger and acquisition transaction as well as in cross border merger and acquisition.

IV. OBJECTIVES OF THE STUDY

- To ascertain the changes in value of the firm post-merger and pre-merger

V. RESEARCH METHODOLOGY

Type of Research:
This study is considered by Descriptive Research design because of the mergers and acquisition is existing nature problems faced by companies and it’s descriptive in nature.
Sources of data:
I have used to collect data regarding my study only used secondary data. It means where the data which is already existed.This is already available on hand. It’s collected through articles, journals and company profile.

Sampling Design:

Sample

Acquiring	Acquired	Type of activity	Year of occurrence	Strategic motives
Mahindra and Mahindra	schoneweiss	Merger and acquisition	1st Jan 2017	Mahindra and Mahindra through its subsidiary Mahindra forging global acquired 90.47% stake in schoneweiss

Hypothesis of the study:

There is no significant value of firm in post merger

Tools for the study:

- **Statistical Tools:**
  - **Descriptive statistics:** In this study using of the statistical tools for to identifying the companies mean, median standard, Deviation kurtosis and skewness.
  - **Mean:** mean refers to the mean or average that is used to derive the central tendency of the data in questions.
  - **Standard deviation:** standard deviation is a numerical value used indicate how widely individuals in a group vary.
  - **Kurtosis:** it is the degree of peakedness of a distribution
  - **Skewness:** skewness in statistics represents an imbalance and asymmetry from the mean of a data distribution
  - **T Test:** it is the statistical hypothesis test in which the test statistic follows a student's t-distribution under the null hypothesis.

VI. DATA ANALYSIS AND INTERPRETATION

In this study considers five years of ratios as a secondary data analysis. Ratios use as financial tools and mean, standard deviation, kurtosis, skewness, and T-test as a statistical tool.

Table 6.1- Calculation of value of the firm under post acquisition

particulars	2017	2016	2015	2014	2013
EBIT	9154	10314	11136	12445	12820
INTEREST	2409	2049	1680	1796	19786
E	6745	8265	9456	10649	-6966
Ke=EPS/MP	35.71	24.79	17.76	16.86	-284.04
Kd=Interest/debt	18885.44	33338.32	53223.77	63140.98	2452.5
B=F/Kd	0.357153	0.247913	0.177665	0.168654	-2.84037
S=E/Ke	52877.66	134476	299573.8	374381	-863.444
V=S+B	52878.02	134476.2	299574	374381.2	-866.285
Ko=Kd(B/V)+Ke(s/v)	**4.555799**	**1.523692**	**0.560797**	**0.479725**	**-2291.52**

The above table the ratios of five years (from 2013 to 2017) is showing. The EBIT of the firm is showing decreased from the year 2013 to 2017. Interest of the firm is also increasing year after year. The earning of the firm before deducting the tax and after reducing interest is also decreased from 2013 to 2017. Cost of equity of the firm is negative in 2013 but further years it has been increased and positively reacted. On the other hand cost of debt has been increasedso it is not favourable for the firm. Cost of capital is showing increased from year after year.

Table 6.2 significant impact of value of the firm in post-acquisition

Years	S	B	V	Ke	Kd	Ko
2017-2016	354.859	11.79	366.64	19.008	11.79	24.96
2016-2015	2683.442	7.10	2690.55	3.08	7.10	3.83
2016-2015	8495.95	6.44	8502.40	1.113	6.44	1.30
2015-2014	3876.056	6.83	3882.89	2.74	6.83	3.20
2014-2013	1594.105	72.73	1666.83	4.36	72.73	16.04

In the above table the cost of equity (Ke) has been increased from 2013(4.369) to 2017(19.008). Cost of debt of the firm has been decreased from 72.731(2013) to 11.795(2017). It is a positive impact for the firm as the cost of debt increased, it will be favourable for the firm. The cost of capital of the firm is showing increased, so it is also favourable for the firm.

Table 6.3 Descriptive research

Statistical	S	B	V	Ke	Kd	Ko
Mean	3400.88	20.98	3421.86	6.06	20.98	9.87
Median	2683.44	7.10	2690.55	3.08	7.10	3.83
Standard Deviation	3132.21	29.01	3121.44	7.32	29.01	10.24
Kurtosis	2.01	4.88	2.04	4.51	4.88	-0.97
Skewness	1.32	2.20	1.32	2.09	2.20	0.97
Minimum	354.85	6.44	366.64	1.11	6.44	1.30
Maximum	8495.95	72.73	8502.40	19.00	72.73	24.96

The above table depicts the descriptive research of the firm. In this the cost of equity(Ke) is having mean value of 6.063, wherein the cost of debt is showing the mean value of 20.983 and the cost of capital shows mean of 9.872. The median for Ke is 3.08, Kd= 7.108, Ko=8.33. The kurtosis for cost of equity is 4.516, for cost of debt is showing 4.883, for cost of capital it is -0.97. There is a positive skewness for Ke, Kd and Ko.

Table -6.3 One-Sample Test

	Test Value = 0					
					95% Confidence Interval of the Difference	
	T	Df	Sig. (2-tailed)	Mean Difference	Lower	Upper
S	2.428	4	.072	3400.88	-488.27	7290.03
B	1.617	4	.181	20.98	-15.03	57.00
V	2.451	4	.070	3421.86	-453.92	7297.65
KE	1.850	4	.138	6.06	-3.03	15.16
KD	1.617	4	.181	20.98	-15.03	57.00
KO	2.154	4	.098	9.87	-2.85	22.59

The above table depict the one sample test of the firm. In this the cost of equity (ke)is having the mean value of 1.850, where in the cost of debt is showing the mean value of 1.617 the cost of capital shows mean of 2.154 .all the significant value is less than 0.05 i.e.,cost of equity 0.138, cost of debt is 0.181 and cost of capital is 0.098 so (H_0)is proven that is There is no significant value of firm in post- merger

VII. FINIDING SUGGESTION

- In 2013 where as cost of equity is 4.36 in 2017 it increases to 19.00
- In 2013 where as cost of debt is 72.73 in 2017 it decreased to 4.79
- In 2.13 where cost of capital is 16.84 in 2017 it increased to 24.96
- The acquiring company Mahindra Mahindra have always the targeted company's schonewesis financial statement

VIII. CONCLUSION

Comparing the results occurred in the above three tables the following findings has been derived, Issue of merger and acquisition has been a major strategy employed by firms. Many firms resolve to merger or acquisition with the expectation of achieving increase in shareholders wealth or market capitalization, leverage buyout, increase in performance etc… Merger and acquisition, as trend in business environment would enhance profitability, shareholders wealth, leverage buyout and as well could increase companies overall performance. Although there is enough literature on merger and acquisition announcement effect on stock prices and profitability of companies, most of the studies have been done for the developed countries especially UK and US. In, India very few researches have been done on this topic. Some studies conducted in India context have explored the impact of merger and acquisitions on financial position of firms. The current study make an attempt to explore the merger and acquisition announcement impact on shareholders wealth and firms 'profitability and aim to investigate the performance of value of firm in post-acquisition by taking two companies as sample.Mergers and acquisitions are being used as an important strategic tool for survival by many organizations in today's competitive business environment. The essence of mergers and acquisitions is that the value of two companies together is greater than one. Companies merge with or acquire other companies to make use of one another's strengths and these results in increased market shares and profitability that are vital for survival. Mergers and acquisitions enable companies to work as one and thus increase their total market value.

Through this paper I tried to study the post merger performance of two companies and to compare financial performance of bidder firm in post-merger. The study can be concluded that there is a significant change in the financial position of bidder firm in post acquisition period. It is proven that there is a significant impact of M&A on value of firm in post- acquisition.

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