Analysis of Price Metrics in Post-Acquisition – A Case Study of Ashok Leyland Finance Ltd

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Abstract- **Now a days, the merger and acquisitions concepts are more important and also common term for every companies because to bare their risks in the business and also more over they focus on the more profits and the goodwill in the different manner. The purpose of this study to identify the impact of the changes in Ashok Leyland finance Ltd to give services and borrow more deposits from the customers and earn more profitability in post-acquisition of Ashok Leyland finance Ltd by IndusInd Bank. This study used the descriptive statistical tools and financial(mean, standard deviation, kurtosis and skewness) and t-test as the statistical tools and financial tool. The study period consisting the 5 years from 2013 to 2017.**

1. INTRODUCTION

Mergers and acquisitions (M&A) are defined as 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 reasoning behind M&A generally given is that two separate companies together create more value compared to being on an individual stand. With the objective of wealth maximization, companies keep evaluating different opportunities through the route of merger or acquisition bank of Ashok Leyland by IndusIndBank. This study used the descriptive statistical tools and financial(mean, standard deviation, kurtosis and skewness) and t-test as the statistical tools and financial tool. The study period consisting the 5 years from 2013 to 2017.

2. BACKGROUND OF THE CASE

S Nagarajan, managing director of Ashok Leyland Finance Ltd (ALFL), is likely to take over as the retail head and deputy managing director of IndusIndBank after ALFL's merger with the private sector bank. At present J K Basuheads the retail division at the bank.

BhaskarGhose, managing director, IndusInd Bank, declined to confirm the development but hinted that Nagarajan would be offered a senior position in the bank when the court approves the merger which is expected by April end.

Though ALFL will be merged with the bank, there will be no retrenchment of employees, Ghose said. "The bank will continue to work as a lean organisation. The client base of ALFL is different and hence we would need their employees to retain the five lakh customers that ALFL would bring to the bank," he said.

The bank has an employee strength of 950. With the merger, the additional 750 employees of ALFL will be added to its payroll.

"The bank has no plans of getting into a major recruitment drive. However, we will hire around 200-300 people across the country in the coming months," said Ghose. If need be, the redeployment of the existing employees is also possible, he added.

The bank is hopeful of converting ALFL's customer base, especially those in the semi-urban and rural areas where it did not have a presence. ALFL has a strong presence in the south and eastern regions of the country.

IndusInd Bank on March 19 had received the shareholders' approval for its proposed merger with ALFL. Post-merger, IndusIndBank will have an authorised capital of Rs 300 crore and issued capital of Rs 290.7 crore. The merged entity asset base will be over Rs 15,000 crore (augmented by Rs 3,000 crore through the merger). The merger ratio is 9:4, which means an individual holding four shares of ALFL will be allotted nine shares of IndusIndBank.

After the merger, foreign promoters' holding in the

bank will be 31.30 per cent, public 31.74 per cent, foreign institutional investors 4.39 per cent, banks, financial institutions and insurance companies 1.20 per cent, non-resident and overseas corporate bodies other than foreign promoters 5.03 per cent and private corporate bodies around 25.03 per cent.
The stake of private bodies will include the 15.27 per cent holding of Ashok Leyland "" the main promoter of ALFL.

CONSOLIDATED:
IndusInd Bank, which commenced its operations in 1994, caters to the needs of both Consumer & Corporate customers. It has a robust technology platform supporting multi - channel delivery capabilities. The Bank enjoys a patronage of 2.09 million customers and has a network of 224 branches and 533 ATMs spread over 180 geographical locations in 28 states and union territories across the country. The Bank also has Representative Offices in Dubai and London.
The Bank believes in driving its business through technology. It has multi-lateral tie-ups with other banks providing access to more than 21000 ATMs for its customers. It enjoys clearing bank status for both major stock exchanges - BSE and NSE - and three major commodity exchanges in the country - MCX, NCDEX, and NMCE. It also offers DP facilities for stock and commodity segments. The Bank has been bestowed with the mandate of being a Settlement Banker for tea auctions at Kolkata, Siliguri, Coonoor, Kochi, Coimbatore and Guwahati.
In a pioneering initiative in 'Green Banking' project, the Bank became the first bank in Maharashtra to open a solar-power ATM. Subjects like sustainable development, social responsibility and climate change are fast becoming part of the corporate vocabulary and IndusInd is at the forefront of this change in the Indian banking sector.
The Bank received a series of awards commencing with the prestigious ‘Technology Bank of the Year-2009’ award in the private and foreign bank category from the Indian Banks’ Association (IBA). It has also been recognized as the Bank with the Best Credit Quality in FE India’s Best Banks, a publication brought out in support by Ernst & Young, reflecting the robustness of Bank’s credit assessment systems.
Recently, CRISIL has reaffirmed its P1+ rating of IndusInd Bank's fixed deposits and certificates of deposit program. This reflects significant improvement in its asset quality. The rating also factors in the Bank's resources and earnings profile, and capitalisation levels. In a significant development for the Bank, credit rating agency ICRA Ltd. has upgraded the long term ratings for its Tier II Bonds programme.
ICRA has upgraded the Lower Tier II Bonds rating of the Bank to LAA- (pronounced L double A minus) rating with stable outlook from LA+ (pronounced L A plus) rating with stable outlook. ICRA has also upgraded the Upper Tier II Bonds rating of IBL to LA+ rating with stable outlook from LA (pronounced L A) rating with stable outlook.
The proposed merger of Induslnd bank and Ashok Leyland is sure to encourage other private sector banks to go for the M&A road for consolidation.

3. LITERATURE REVIEW:

1.The impact of mergers and acquisitions on corporate stakeholder practicesAuthors: Sandra A. Waddock, Samuel B. Graves, On the whole, this study makes clear that stakeholder practices do not seem to generally play into acquisition and merger decisions. Few differences exist between target and acquiring firms in their stakeholder practices, hence from an RBVof the firm it does not appear that stakeholder practices are recognized as strategic resources in the M&A process. 2. Review of Literature Linking Corporate Performance to Mergers and Acquisitions Author: Tariq H. Ismail,Abdulati A. Abdou, Radwa M. Annis, This paper aims at synthesizing and analyzing prior literature of mergers and acquisitions and its effects on the financial performance in an attempt to determine factors that might influence post-mergers and acquisitions performance.3. Mergers and Acquisitions: The Performance of the Acquiring Firm-Empirical Study of Cheverontexaco Author: Emmanuel OpokuMarfo, Kwame OduroAmoako, Evans Kelvin Gyau, Thus, critics again are challenging the sensibility of mergers and acquisitions: “Is bigger better?” they ask. They claim that mergers often have not provided the competitive edge that acquirers seek, and as such many of them have not been good for the shareholders of acquiring firms either.4. Examining Merger and Acquisition Foreign Direct Investment in the United States: Do High Purchase Prices Drive

Low Returns?Author: David J. Post, The ultimate purpose of this research is to determine if overpayment by foreign companies for M&A foreign direct investment in the United States is responsible for the historically low returns of foreign companies on their direct investments within the US.5. Mergers and Acquisitions: A Comparative Review of Literature Author: Sohini Ghosh, Sraboni Dutta, cross cultural integration process and problems in cross-border M&As. India is at par with the rest of the world as far as research on different financial aspects of M&A's are concerned.It was deciphered from the review that the phenomenon of M&A has positive. 6. Impact of Mergers & Acquisitions on Surviving Firm's Financial Performance: A Study of Jet Airways Ltd Author: Prasad V. Daddikar, Dr. ArifurRehman H. Shaikh, This paper has focused on the performance of JET Airways after the consolidation of Airline sector in year 2007-08. The main objective of this paper is to analyze whether the JET Airways has achieved financial performance efficiency during the post-merger& acquisition period specifically in the areas of profitability, leverage, liquidity, and capital market standards. 7. Mergers and Acquisitions: A Strategic Tool for Restructuring in the Indian Telecom Sector Author: MsSohiniGhosha, DrSarboniDuttab, This sector has emerged as a significant performer in the Indian services domain. The telecom companies have opted for (M&A) as a strategic tool to enhance their performances. The objective of this study is to explore the overall strategic impact of M&A in the telecom industry.8. Mergers And Acquisitions In India: A Strategic Impact Analysis For The Corporate Enterprises In The Post Liberalisation Period Author: Rabi Narayan Kar, Amit Soni, The study has ignored the impact on target companies due to the typical constraints of obtaining Indian M&As data as stated in the study. Further, there are possible differences in the accounting methods adopted by different companies in the sample which is also ignored.9. The Impact of Diversifying Acquisitions on Shareholders' Wealth Author: ElifAkbenSelcuk, HalilKiymaz, the study finds that acquiring firms experience statistically significant abnormal returns surrounding the announcement date. The cross-sectional regression results show that diversifying acquisitions create higher abnormal returns to acquirers compared with focused acquisitions.10. Mergers & Acquisition and Firm Performance: Evidence from the Ghana Stock ExchangeAuthor:IsaacMarfoOduro, Samuel KwakuAgyei, The evidence from panel methodology indicates that M&A has significant negative effect on the profitability of firms. It is therefore imperative that M&A's are properly planned, executed and evaluated. 11. POST MERGER AND ACQUISITION FINANCIAL PERFORMANCE ANALYSIS: A CASE STUDY OF SELECT INDIAN AIRLINE COMPANIES Author: Mahesh R. &Daddikar Prasad,In today's globalized economy, mergers and acquisitions (M&A) are being increasingly used the world over, for improving competitiveness of companies through gaining greater market share, broadening the portfolio to reduce business risk, for entering new markets and geographies, and capitalizing on economies of scale etc. 12. An Analysis of the impact of merger and Acquisition on Commercial Banks Performance in Nigeria Author: Olagunju Adebayo and ObademiOlalekan, this study in the corporate world are achieving increasing importance and altention, especially with the advent of interse globalization. This is evident from the magnitude and growth of deal values and resultant mega- mergers transacted in recent times. 13. Performance measurement in corporate governance: Do mergers improve managerial performance in the post-merger period? Author: Ehsan H. Feroz, Sungsoo Kim, Ray Raab, in this paper, we analysis the performance of a simple of merged firms over a ten year period using a managerially controlled efficiency measure, data envelopment analysis. However, there were also a significant number of cases where we could not observe improved managerial efficiency using this less aggreged approach. 14. People management in mergers and acquisitions in Sri Lanka: Employee perceptions Author: Wickramasinghe, V. Karunaratne, C From a practical standpoint results will provide practitioners with information that would be valuable for better understanding of employee experiences of M&A's to better understand and address people management issues in M&As. The aim of the article is to present, compare and discuss empirical evidence on employees' interpretations of their experiences of people management in two different types of bank mergers- extension merger and collaborative merger in Sri Lanka. 15. Mergers and Acquisitions: A pre-post analysis for the Indian financial services sector Author: Pankaj Sinha and Sushant Gupta, The results of the study indicate that PAT and PBDITA have been positively affected after the merger but the liquidity condition represented by Current Ratio has deteriorated. Also Cost Efficiency and Interest Coverage have improved and deteriorated in equal number of cases. 16. M&A Performannce in the European Financial Industry Author: Jose Manuel Campa and Ignacio Hernando, First, the paper reports evidence on shareholder returns from mergers. Merger announcements brought positive excess returns to the shareholders of the target company around the date of the announcement, with a slight positive excess return on the 3 month period prior to announcement. 17. Merger and Acquisitions (M&A's) in the Indian Banking Sector in Post Liberalization Regime Author: Azeem Ahmad Khan, This includes the various aspects of banking Industry's Merger and Acquisitions. It also compares pre and post-merger financial performance of merged banks with the help of financial parameters like Gross-Profit Margin, Net- Profit Margin, Operating Profit Margin, Return on Capital Employed (ROCE), Return on Equity (ROE) and Debt-Equity Ratio. 18. Mergers and Acquisitions: The Performance of the Acquiring Firm-Empirical Study of Cheverontexaco, Author: Emmanuel OpokuMarfo, Kwame OduroAmoako, Evans Kelvin Gyau.

It is shown that merger participants are very asymmetric if prior costs of production differences are moderate. If cost differences are large, however, the more efficient firms participate in the mergers to enjoy production efficiency. 19. The market impact of merger and acquisitions on acquiring firms in the U.S, Author: Ronald Stunda, the study acquiring firms are evaluated by industry membership, findings suggest that firms in all industry evaluated expert a significantly negative effect on stock prices.20. Doing a deal: merger and acquisition negotiations and their impact upon target company top management turnover, Author: James P. Walsh, this effects of the pre-acquisition negotiations on subsequent target company top management turnover were investigated, with as acknowledgement that this examination of merger and acquisition is limited to target.

4. OBJECTIVES OF THE STUDY

To Compare the Price Matrix in the pre and post.

5. RESEARCH METHODOLOGY

In research methodology it's a process of recognize the problem and solve it in systematic research manner through collection of data, sampling design, financial tools and statistical tools to analysis the merger and acquisition.

Types of research:
Descriptive research:
It is used define the characteristic of population. The case is analyses it is focused on the descriptive research describe what, when, why, who and how. Its also evaluate through financial tools or performance of the company followed by this.

Sampling design:

Sl.no	Acquiring	Acquired	Types of activity	Deal value	Year of acquiring	Strategic motives
1	Ashok Leyland Finance Ltd	IndusInd Bank	merger	3000 crores	10/1/2005	Due to intensifying competition access to low cost deposit is size & geographical reach become the keep for smaller banks choice be for smaller private bank is to merger & form smaller bigger valuable entries or merger in to a big private bank.

The sampling design includes in the study sample size is collecting data of 5 years from the year

Sources of data:
The sources of data collected it is based on the secondary data regarding this topic.

Secondary data:
It is already existed information available in following likewise literatures, websites, newspaper journals articles etc.
Tools used for analysis:
Descriptive statistics:
In this tool it describe the features of the data in this study. They shows simple summaries about the measures and sample.

Means:
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 center point.

Kurtosis is a measure of whether the data are heavy-tailed or light-tailed relative to a normal distribution.

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.

5.5.2 Financial tools –

Ratios – A ratio is a relationship between two numbers indicating how many times the first number contains the second. It is a quantitative analysis of information contained in a company's financial statements. Ratio analysis is used to evaluate various aspects of a company's operating and financial performance such as its efficiency, liquidity, profitability and solvency.

6. ANALYSIS AND INTERPRETATION

The following study ascertain to the analyses of changes in leverage position of Suzlon-repower in pre and post-merger acquisition. The study consisting the period of 2013 to 2017. The study using both statistical and financial tools.

Table 6.1 Calculation of ratio

years	EV PER NET SALES	PRICE TO BOOK VALUE	PRICE TO SALES	PRICE/ NET OPERATING REVENUE	PRICE/CE	P/E
2017	15.14	4.13	5.33	5.33	0.0013	19.87
2016	13.95	3.73	4.50	4.50	0.0014	20.64
2015	14.96	4.13	5.29	5.29	0.0016	22.47
2014	13.64	4.13	4.37	4.37	0.0013	17.35
2013	13.21	4.10	4.23	4.23	0.0016	21.57

From the above table, its shows that the EV per Net Sales is increased from 2013 to 2017 0.5 and 1 points. The Price to book value is increased but in 2016 is decreased but next year it is increased again. In Price to Sales increased 3 years but in 2016 it is decreased then next year it has increased. In price/net operating revenue here also the ratios are increased yearly but in 2016 it is decreased again but in next year it is increased. In Price/CE is not goes increasing / decreasing it is fluctuated. In P/E is annually the values are fluctuated it is based on the Price and earing per share it is increased in 2013 and 2016.

Descriptive Statistical Tools:

Years	Mean	Standard Deviation	Sample Variance	Kurtosis	Skewness	Minimum	Maximum
2017	8.321667	7.515681	56.48546	-0.78291	0.83403	0.13	19.87
2016	7.8869	7.769245	60.36117	-0.05746	1.060137	0.0014	20.64
2015	8.690267	8.349889	69.72064	0.086052	1.047948	0.0016	22.47
2014	7.310217	6.658636	44.33744	-0.95467	0.804956	0.0013	17.35
2013	7.890267	7.985323	63.76539	0.680834	1.217856	0.0016	21.57

The above table mean range increased every year. In standard deviation range are not increased every year it is vary in every year. In Sample variance the range is increased every year except 2014 in that year the range is low. In kurtosis range is start with positive in 2013 but in 2017 it is negative value. In skewness every year the range is positive but the values are vary the negative values are not appears. In minimum the values are under the point something it is in positive. In maximum the values are either it is increasing in 2 years but rest of other years is decreased based on the range.

One-Sample Test

	Test Value = 0					
Ratio	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
EVNET	16.18	4	8.53	1.618	1.34	1.89
EEVEBIT	15.07	4	0.00	12.33	10.05	14.60
EVMKT	6.98	4	0.00	0.84	0.50	1.17
EVPRI	6.98	4	0.00	0.84	0.50	1.17
EVS	5.40	4	0.00	1.2098	0.58	1.83

The above table 6.3 that represents the calculation of one sample t-test considering the study period of 5 years. The study found that, all the variables of T-test have both positive and negative values with the degree of freedom at 4. This table shows the mean differences of the company is very high in the EEVEBIT and the rest of ratios it shows low percentage of values but positive values. In EEVEBIT, the hypothesis (H_0) is rejected and for that there is a significant changes in price matrix position 1 post acquisition of this firm and there is a statistically significant.

7. FINDINGS

- In the table no. 6.1 the EV/NS is high in the 2017
- In financial year P/S increased value is 5.33
- In 2013 & 2015 the kurtosis is positive value.
- In 2014 and 2017 the skewness value is less than 0. Rest of the years are more than 1.
- After the acquisition of Ashok Leyland finance Ltd by Induslnd Bank there is increasing profits in their balance sheet.
- In the table 6.1the P/E is on increased in 2014 the value is 22.47.
- As per seeing the 20130 to 2017 price to book value is equally but in 2016 it is comes down so the bank financial performance will more affective to increase it.
- The sales values are increasing in every year so its moves like now what the performance are going on it is going on frequently.

8. CONCLUSION

This study is completely based on the banking sector. Both the banks are continuing the action what they working. After them acquiring also the performance is going high not decreasing. The bank capital also increased. The present market situation is good. The ratios are what we considered to about the topic it in not increasing every year but it is fluctuated. So it shows the company may some time performance is low on that it will impact to company.so better to improve the performance in constant or go high. So at last the company take action to done the work based on the updated generation and they have to upgrade.

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