Empirical Study of Profitability Analysis in Post – Acquisition of Ultra Tech Cement and Jaypee Groups

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Abstract- **The paper investigated profitability analysis with Mergers and acquisitions are transactions in which the ownership of companies, other business organization, or consolidated with other entities. This paper conducts a study of the influence of company mergers on the financial performance of the merged company, the purpose of this research is to test the efficiency of market with respect to announcements of mergers and acquisition using an event study methodology. Specifically, this study analyzed effects of company mergers the main purpose of company unit is make profit. This study examines the statistical tool and financial tool are being used in this study limited period is 3 years. The profitability analysis is done to throw light on the current operating performance and efficiency of business firm. It should be duly noted that net income figure alone is not very helpful in determining the efficiency and performance of the business firm unless it is related to some other figure such as sales, cost of goods sold, operating expenses, capital invested etc.**

Index Terms- Mergers, Acquisitions, profitability, efficiency

1. INTRODUCTION

Mergers and acquisition are the most important pillars in corporate finance. mergers and acquisition activity the company can achieve instantaneous growth in their company, gain a Large market share, achieve greater efficiency and to maintain a strong competitive position in the market. M&A activities affect the behavior of stock price and the profitability of firms. Profitability analysis is a component of enterprise resources planning to allows administration to forecast the profitability proposal or optimizes the profitability of an existing project. Profitability and growth is the basic financial key to survival as a corporate entity in long term. The analysis of the profitability in the companies before and after mergers is to identify the level of profit in the companies.

2. CONCEPTUAL BACKGROUND/ THEORETICAL BACKGROUND

This acquisition is more strategic in nature for the Mumbai-based ultra tech. "with this acquisition, the company's current capacity increases to 59 million tonne per annum. With projects underway, it will stand raised to 70mtpa by 2015. Despite the current muted growth of the industry, we believe the long term fundamental and growth prospcts remain intact. We will add more capacities in coming year. The deal will wipe Rs 3,800 crore off the debt of jaypee cement corporation. Of this debt, Rs 2000 crore was from the cement business, and the rest from the holding company. The acquired facility is an integrated cement unit Sewagram with a grinding unit at wanakbori. The acquisition will enable ultra tech cement to expand in a market that is growing at 11.7% annually. Ultratech's existing cement plants in Gujarat are operating at about 95% capacity.

3. REVIEW OF LITERATURE

Mrs Shanthini Gnanasooriyar (2014) The profitability of 10 selected listed manufacturing companies in srilanka and impact of various factors uses, this study outcome is beneficial to academicians, policy markets, practitioners and so on. Priyanka R Gowda, Dr. Manoj kumara N V (2017) It clearly finds that the proportionate change of debt of selected automobiles firm do not influence on effect the firm decisions. It evolves the effective inventory management and conversion period leads to higher the liquidity power to the firm. Ahmed H, Al-dmour and Khaldoun M Al-Qaisi Ph.D (2016) this study impact is inappropriate with previous studies that bank mergers and acquisition in become better improved profitability. However, if would be incorrect to say that mergers and Acquisition activities are totally negative to bank. Rakhi Hotwani (2012) concluded that inner strength of the company is remarkable, company can further improve its profitability through optimum capital gearing and prediction in administration and financial expenses. Kayathiri Bai, V Buuaneshwaran (2015) Profitability analysis of this hotel, suggests that the royal orchid hotel is in the good position then Jindal hotel, the lord Ishwar and TGBare on an average and leale hotel in is the last position compare to five hotels.

By Rizwan Ali Khan & Mutahhar Ali (2016) This research indicates that liquidity has positive relationship with profitability further it is suggested that bank should keep considerable amount of their liquid assets in order to get higher rate of profit.

Asma Khan and Jyoti Singhal (2015) this research finds the Enhances the knowledge of the investor about the growth of the IT companies. Dr. Arti Mudaliar, Dr. B.M.S. Bhadauria (2014) This research finds that Coca-Cola has slightly good strategic position in comparison to its competitor in all the respective profitability ratio. It has protected top position in profitability analysis. Pepsico ltd. on other hand has protected second position. Irham Fahmi Mulia Saputra (2013) The results of this research show the conditions of company after right issue better before right issue. Right issue more safe if compare of banking, exclusively risk management aspect. Right issue is fund of internal company, exclusively of preventive right. Mohan Kumar M S, Safeer Pasha M & Bhanu Prakash T N (2015) The study found that the profitability position of Ambuja cements is satisfactory when compare to other companies. Mehroz Nida Dilshad (2012) Analyzed the effects of banks mergers and their announcements on the prices of stocks, the results of cumulative abnormal returns find that target banks earned abnormal returns on the merger announcement day

4. RESEARCH GAP

There literature reviews related to the profitability analysis.

- The few studies are made in profitability analysis in Indian companies.
- The few studies focus on only secondary data and some of the study used both primary and secondary data
- The few studies are made on comparative analysis in hotels.
- The few studies show the negative results
- The few studies selected IT companies.

5. STATEMENT OF THE PROBLEMS

Acquired is an essential activity to expand the business and can reduces the competition is the economy. Acquisition a way to company away of company to expand business by this activities small company the weaker entity loss their recognition while acquire by stronger company. Acquisition activities impact on system of company.

6. OBJECTIVE OF THE STUDY

To analyze the profitability in post- acquisition period

7. METHODOLOGY

Tools for the study:

A. Statistical Tools:

a). Descriptive Statistics: Technical statistics are statistical data that measure aggregation or summarize the nature of information collection during the descriptive statistics of the process that uses and analyzes these statistics.

b). Collection of Data

i.Secondary Data: secondary data source are collected from company financial reports, Annual reports, Journals and Articles.

c). Mean: It is a calculation a normal average or an average and the sum of the numbers is divided by the number of figures in the collection.

$$\text{Mean} = \frac{\sum X}{N}$$

d). Standard Deviation: A standard deviation is a measure used to quantify variance or variance in a record.

Standard deviation $=\sqrt{\sum \frac{(x-\bar{x})}{n}^{2}}$

e). T- test: T-test is a statistical method of determining whether a sample of observation can be generated by a method with a certain average.

$$t = \frac{\bar{x}-\mu}{\sqrt{s^{2}-/n}}$$

B. Financial Tools:

a). Ratios: The results of one digit or number divided by another number. The ability is a tool simple mathematical that shows hidden relationship in a meaningful mass of data and allows meaningful comparisons. Percentages are expressed as fractions of some or decimal values, and some are displayed as percentages.

8. PERIOD OF THE STUDY

The study considered period of 3 years from 2017 to 2019

9. HYPOTHESIS OF THE STUDY

Ho: There is no signification between profitability analysis

10. DATA ANALYSIS & INTERPRETATION

i. Ratios:

Ratios	2017	2018	2019
Gross Profit Margin (%)	20.54	21.78	18.16
Net profit margin (%)	10.69	6.87	4.82
Operating profit per share(Rs)	924.38	256.32	247.16
Operation Profit Margin (Rs)	20.54	21.78	18.16
Return on Capital Employed(%)	14.17	12.83	10.03
Return on Net worth (%)	11.12	8.43	6.34
Return on long term funds	14.66	13.66	10.61
Current Ratio	0.70	0.65	0.71
Quick Ratio	0.55	0.54	0.75
Debt Equity Ratio	0.22	0.64	0.63

Source: SPSS Data Base – Author Study

Interpretation:

The study found Gross Profit Margin Ratio, Net Profit Margin, Operating Profit Per Share, Operation Profit Margin, Return on Capital Employed, Return on Net Worth, and Return on Long Term Funds decreased from 2017 to 2019 the company reported Ratios less compared to previous year. The study found Current Ratio, Quick Ratio, and Debt Equity Ratio has drastically decreased from in year 2017 to 2019.

ii. One Sample Test:

Test value is = 0

RATIOS	t	df	Sig. (2-tailed)
GPM	18.98	2	0.00
NPM	4.34	2	0.05
OPM	18.98	2	0.00
ROCE	10.12	2	0.01
RONW	6.24	2	0.02
ROLF	10.65	2	0.01
CR	37.00	2	0.00
QR	8.97	2	0.01
DER	3.59	2	0.07

Source: SPSS Data Base – Author Study

Interpretation:

The study found that profitability Ratio one sample T-test resulted all ratios are significant since Debt Equity Ratio is not significant.

iii. One-Sample Statistics

	N	Mean	Std. Deviation
GPM	3	20.2	1.840
NPM	3	7.5	2.979
OPM	3	20.2	1.840
ROCE	3	12.3	2.112
RONW	3	8.6	2.396
ROLF	3	13.0	2.110
CR	3	0.7	0.032
QR	3	0.6	0.118
DER	3	0.5	0.240

Source: SPSS Data Base – Author Study

Interpretation:

The above table indicates descriptive statistics, it observed Mean and Standard deviation the study resulted mean GPM 20.2 and standard deviation 1.840, The study resulted Mean NPM 7.5 and standard deviation is 2.979, and the study found results mean OPM 20.2 and standard deviation 1.840, ROCE Mean is 12.3 and standard deviation is 2.221, the study results RONW Mean is 8.6 and standard deviation is 2.396,

This study resulted mean ROLF 13.0 standard deviation 2.110, study finds the mean CR is 0.7 and Standard deviation is 0.032, QR Mean is 0.6 and standard deviation is 0.118 and DER Mean is 0.5 standard deviation is 0.240

11. RESULTS AND DISCUSSION

Gross profit s margin and net profits margin are decreased during period of 2017 to 2019 its indicates that company effective management in manufacturing and trading operations. Operating profit per share has decreased from 924.38 to 247.16 in 2017 to 2019. Return on capital employed also has decreased from 14.17 to 10.03 in 2017 to 2019. Return on Network has decreased from 11.12 to 6.34 in 2017 to 2019. This study found Current Ratio and Quick Ratio has drastically decreased from 0.70 to 0.71 and 0.55 to 0.75 in 2017 to 2019. This study observed that one simple test resulted all Ratios are significant since Debt Equity Ratio is not significant.

The company must increase production so as to get economy of large-scale production. This will be help increased return on capital employed. The company has a low Current Ratio and Quick Ratio so it needs to smoothly handled short term debts. To increase the profitability of the company, it is advisable to control the cost of goods sold and operating expenses.

12. CONCLUSION

The study concluded from the above ratios that the performance of ultra tech cement in all ratios showed a very good performance. It can be concluded by one simple T-test founds the all ratios significant and Debt Equity Ratio not significant. Availability of the shareholders and debt equity ratio does not indicate a significant change in financial position after the acquisition of the company. The study concluded that in most of the M&A cases in the long run the acquiring company has succeeded in generate value, higher cash flows, cost cutting and greater market power.

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