# Comparative pre and post –acquisition-A study of Ashok Leyland and Indusland Bank

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***Abstract*- The study mergers and acquisition compares the pre and post mergers position of long term profitability with respect to Selected Companies are Ashok Leyland and Indus land bank it is compared to pre and post-acquisition for this company. This study was only for specific period for 2 years. Objective to find out the major issues associated with pre and post merging situations with human aspect. Although the present system which is adopted by the companies. For the analysis of pre and post Mergers and acquisition performance evaluated by using research method descriptive research and financial ratio and statistical tool used for the study Need for large Investment company are secondary data in used. It is concluded that overall results shows that there is no significant difference between pre and post M&A performance.**

**Index terms- Company mergers and Acquisition**

## 1. INTRODUCTION

The main objective of every organization is to get maximum profit every year to increase profit. and every organization adopts deferent techniques and tools to maximize profits. In this paper examine the post-acquisition performance. Mergers and acquisition is the area of corporate finances, management and strategy dealing with purchasing or joining with other companies. The mergers and acquisition was taken for the maintain the monopolistic in the market & increase the capital of the organization when there some part of items are manufacture or service are taken in different sectors and to control the inter transaction between the companies was reduced with the mergers will also cause and consequences of mergers are issues widely debated amongst both mergers many expiation have been supplied as to why mergers occur over and beyond the assumption of profit maximization

## 2. THEORETICAL FRAME WORK

Mergers is defined as combination of two are more company into the single company where once survive in single company where one survival at the other company

Ratio analysis is one of the most power full tools of financial analysis It is used device to analysis and interpret the financial health of the enterprise Ratio analysis is a financial statement is a study of relationship between among various financial factors.

Mergers and acquisitions may be classified into three categories viz. horizontal mergers, vertical mergers and conglomerate mergers.

Horizontal merger takes place when two or more corporate firm sealing in similar lines of activity combine together. The purpose of such merger is elimination or reduction in competition, empire building, putting an end to price cutting, economies of scale in production, research and development, marketing and management costs. . Ashok Leyland and Indes land bank British Gas with Gujarat Gas and Tata Oil Mills Co. with and Lever Ltd., are the popular examples of horizontal mergers.

Vertical merger Occurs when a firm acquires its 'upstream' and 'downstream' firms. In case of 'upstream' type of merger it extends to the suppliers of raw materials and in the case of down stream type of merger it extends to those firms that sell eventually to the consumers.4The aim of such merger is to lower buying cost of materials, lower distribution and selling expenses, assured supplies and market, increasing or creating barriers to entry for potential competitors. Merger Ashok Leyland and banks, Mobil Oil with Montgomery Ward (US) are popular examples of vertical mergers. Conglomerate merger refers to the combination of two or more firms engaged in different or unrelated types of business activities. Such merger helps in diversification of risk. Merger of ESSAR group with Sterling Computers is a popular example of conglomerate merger. The companies are restructuring their operations through M&A route with number of motives

Global Scenario
In developed countries corporate mergers and acquisitions are a regular feature. In USA, Japan, UK and European nations thousands of mergers and amalgamations are taking place every year as a combination and reconstruction of the business enterprises. Across the border, mergers and takeovers of even multinational companies are common in the developed countries.

## 3. LITERATURE REVIEW

Literature on pre- and post-merger financial performance has been used in recent times. A review many studies carried out in many countries across the globe is presented here. Many researchers have found a positive impact of merger on financial performance. Harrison et al1 (1991)analyses the post-acquisition performance of 1100 US firms in the period of 1970-1989 and demonstrates that the acquisition remains beneficial for the acquiring firms & resulted in improvement of profitability ratios. Feroz et al2 (2005) finds that financial performance enhanced significantly after merger. The financial ratios are in improved version after merger.Zenginobuz3 (2005) examine the pre- and post-merger financial performance of the Turkish banking industry. They find that merger has significant and positive impact on financial performance and resulted in improved profitability. Demirbag et al4 (2007)analyses the impact of merger on financial performance of Indian pharmaceutical firms. The study finds that the merger remains positive from the financial point of view and ensued in increases in Return on investment and Net profit margin. Ramakrishnan5(2008) finds that the merger that happened in the Indian financial sector from 1996 to 2003 led to improvement in financial performance of firms and also contributed towards brisk growth.Kilic6 (2011)examines the pre- and post-merger financial performance of 10 Turkish banks using data envelopment analysis and finds positive impact of merger on profitability. After the merger, the financial performance improved pointedly.Narayanswamy7 (2017) the financial analysis is a technique to study the annual report of company to provide relevant information to the decision makers. Acquiring firm always needs to check financial performance of the target firm as merger affects the financial position and wealth of all stakeholders. Since merger can have significant impact on financial performance of the acquiring firm in any of the ways. Godbole8 (2013) is the "combination of all the assets, liabilities, loans & business of two or more companies such that one of them survives. Many firms across the globe have adopted the strategy of merger and acquisition to achieve high growth in business. Further, the merger and acquisition also serve the purpose of expansion, reducing the level of competition and creation of a large entity
Nair9 (2004) analyses the impact of merger on financial performance of 54 Malaysian banks. By applying the paired t-test on 1990-2000 data, it is found that merger has strengthened the financial position of banks and resulted in improvement in profitability ratios.Danbolt10(2000) analysed the abnormal return for target firm's shareholders' in 510 takeover in domestic country and 116 takeover in cross-border bids in UK stock based firm's from 1986 to 1991 periods with the help of MM, CAPM and the index model. The results exhibit that the cross-border affect was not significantly reliant on where the cross-border bidder was based, and was not special to cross-border acquisitions by companies based exterior of the EU. The level of abnormal returns was found to depend significantly on the bid characteristics, with target company gained more in competitive. Park et al.11(2002) in their research investigated how market participants reacted to merger and acquisitions involved telecommunication companies for the year 1997-2000 period at BusinessWire.Com with a sample of 42 companies was selected to study. Sullivan12 (2007) the reason

of the paper was to present a inclusive review of the pragmatic evidence on the impact of takeover on the performance of bidder companies. The study found that bidders involved in hostile takeover gained more in long-run and lose during the window period.

Antoniou et al.13 (2008) examined the impact of the cross-correlation of stock prices on the long-time post-merger share price performance of UK bidder firms from 1985 to 2001. It was exhibited that the broadly recognized variance of longtime under the performance. One to three years BHARs showed –7%, –23%, and –11% respectively.Mohammed14 (2008) explored the short term market reaction linked with the announcement of 7 M&As in Pakistan banking sector from 2003 to 2008. The results of the analysis found that the mean CAR over the 61-day event period for every bank was significant.Francoeur15 (2006) evaluated the stock market reaction of Canadian bidder firms included in cross border M&As from 1990 to 2000 with a sample of 551 M&As events. The study revealed that Canadian firms carrying out cross-border M&A's do not make significant abnormal returns after the announcement in the five-year period. The findings agreed with internalization theory and concluded that acquiring firms involved in cross-border takeover create long -term value for the shareholders.

## 4. PROBLEM STATEMENT

This study is carried out with the objective to know the pre- and post-merger-the merger comparative position of long term profitability with respect to the selected Indian banks. Further, the study also aims to analyses the financial performance of the selected banks with the average of the industry in both pre- and post-merger this study uses five years before the merger event to test the hypothesis. It is considering a study period of 4 years.

## 5. OBJECTIVE OF THE STUDY

To examine the financial performance in post-acquisition presence of trend and progress of M&A as in Indian corporation.

## 6. HYPOTHESIS OF THE STUDY

There is no significant in financial performance in post-acquisition period

## 7. RESEARCH METHODOLOGY

This review was performed by searching and reviewing the articles and reports published in different journals and books largely between 1990 and 2014 with exception of few articles published before 1990. The key words used in the search Mergers and aqesation pre and post comparative balance sheet Manual search of bibliographies on related articles was also performed to identify the relevant literature. Scope of the studies reviewed in this article is limited to the impact of pre and post aqesation on different aspects.

Table 1.1 One-Sample Statistics

| | N | Mean | Std. Deviation | Std. Error Mean |
|---|---|---|---|---|
| BSEPS | 5 | 2.452 | 2.223 | 0.994 |
| PBDITM | 5 | 9.220 | 4.129 | 1.847 |
| PBIT | 5 | 6.400 | 4.717 | 2.109 |
| PBT | 5 | 4.360 | 3.573 | 1.598 |
| CR | 5 | 0.942 | 0.079 | 0.035 |
| ITOR | 5 | 10.542 | 3.089 | 1.382 |
| QR | 5 | 0.646 | 0.098 | 0.044 |
| DPR | 5 | 20.248 | 14.389 | 6.435 |
| INVCOV | 5 | 1.982 | 1.321 | 0.591 |
| RR | 5 | 75.470 | 15.095 | 6.751 |

analyzing the pre and post acquisition of Ashok Leyland and Indusland Bank, we come to know that PBDIT Margin is more than the Basic EPS, PBIT is less than the profit before tax, Inventory turnover ratio is in the peak compared to Current ratio, Dividend payout ratio is eventually high than the Quick ratio and finally Inventory Turnover Ratio is much lesser than Retention ratio.

Tabale1.2 One-Sample Test

| | T | Df | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference | |
|---|---|---|---|---|---|---|
| | | | | | Lower | Upper |
| BSEPS | 2.47 | 4 | 0.069 | 2.452 | -0.308 | 5.212 |
| PBDITM | 4.99 | 4 | 0.008 | 9.220 | 4.093 | 14.347 |
| PBIT | 3.03 | 4 | 0.039 | 6.400 | 0.543 | 12.257 |
| PBT | 2.73 | 4 | 0.053 | 4.360 | -0.076 | 8.796 |
| CR | 26.82 | 4 | 0.000 | 0.942 | 0.844 | 1.040 |
| ITOR | 7.63 | 4 | 0.002 | 10.542 | 6.706 | 14.378 |
| QR | 14.80 | 4 | 0.000 | 0.646 | 0.525 | 0.767 |
| DPR | 3.15 | 4 | 0.035 | 20.248 | 2.382 | 38.114 |
| INVCOV | 3.36 | 4 | 0.028 | 1.982 | 0.342 | 3.622 |
| RR | 11.18 | 4 | 0.000 | 75.470 | 56.727 | 94.213 |

analyzing the pre and post-acquisition of Ashok Leyland and Indusland Bank, we come to know that Mean difference of PBDIT Margin is more than Basic EPS, Tested value of PBIT is more than PBT, Current ratio and Quick ratio sig.(2-tailed) is low significance, Dividend payout ratio is eventually higher than Inventory turnover ratio and finally Mean difference is more in Retention ratio than Inventory coverage ratio.

## 8.RESULTS AND DISCUSSION

- Current ratio, Quick ratio and Retention ratio's Significance of 2-tailed test is Nill in the 4 years period.
- PBDIT Margin mean difference is more than the PBIT.
- Current ratio, Quick ratio and Retention ratio's T is the increasing stage.
- Dividend pay ratio's standard deviation is less than the Retention ratio

## 9.CONCLUSION

This study compares the before and after merger position of long term profitability with respect to selected company. The pre-merger and post-merger financially performance has been measured by selecting certain financial variables. In the post-merger period the profitability of all companies earning per share, profit per employee and business per employee showed positive trend and have grown after the merger. The positive impact of the merger on the majority of the variables. In the post merger period. The profitability of two companies earning per share compared far the other company.

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