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Post-Performance Evaluation of Acquisition- A Study of Flip kart and Myntra

Akshatha S [1], Dr. Manoj kumara N V[2]

Research Student Department of Management Science, Maharaja Institute of Technology, Mysore, Visveshwaraiaha Technology University, Belgaum, Karnataka

Associate Professor, Department of Management and Science, Maharaja Institute of Technology Mysore, Visveshwaraiaha Technology University, Belgaum, Karnataka

***Abstract*- Recent trend of merger in the Indian private corporate sectors they research about corporate restructuring in the form merger & accqution has become a nature & perhaps a desirable phenomenon in the current economic environment. To find out the evaluation after & before of M&A site. The study period is length of 4 years for 2017 to 2019. And using the tolls for T-test and correlation.**

THEORETICAL BACKGROUND

Flipkart is an E-business organizational establish in 2007 by Sachin Bansal and Binny Bansal the organization is enlisted in Singapore, however has its central station in Bangalore Karnataka India. Sachin & Binny are graduated class of the Indian institution of technology Delhi. They worked for amazon.com, and left to make their new organisation consolidated in October 2007 as Flipkart online service. Myntra got its underlying subsidizing from erasmic venture fund now know as accel partners Myntra raised extra 50 million(310cr) subsidizing from Premji invest and couple of other private investors. In 2015, Flipkart accqution a mobile marketing start-up appiterate as to strengthen its mobile platform.

According to the economic times Flipkar loses Rs 70 cr. a month while Mytra is not just bleeding but also rapidly losing market share to competitors like Jobbing and other fast-rising fashion E-trailers, in 2013 Flipkart lost Rest 281 cr. On revenues of Rest 1180 cr. While Myntra lost Rest 134 cr. On revenues of Rest 212 cr. Which is why combining forces in other words sharing a logistics and technology backbone, as well as customers will stem that tide to some extent is the thinking?

The main reason of Myntra get accuired by Flipkart it was started with personalization of merchandise and then pivoted to fashion in the last seven year. We have taken the online fashion retail to a different level. we are not only the leaders in this segment but have built a very unique differentiation. Thise are all among the top sites in terms of online traffic and are focused a lot on building deep relations with the brand they are work with them. It have even made some. Brands household names. Overall we have enjoyed this ride and wanted to take fashion to an altogether different level in the last few months we’ve had a number of meetings to see how we can do this together. We wanted to exploit our mutual synergies in order to accelerate our growth.

It was 100% securing in an expected Rest 2000cr bargain the arrangement was affected by two huge regular shareholders, tiger global and accel partners. As a component of the securing Myntra fellow benefactor mukesh bansal will join Flipkart board and will likewise supervise flipkarts style business. Flipkart and Myntra will stay as two separate substances however individual holding investment opportunities in Myntra will now hold the same in Flipkart.

LITERATURE REVIEW

Nagesh M R Prof. B Shivaraj (November 2015)1: The corporate growth and survival strategies in the working of the market for corporate control. They are often dramatic events because in each the ownership of an entire company changes hands in a single transaction this study focus on merger. The acquiring company retains its name and identification, and it acquires all the assets and liabilities of the target company. The value of the combined company can be defined as the sum of the values of the parts plus any synergy. Daajuan wang and hamidmoini(2012)2: There are several woves of corporate mergers and acquisitions have led to substantial industrial restructuring in different part of world. They found additional performance assessment is sensitive to the definition of performance methodology selected benchmark construct sample used and observation time horizon. Performance measure have inherent limitations that should be discussed one performance measure is superous to other only when its theoritacal logic is more connected to the theoretic dimension of the question under investigation. Sidharth saboo and sunil gopi(2009)3: He speks about till recent past the incidence of India entrepreneurs acquisition foreing enterprises was not so common the situation has undergone a sea change in the last four-five year. Merger and accqution is a subject has been a topic of interest among the circles of financial researchere mergers where equity stock of acquiring firm was issued to firm acquired share holders. Sladana savovic(2016)4: He speaks about stock market based measure of performance observes the effect of acquisition on the movement of company share price in the period between the announcement and the closing of the transaction. A group of studies that belong to industrial organization literature have used accounting post-acqusition performance. The evaluation of accqution success requires multi-dimensional measurement of post-acquisition performance including financial and non financial performance indicators. Yinnis triantafyllopovlos, nikolaos konstantopouls and damiaons P. sakas(2011)5: This article aims to determine the main factors that affect the performance management strategy in high technology manufacturing greek companies after a merger or an acquisition. The performance management in high tech manufacturing business after major changes as merger or acquisition is mainly based on the factors of communications employees level. Iordanis Eleftheriadis, michain pazarskis6,Mergers and acquisitions (M&As) are one of the mechanisms by which firms gain access to new resources and via resource redeployment, increase revenues and reduce cost. Risk is perceived, in this study, as a firm's exposure to uncertainty, which can lead to changes in the operating performance of this firm. Prof. B Shivaraj(2015)7 the popular corporate growth and survival strategies in the working of the markets for corporate control. They are often dramatic events because in each the ownership of an entire company changes hands in a single transaction. This study focused on mergers. If a corporate growth strategy involves mergers then what would be the impact on acquiring company's performance and its shareholders value. Torkel Strömsten(2012)8 This paper can be seen as a descriptive research, aiming to investigate the internal and external evaluation processes of acquisitions conducted by Trelleborg AB. However, despite the descriptive approach, the ambition with this thesis is to find causal relationships between the type of acquisitions and the evaluation processes. In order to decide whether an acquisition is successful or not it is crucial to conduct an evaluation process to analyse how the integration process went. Han Bao1(2017)9 The banking industry is one of the rapidly growing industries around the world. Through Mergers and acquisitions, some banks achieved significant growth. And by going through the demerger, the banks can unlock shareholder value, improve company focus, help to eliminate negative synergies and free up capital. However, the poor long run post merger performance of many companies and some entrepreneurs‟ ambitions to rush into a merger deal has bring concern to the question that what‟s the financial impact of a merger or demerger. Tariq H. Ismail, Abdulati A. Abdou, Radwa M. Annis(2011)10 The effect of mergers and acquisitions on the abnormal returns for both the acquiring and the acquired firms is inconclusive; where some studies reported insignificant improved abnormal returnsthat use accounting measures-based have inconsistent results; where some studies reported slight improvements in the financial performance at insignificant level. Mahesh R. & Daddikar Prasad(2012)11 this study has not rejected the null hypotheses which consider that there are no significant improvements in surviving company's performance post-merger and acquisition and rejected the alternative hypothesis which considers that there is significance improvement in surviving company's performance post-merger and acquisition activity for thermal under consider. Borsa Istanbul review(2017)12 In this study, we empirically examine the impact of mergers on corporate financial performance in Pakistan. In order to analyze merger effects on profitability, leverage, and liquidity position, OLS regression analysis is carried out using data on the deals occurred during the period 1995–2012. As the selected sample size is relatively small so also applied empirical Bayesian estimation method to check the robustness of the results.

RESEARCH GAP

There literature reviews related to merger and acquisition company post performance evaluation in this study. This analysed for post-performance in the companies. The study found that there are significant and insignificant results found. This result may take for long term or short term period it may be positive or negative in the analysis in these study period 2018 ids short term period. Henceforth, the study mainly focuses on analysing the performance of mergers and acquisitions on financial performance.

PROBLEM STATEMENT

The study found that, majority of the mergers and acquisitions results significantly high and low performance in post-acquisition considering different study period. Therefore the present study is focus on analysing the financial performance in post-acquisition period.

OBJECTIVE OF THE STUDY

To examine the post impact of merger and acquisition on financial performance

METHODOLOGY

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 whether its impact negative or positive with respect to related company by consisting the study period of 5 years.

T-test: 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.

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.

Table 1.1 Period of the study

Sample design	
Type of research	Descriptive
Sample period	5 year
Statistical tool	Descriptive, T-test,
Financial tool	Ratios
Acquisition	Flipkart
Target	Myntra
Type of activity	Acquisition

Hypothesis
Ho: There is no significant between post impact merger and accqution and financial performance

DATA ANALYSIS AND INTERPRETATION

Table 1.2 Ratio analysis

Liquidity And Solvency Ratios					
Liquidity and Solvency Ratios	2019	2018	2017	2016	2015
Current Ratio	1.53	1.6	1.68	1.83	1.17
Quick Ratio	1.71	1.82	2.14	2.98	2.29
Debt Equity Ratio	0.14	0.18	0.2	0.26	0.31
Debt Coverage Ratios					
Interest Cover	5.71	6.55	4.72	6.33	3.64
Total Debt to Owners Fund	0.14	0.18	0.2	0.26	0.31
Financial Charges Coverage Ratio	6.36	7.15	5.08	6.66	3.97
Financial Charges Coverage Ratio Post Tax	4.69	5.21	3.91	6.09	3.42
Management Efficiency Ratios					
Inventory Turnover Ratio	6.17	4.98	4.43	7.25	8.1
Debtors Turnover Ratio	2.02	2.79	2.88	3.05	3.36
Investments Turnover Ratio	6.17	4.98	4.43	7.25	8.1
Fixed Assets Turnover Ratio	7.9	7.67	8.79	11.17	33.89

Total Assets Turnover Ratio	1.61	1.69	1.53	1.6	1.75
Asset Turnover Ratio	1.68	1.77	1.56	1.76	2.29

Source: Money control data base- author calculation

In the ratio analysis current ratio margin in the year 2016 is high compared to 5 year and low in the year 2015. in the quick ration margin there is negative value in the year 2018 and compared to the 5 years in 2015 is high. In debt equity ratio margin is decrease in the year 2017 due to more expenses and operating expenses and increases in the year 2015 for the purpose of getting a Liquidity and Solvency ratio.

In interest cover margin ratio is low in the year 2015 due to down pressure on sale prices such as discounts due to competition and high in the year 2018 for the purpose of efficient management and valuation of stock In Total Debt to Owners Fund ratio is low in the year 2019 due less efficient deployment of equity resources and in 2015 is high compare ton 5 years because of to decline in value of Total Debt to Owners Fund ratio, Financial Charges Coverage Ratio ratio is decrease in the year 2015 is high compared to 5 year and low in the year 2016, in the Financial Charges Coverage Ratio Post Tax margin there is negative value in the year 2015 and compared to the 5 years in 2016 is high in the Debt Coverage Ratios.

In the Inventory Turnover Ratio is lower in the year 2017 due to due to competition and high in the year 2015, in the ratio analysis Debtors Turnover Ratio margin in the year 2015 is high compared to 5 year and low in the year 2019. in the ratio analysis fixed assets turnover Ratio in the year 2015 is high compared to 5 year and low in the year 2018. in the ratio analysis total assets ratio in the year 2015 is high compared to 5 year and low in the year 2017.in the ratio analysis assets turnover ratio is lower in the year 2015 if high compared to 5 year and lower in the year 2019 in the Management Efficiency Ratios analysis.

Table 1.3 One-Sample Statistics

Ratio	N	Mean	Std. Deviation	Std. Error Mean
CR.	5	1.562	0.246	0.110
QR	5	2.188	0.501	0.224
DER	5	0.218	0.067	0.030
INCOV	5	5.390	1.209	0.541
TDSH	5	0.218	0.067	0.030
FINCOV	5	5.844	1.297	0.580
FCCRCOV	5	4.664	1.055	0.472
INVTOR	5	6.186	1.528	0.683
DTOR	5	2.820	0.497	0.222
INVSTOR	5	6.186	1.528	0.683
FTOR	5	13.884	11.269	5.040
TATOR	5	1.636	0.085	0.038
ATOR	5	1.812	0.280	0.125

Sources: SPSS data base- author calculation

In the ratio analysis mean values is more in quick ratio is 2.188 and lower ratio is debt equity ratio is 0.218. The mean value is more in financial charges coverage ratio is 5.844 and lowest mean value is 0.218 Total Debt to Owners Fund. The mean values is more in Inventory Turnover Ratio and Investments Turnover Ratio is 6.186, and lower ratio is Total Assets Turnover Ratio is 1.636

In the ratio analysis mean values in more in quick ratio is 2.188, the ratio analysis mean value is more in financial charges coverage ratio is 5.884, and the ratio analysis mean values is more in inventory turnover ratio and investment turnover ratio is 6.186.

Table 1.4 One- sample Test

	T	Df	Sig. (2-tailed)	Mean Difference	95%Confidence Interval of the Difference	
					Lower	Upper
CR.	14.204	4	0.000	1.562	1.257	1.867
QR	9.766	4	0.001	2.188	1.566	2.810
DER	7.251	4	0.002	0.218	0.135	0.301
INCOV	9.972	4	0.001	5.390	3.889	6.891
TDSH	7.251	4	0.002	0.218	0.135	0.301
FINCOV	10.072	4	0.001	5.844	4.233	7.455
FCCRCOV	9.890	4	0.001	4.664	3.355	5.973
INVTOR	9.055	4	0.001	6.186	4.289	8.083
DTOR	12.681	4	0.000	2.820	2.203	3.437
INVSTOR	9.055	4	0.001	6.186	4.289	8.083
FTOR	2.755	4	0.051	13.884	-0.109	27.877
TATOR	42.875	4	0.000	1.636	1.530	1.742
ATOR	14.464	4	0.000	1.812	1.464	2.160

Sources: SPSS data base- author calculation

The study found that statistical significant with respect to CR, QR, DER and the mean value resulted in the 1.562, 2.188 & 0.218 respectively.

In the study found that statistical significant with respect to INCOV, TDSH, FINCOV,FCC, RCOV and the mean value resulted in 5.390, 0.218, 5.844, 4.644 respectively.

In the study found that statistical in significant with respect to INVTOR, DTOR, INVSTOR, FTOR, TATOR, ATOR and the mean value resulted in 6.186, 2.820, 6.186, 13.884, 1.636, 1.812. respectively.

RESULT AND DISCUSSION

- Liquidity and solvency mean value is decrease in the debt equity ratio is 0.218.
- Debt coverage ratio mean value is decrease in the total debt to owners fund is 0.218.
- Management efficiency ratio mean value is decrease in the Total assets turnover ratio is 1.636.
- In the above analysis all are significant and FTOR is in significant is 0.051.

CONCLUSION

After the analysis of the various ratio related to the Flipkart and Myntra Company founded in theoretical statement it is clear that profitability more or less depends upon the better utilization of resource, domestic or cross-border has different effect on the performance of the acquiring firm The result and analysis of the key financial ratios of the acquiring firms shows that the impact of merger was different for indian acquisition and cross-border acquisition

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