

CHAPTER 6

FINDINGS, SUGGESTIONS AND CONCLUSION

Present chapter deals with the findings, suggestions and conclusion of the study.

6.1 FINDINGS

6.1.1 OPERATING PERFORMANCE

Present study shows that M&A could not bring a significant change in the operating performance of the acquirers.

6.1.2 DU PONT ANALYSIS

Du pont analysis shows M&A could not make a significant change in the operating cash flow to total asset, operating cash flow to net sales and total asset turnover ratio of the acquirers

6.1.3 SHARE VALUE CREATION

- Pre announcement period AR is not significant.
- Post announcement period AR is not significant.

6.1.4 VOLATILITY

- M&A announcement does not have a significant impact on the degree of volatility of the Indian Acquirers.

6.1.5 TRADING LIQUIDITY

- M&A announcement does not have a significant impact on the trading liquidity of the firms.

6.1.6 CUMULATIVE ABNORMAL RETURN

- M&A announcement could create significant CAR in the pre announcement period is supported for the individual analysis. For aggregated analysis also result shows that the pre CAAR is significant.

Present study shows that Information about the deal is leaked during the pre announcement period

M&A announcement could create significant CAR in the post announcement period for the individual analysis. But for aggregated analysis the post CAAR is not significant.

- Pre announcement CAR and the Post announcement CAR is moving in the same direction.
- Share wealth could be created in the very short windows. From the (-11,11) 22 days window onwards the share wealth became negative.

6.2 IMPACT OF DETERMINANTS

Determinants Impact with and without control variable is analysed

6.2.1 INDEPENDENT VARIABLES IMPACT ON DEPENDENT VARIABLE WITH CONTROL VARIABLES

- Firm size has no significant impact on the cumulative abnormal return of the acquirers.
- Prior Performance (ROA) has no significant impact on the cumulative abnormal return of the acquirers.
- Age has no significant impact on the cumulative abnormal return of the acquirers.

6.2.3 INDEPENDENT VARIABLES IMPACT ON DEPENDENT VARIABLES WITHOUT CONTROL VARIABLES

- Types of firms (growth or value) firms have no significant impact on the cumulative abnormal return of the acquirers.
- Experience (number of previous Merger and acquisition deal) has no significant impact on the cumulative abnormal return of the acquirers.

6.3 STUDIES ON DIFFERENT WINDOWS

A study is carried out in different windows to know on which window the investors could gain maximum profit. Pre event CAAR and Post event CAAR shows useful insights. CAAR is positive until the 21 day window. After that the CAAR has turned out to be Negative. The CAAR is studied for 41 days window period. So the investors had actually anticipated profit but then the market itself had made a correction.

6.4 SUGGESTIONS

Result show the M&A deal could not bring a significant change in the acquirers operating performance. Usually after the M&A the leverage of the firm should be increased but in the present study even leverage is unchanged. Indian acquirers are reluctant to use leverage. But then Indian acquirers should have had used the leverage for financing the deal because even existing literature strongly oppose paying mainly in cash

For Manufacturing sector the long term expenses like R&D, Advertising and Marketing is very important. But for these expenses also there is no significant change after the M&A. In fact firms should invest in these expenses for increasing the brand value and withstanding the cutthroat competition facing in today's competitive market. But acquirers did not give enough importance for the innovation (R&D) expenses also. Most of the M&A in the manufacturing sector are for the availability of the funds to invest in R&D expenses. Indian firms do M&A mainly to face the competition or to survive. EPS and BPS has also not increased after the M&A, which strongly support the above said reason that the Indian acquirers only execute the M&A deal to withstand the competition. Indian government from 1990's liberalization onwards became very liberal with the foreign firms. **UNCTAD (2017)** also points out that Indian government is becoming more liberal with foreign firms. Indian government should frame policies more favorable for the Indian manufacturing houses. Otherwise foreign firms could create monopoly in the Indian Market through FDI. ROA did not show significant change after the M&A so present study strongly argues that the competition forces Indian firms to go for M&A deal. If ROA is increased the chances are there for the managers to simply execute the deal to make the firm bigger in size. Empire Building motive is not present in the Indian M&A.

Du pont analysis also shows the firms are not able to create higher sales or the maximum utilization of the total asset. May be the managers feel difficult in the changing environment to work or otherwise the manager and employees are not prepared for the change. Dialogues and training for the managers should be given before the M&A. Abnormal return did not change significantly. The anticipated share wealth could not be created after the M&A. Degree of volatility and impact of stock liquidity did not change. The main reason for the unchanged volatility and the stock

liquidity is because the information about the deal is leaked. Because of information leakage abnormal, volatility and stock liquidity had no significant change in the pre and post M&A period. SEBI should frame more strict rules. Present study also shows that the Pre announcement CAR could predict the post announcement CAR. So if there is a negative wealth creation in the pre announcement CAR then in the post announcement CAR also it would be negative. Indian acquirers should develop their own strategy for M&A.

In 1991, only M&A wave started in India. Exhaustive literature is available about M&A but then that literature are developed on western context so the future Indian Researchers should give more importance on developing the M&A literature based on Indian mergers and acquisitions.

It is better for the shareholders to sell the shares in the short windows if they want to make a gain. Because present study shows when the window becomes longer the share value is actually becoming less.

Usually determinants impact in the western acquirers could not bring an impact on the Indian acquirers. Present study shows that the western literature could not be applicable in Indian context as such. But there are more determinants that should be checked to know for sure whether theories developed in the western context could be applicable in the Indian context.

6.5 IMPLICATION FOR FUTURE RESEARCH

From the reviews it shows that the Indian acquirers mostly follow western strategy. Chinese developed their own strategy for M&A which is highly successful in the sixth wave which is not consistent with the strategy developed in the west (**Mccarthy et al 2016**). Indian researcher should see whether acquirer is following western strategy, their own strategy or Chinese strategy. Then Indian researchers should study in which strategy the operating performance and the share wealth is increased.

Most of the determinants controlled and studied by the western researchers were studied in the present paper also. Age, firm size, prior performance, type of firms, and prior experience could not bring a significant change in the CAR. But for western acquirers these determinants could bring a significant change. Impact of determinants

is not studied by many Indian researchers. Future researchers should give more importance to study the impact of various determinants on Indian Acquirers. Also instead of studying only the determinants mentioned in the literature, researchers should identify if there is any determinants which impact the firms in India, because the literature is mainly developed in the western context. Indian researchers should identify whether there is any new determinants which could bring a significant impact on the CAR of the Indian acquirers.

How far western theories could be applied in Indian context also should be studied by controlling the impact of those factors which is used in western acquirers and also Indian acquirers. This would help the Indian researchers to understand how far the western theory is applicable in Indian context. For eg: western theories are actually do not favor if the cash is the main source of finance in the M&A deal but then Chinese firm mostly use cash for finance the deal in the sixth wave. So, the Indian researcher can take an acquirer finance the deal using cash only then control the cash payment impact to find whether the deal could bring a profit then do the same without controlling the cash to find whether the deal had achieved the anticipated profit. If with cash the deal is profitable then western theory about the cash is not applicable in Indian context but if the deal is profitable after controlling the cash then the western theory about the cash is applicable in Indian context. Researcher can check the impact of various determinants like this and find how far the theory is applicable in Indian context.

6.6 CONCLUSION

Present study's main aim is to find whether the M&A could bring the anticipated gain for the Indian acquirers. Present study identified the impact of M&A on the operating performance of the firms. Result shows that no significant difference in the pre and post operating performance of the acquirers after the M&A. Share value is not created after the M&A deal announcement. One of the important finding is that information about the M&A deal is leaked during the announcement period. Determinants are also not having a significant impact on abnormal return. From the present study it can be concluded that the M&A then failed to achieve the anticipated operating profit and the share value if profit and share value is the main reason for the deal. However, most of the Indian acquirers would have preferred the deal to withstand the

competition. Sometimes the cost of losing the deal would be greater than executing the deal. To survive the business M&A would be essential for the firms.