

A STUDY ON THE IMPACT OF MERGER AND ACQUISITION OF SELECTED CHEMICAL COMPANIES IN INDIA

Radha Tilavat

S.D. School of Commerce, Gujarat University

Komal Raval

S.D. School of Commerce, Gujarat University

Abstract

This study is for the impact of merger and acquisition on the financial valuation of chemical companies in India. Company can expand their, business by internal expansion strategy, a firm grows gradually overtime in the generic course of business and external expansion strategies, a firm grows overnight through corporate conjunction.

The main objective of this study is to examine the impact of merger and acquisition deals have on the operating and financial performance of the sample firms by comparing their performance before and after deals of merger and acquisition.

Data are collected from balance sheet and profit and loss account.

The current paper evaluates the performance of the selected companies on the based on financial ratio from the perspective of pre merger scenario and post merger scenario.

To analyze the impact of merger ratio analysis was applied to the financial ratio for the, before after merger data, based on the analysis of indices various selected companies.

Key Words: Chemical industry, Merger & Acquisition, Growth

INTRODUCTION

Chemical companies play a vital role in the economic growth of the country, in which country they exists. Chemical merged or doing acquisition for making supply chain stronger and getting synergy benefit. India chemical companies are the dominant firm role. And had made good progress during the global financial crises, it is evident from its annual credit growth, profitability and trends NDAs. Company's growth is possible in two ways. One is through the internal growth and second is external growth. Internal growth occurs when the company grows from its can business activities, using funds from one year to expect the company.

LITREATURE REVIEW

In case of merger and acquisition is assumed to create values if the combined value of the bidder and target company increases on announcement of the merger and the consequence stock prices reflect potential net present value do acquiring banks.

The current paper follows the former method and tries to find same empirical evidence for the same.

MARIA GAVRILESCU, (2005) in this, his topic is biotechnology, a sustainable alternative for chemical industry. He has defined the industrial sustainability, role of biotechnology in sustainability he has defined the application of biotechnology in the chemical industry in it he classified connectivity chemicals, especially and life science producer. He has mentioned fermentation processes enzymatic processes, and later on he explained DuPont, in association with ginner international has developed a process that uses a genetically modified Escherichia coli to convert sugar from cornstarch into 1, 3- propane idol in a high yield fermentation he also talked about bio pesticides, bio fertilizers and soil inoculants. Fiber, pulp and paper processing. Bio pulping enzyme- aided pulp, paper and textile processing as soon.

MANTRAVADI and REDDY, (2008) The impact of mergers on the operating performance of acquiring corporate in different industries by examine some pre and post merger financial ratios. The result is minor changes in operating performance following mergers in steel industry in India.

HAYWARD, (2002) indicating people undertaking merger and acquisition have a great opportunity to learn from their experience. The firms who have a small loss in prior acquisition are learning from their performance and outperformance on subsequent acquisition.

CHOI and RUSSEL, (2004) Very few stages argue that the timing of transaction have a no significant effect on post merger performance.

BEENA P.H. (2004) Indian manufacturing firm's merger and acquisition shows there is no significant effect on profitability, liquidity and efficiency and capital ratios.

Dr. Shrabanti Pal: In her study, she has talk about merger and acquisitions refers to the aspect of corporate strategy, corporate finance and management dealing with the buying, selling and combining of different

companies that can old, finance or help a growing company in a given industry rapidly without having to create another business entities.

Merger which is tool used by companies for the purpose of expanding their operation often aiming at an increase of their long term profitability. There are different types of actions that a company can be taken when deciding to move forward using merger and acquisition. Usually merger occur in a consensual setting where executives from the target company help those from the purchaser in a due diligence process to ensure that the deal is beneficial to both parties.

George Lodorfos, in his study he has mentioned that the role of culture in the merger and acquisition process. In his study he had talked about, his study is based on 32 interviews with senior manager of 16 merger and acquisition deals in the chemical industry and study finds that culture differences between the merging firms are a key element affecting effectiveness of the integration process and consequently the success of merger and acquisitions.

Furthermore, the study finds that although managers agree that cultural differences create organizational challenges, yet the attention given to cultural integration issues during M&As are at best tenuous and in some cases reactive. This study, therefore, suggest a four staged approach in dealing with cultural differences.

CHAPMAN K. and EDMOND H.(2000), in his study, he mentioned that M&A in the EU chemical industry high level of merger/acquisition activity, especially international transactions, have been a characteristic of the global economics since the mid-1980s. A significant proportion of this activity has been phenomenon has been limited by data availability. Information from a royal society of chemistry database is used to examine M&A in the European Chemical Industry.

This is a key sector of the European economy which has accounted for a substantial proportion of M&A in manufacturing.

AZHAGAI AH & KUMAR (2011), In their study, he has tested hypothesis concerning whether there is significant improvement in the corporate performance of Indian manufacturing corporate firms following the manufacturing event using paired t-test.

This study indicates that Indian corporate firms involved in M&A have achieved an increase in tee liquidity position and reduce financial and operating risk.

SALETR & WEINHOLD, (1979) study suggest that Corporate merger and acquisition are the principal vehicles with the help of this the firms enter into new market & expand the size of operation.

RESEARCH GAP

1. MARIA GAVRILESCU (2005), in his study, he has talked about biotechnology and a sustainable alternative for chemical industry. Their study has not point of view of management or commerce but he had talked or research about various process.
2. Dr. SHRABANTI PAL, she has talked about corporate strategy, corporate finance and management dealing of different company and Shrabanti had talked about 15 different types of action that the company can taken but under her study not covered financial aspect of the company which main issues of management of the company.
3. GEORGE LODORFOS, he mentioned the role of culture in M&A process. He practically met with senior manager and talked about heir 16 M&A deals in chemical industry even this research has not focus on the financial aspect of the organization.

Objective of the study

1. Main objective of the study is the impact of M&A on financial performance of company
2. Another objective is to study the financial position of the company.
3. Another objective is that merged companied growth.
4. Strength of merged company to face competitors.

Limitations of the study

1. Selected Companies which has merged is taken.
2. Time duration is limited from 2000 to 2018.
3. Number of year's data could not take because every decade had different economy.
4. Inflation rate is different in every segment of decades.

Hypothesis of the study

H₀: Merger and acquisition increases the financial performance of selected chemical companies

H₁: Merger and acquisition has not increases the financial performance of selected chemical companies

Data collection

For this research data is collected from secondary source

The performance of the banks has been evaluated based on following financial measures.

Table 1: Financial ratio of CHEONBAL FERTILIZERS & CHEMICAL Ltd. merged with

INDIAN STEMSHIP Company Ltd.

Financial Ratio	Before Merger		After Merger	
	2013	2014	2015	2016
Operating Ratio	6.22	4.33	4.50	5.60
Net Profit per share	4.16	3.80	2.66	-.08
EPS	7.34	7.28	5.69	.27

From the above table, we can see here that operating profit is decreasing constantly and net profit per share also constantly decreasing EPS is also decreasing.

It indicates that after the merger, thus companies all the profitability ratio declines means the performance of companies after merger goes down. By analyzing only two years data merger became the failure of the company there may be slowly and gradually increasing all the profitability ratios.

Table 2: Financial ratio of BODAL CHEMICAL TIROH Ltd.

Financial Ratio	Before Merger		After Merger	
	2015	2016	2017	2018
Operating Ratio	17.62	16.47	18.65	17.53
Net Profit per share	8.80	9.51	11.24	11.37
EPS	8.43	7.94	12.18	10.44

From the above table, we concluded that operating ratio of BODAL Chemical is also increasing after merger; net profit per share is also increasing in gradual manner. The third ratio is EPS in which you can see the positive changes has taken place. In short, I want to say that this merger is successful.

Table 3: Financial ratio of Reliance Industries Ltd. And Indian Petrochemical's Ltd.

Financial Ratio	Before Merger		After Merger	
	2006	2007	2008	2009
Operating Ratio	17.88	18.27	16.76	17.26
Net Profit per share	11.21	10.69	14.54	10.78
EPS	65.08	85.71	133.86	97.28

From the above table, we conclude that the profitability ratio which slightly increasing and decreasing trend. First one is operating ratio which slightly increases before merger and slightly increases after merger. Net profit per share ratio which is slightly decreases and after even it increase and decrease again.

The EPS ratio which is constantly increasing after merger

In short, we can say that this company's merger is quite successful

Thus, hypothesis is accepted which is significant impact on merger of chemical companies of India.

Conclusion

From the above research, we conclude that financial performance of company is affected by not only economic environment but also political environment of the country. The culture of the country plays vital role in the determinate the aspect of the organization.

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