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A STUDY OF MERGER AND ACQUISITION OF SELECTED TEXTILES INDUSTRY OR COMPANY OF INDIA

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Abstract

After more than 20 Years development, merger and acquisition has become more and more popular and gradually becomes the main tool for enterprises to adjust the industrial structure and optimize the allocation of resources. M&A has three patterns: ***Vertical, Horizontal and Mixed.*** *Enterprises should consider the effect of internal and external environment and related constraints in choosing M&A patterns. This paper lists related factors that influence the M&A patterns, analyzes their influences and offers advices in choosing M&A patterns with current industrial conditions in mind. In terms of output, foreign exchange earnings and employment generation, Indian textile industry is one of the largest and the most effective industries of the Indian economy. As per the Ministry of Textiles, The Indian Textiles Industry contributed about 14% to industrial production, 4% to the t the country's GDP and 27% to the country's total export earnings in 2015.Textiles mills are shutting down and there is no expected growth in jobs because exports are not growing. This current scenario prompted the recent overtures in the schemes for the contribution of textiles Industry to the Indian Economy and its prospects for the country's foreign exchange earnings and to study the various Government policies and agencies involved in the promotion of Textile Industry in India. This paper also looks into the problems and challenges faced by the Textile Sector. The methodology utilized in this research paper is descriptive and analytical. The study is based on the secondary data which has been composed from various books, websites, newspapers, magazines, Government reports etc.*

Keyword*: Corporate acquisitions, Textile industry, Companies, Pattern analysis, Resource management, Economic indicators, Information technology, Textile machinery, Production cilities, Waste management, Decision making.*

INTRODUCTION

The Important title is a collection of the most significant research in business history on mergers and acquisitions. As well as laying the empirical groundwork for all future analyses, the articles selected are those which have changed our assumptions concerning the nature and role of mergers in the development of the modern corporate economy. The legislative attempts in North America and Europe to reverse the trend towards business concentration have also generated much scholarly work. Going beyond the traditional methodology of business history, econometric analysis now permits the testing of various theories of the causes of mergers.
Textiles are made from many materials, with four main sources

1) Animal (Wool, Silk)
2) Plant (Cotton, Flax, Jute, Bamboo)
3) Mineral (Asbestos, Glass, Fiber) and
4) Synthetic (Nylon, Polyester, Acrylic, Rayon).

In 1813, Francis Cabot Lowell set up first American Textile Factory. It combined the tasks that were needed to transform raw cotton into finished cotton. One of the new spinning machines to produce cloth faster was the "spinning jenny", invented by Englishman James Hargreaves. All southern plantations and farms then supplied vast amounts of cotton to the textile mills in the Northeast. The only negative effect the cotton gin had on the industrial revolution was that it increased slavery, which Whitney wanted to stop.

The textile industry is primarily concerned with the design, production, and distribution of yarn, cloth and clothing. The raw material may be natural or synthetic using products of the chemical industry.

LITERATURE REVIEW

ICRIER, (2008) The textiles and garment sector play and extremely significant role in India in terms especially of share in value added, foreign exchange earnings, and employment. As stated by the Indian council of Research on International Economic Relations.
Verma (2003) The impending dismantling of quotas in 2004 under mandate from the Agreement in Textile and Clothing of the WTO, the focus has clearly shifted to the adoption and maintenance of global quality

standards, all over the Indian textile and clothing exports. Because Indian textile and clothing sector is predominantly cotton based this study would focus mainly on the cotton textile and apparel, and look at the entire value chain from fibre to garment and retail distribution.

Ghori (2009) Textile and garment manufacturing organizations are facing new challenges globally and are continually making efforts to improve their services and product, both internally and externally, to provide the highest quality at the best cost.

Bala (2006) Gaining competitiveness in the quota free trade has become a driving force for the garment firms to adopt technologies and maintain quality of as per the accreditations and export orientation, cost of capital, technical skills, and competitive advantage.

Dickerson (2008) This sector has also been the subject of extensive protectionist policies since the beginning of the industrial revolution and continues to be the same, post quota regime as well.

RESEARCH GAP

The review of literature thus reveals a gap in so far as no study is specific in dealing with the Hometech segment of the Technical textiles in India. Nor does any work review above tried to examine the financial performance of the Indian Hometech industry in general and selected companies in particular. The present study is an earnest attempt in the direction of bridging this, gap. It is devoted entirely to the Hometech industry in India for measuring the financial performance of the Hometech Industry from 2002-2012.

LIMITATIONS OF THE STUDY

1. The micro study is based on ratio analysis which has its own limitations. As we know that ratio analysis has, like all other methods, limited value and application, it cannot reveal exact picture of the financial performance and its conclusion are not always reliable.

2. Financial analysis does not depict those facts which cannot be expressed in terms of money, for example Efficiency for worker, reputation and prestige of the management.
3. The biggest limitation of the study has been the non-availability of time-series data on production to Technical Textile industry in India.
4. There is an insufficient maintenance of data and information by the Ministry of Textiles.
5. The study is mainly based on secondary data derived from the published reports of the Ministry of Textiles.
6. The reliability and the finding are contingent upon the data published in the reports.

RESEARCH METHODOLOGY

For the purpose of measuring financial performance of Textiles Industry, various ratios are employed, for which a collective data relating to profits, sales, net worth, current assets, current liabilities, debt, total capitalization and share capital are taken into consideration Later, the collective data are utilized to workout various ratios to measure the financial performance of the industry and verify the assumed hypothesis.

The study is carried out over various years under consideration using Accounting based Approach in term of different financial parameters which are given as below.

Objective of the study

1. To determine the profitability position of the textiles industry.
2. To reveal the liquidity position of the textile industry in India.
3. To examine the leverage of the Textiles industry in India.
4. To find out the turnover of the textiles industry in India.

HYPOTHESISOF THE STUDY

The paper studies the growth and development of Technical Textile industry in India in the past data. Based on research gap areas from the literature survey, the following research hypothesis is tested.

Ho: There is no difference between X and X1 in profitability of the textile industry.
Ho: There is no difference between X and X1 in liquidity position of the textiles industry.
Ho: There is no difference between X and X1 in leverage standards of the textiles industry.
Ho: There is no difference between X and X1 in turnover of the textiles industry.

Selection of the Data

The empirical study analysis the financial data of selected from in textile industry which were merged during the period 2014-2018. The financial data regarding five companies.

Sources and Collection of Data

In order to evaluate the financial performance of the merging firms in the long run, at least two years financial data is required. The Data is collected from prowess database of Centre for Monitoring Indian Economy and website. The Financial data for these 5 companies is collected for four years i.e. for two years pre merger and two years post merger period.(average of two years)

TOOL USED FOR ANALYSIS:-

The financial performance of the 5 companies sample merging firms before and after the M&A deal has been analyzed with the help of the following ratios:

TABLE N0.1

Financial Ratio of Donear Industry Pre & Post

Financial Ratio (%)	Before merger 2 years		After merger 2 years	
	2014	2015	2016	2017
Operating Ratio	13.33	13.42	12.23	8.92
Net profit Ratio	7.56	7.22	5.89	0.31
Debt Equity Ratio	0.95	0.97	0.97	0.77
Earning Per share	14.00	14.62	12.35	0.72

ONE SAMPLE STATISTICS

	N	Mean	Std Daviation	Std error Mean
VAR00001	8	27.55	37.442	13.238
VAR00002	8	42.06	63.196	22.343

ONE –Sample test

	t	d.f	Sig(2-tailed)	Mean d.f	95% confidence interval of the different	
					Lower	Upper
VAR00001	2.081	7	0.076	27.546	-3.76	58.85
VAR00002	1.882	7	0.102	42.055	-10.78	94.89

TABLE NO.2.

Financial Ratio of Raymond Industry Pre & Post Merger

Financial Ratio (%)	Before Merger 2 years		After merger 2 years	
	2014	2015	2016	2017
Operating Ratio	8.58	8.4	5.63	6.98
Net profit Ratio	3.78	2.93	1.19	3.25
Debt Equity Ratio	0.93	0.95	1.05	0.88
Earning Per Share	16.29	13.37	5.51	15.98

ONE SAMPLE STATISTICS

	N	Mean	Std Daviation	Std error Mean
VAR00001	8	9.7225	6.4564	2.2827
VAR00002	8	5.9950	6.2023	2.1928

ONE SAMPLE TEST

	T	D.f	Sig(2-tailed)	Mean difference	95% confidence interval of the Difference	
					Lower	Upper
VAR00001	4.259	7	0.004	9.7225	4.32	15.13
VAR00002	2.734	7	0.029	5.9950	0.80	11.18

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TABLE NO.3.
Financial Ratio of Arvind Limited Pre & Post Merger

Financial Ratio (%)	Before Merger 2 years		After merger 2 years	
	2013	2014	2015	2016
Operating Ratio	16.63	15.83	14.94	12.01
Net Profit Ratio	7.56	7.22	5.89	0.31
Debt Equity Ratio	0.95	0.97	0.97	0.77
Earning Per Share	14.00	14.62	12.35	0.72

ONE SAMPLE STATISTICS

	N	Mean	S,d	S.d error
VAR00001	8	9.7225	6.4564	2.2827
VAR00002	8	5.9950	6.2023	2.1928

ONE SAMPLE TEST

	t	d.f	Sig(2-tailed)	Mean d.f	95% confidence interval of the difference	
					Lower	Upper
VAR00001	4.259	7	0.004	9.7225	4.32	15.12
VAR00002	2.734	7	0.029	5.9950	0.80	11.18

TABLE NO.4.
Financial Ratio of Vardhaman textiles of Pre & Post merger

Financial Ratio (%)	Before merger 2 years		After merger 2 years	
	2014	2015	2016	2017
Operating Ratio	16.39	19.14	19.87	14.67
Net Profit Ratio	6.25	12.04	17.60	9.32
Debt Equity Ratio	0.58	0.55	0.45	0.43
Earning Per Share	56.42	109.00	179.08	95.02

ONE SAMPLE STATISTICS

	N	Mean	s.d	s.d error
VAR00001	8	6.9038	5.7525	2.034
VAR00002	8	5.0588	5.0037	1.739

ONE SAMPLE TEST

	T	d.f	Sig(2-tailed)	Mean d.f	95% confidence interval of the difference	
					Lower	Upper
VAR00001	3.394	7	0.012	6.90375	2.094	11.71
VAR00002	2.859	7	0.024	5.0587	0.087	9.24

INTERPRETATION

An analysis of merger activity also permits an explanation of variations in the profitability of acquired firms prior to acquisition or textiles. The above findings suggested that for the textiles and textiles sector marginal improvement in profitability after merger. The problem with such interpretations is that they treat collaboration in isolation and do not for a given market for a particular year as the aversion ratio.

CONCLUSION

The results of this study suggests that in case of mergers and acquisition, synergy can be generated in long run with the careful usage of the resources, accurate valuation of the target and estimating the future prospects. The success of merger and acquisition deals depends on post integration process, timely action and to keep check on the costs of integration process. According to this survey merger and acquisition improving activity should be the future so there is a scope of further research in this area specific to textiles industry as well as other industry similar type of studies on impact of merger and acquisition on financial performance and shareholder.

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