

# IMPACT OF MERGER AND ACQUISITION ON FINANCIAL PERFORMANCE OF SUN PHARMA AND RANBAXY : AN ANALYTICAL STUDY

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## Abstract

Strong merger and acquisition (M&A) activity is currently taking place in the pharmaceutical industry as businesses look to expand into high-growth fields including rare illnesses, immunology, and metabolic disorders, enhance their product pipelines, and overcome revenue loss from patent expiries. Large pharmaceutical companies are increasingly purchasing biotech and specialty pharmaceutical companies in the current scenario, in order to obtain access to novel medications, cutting-edge technologies, and late-stage medicines that can be commercialized more quickly. This paper helps in analyzing impact of merger and acquisition on financial performance of sun pharma and Ranbaxy. The period of the study is 3 year for pre and 3 year for post merger and paired sample t test and ratio analysis is used for data analysis. The finding indicates that the merger and acquisition have shown positive impact on sun pharma and Ranbaxy.

**Keywords:** Merger, financial performance, Pharma industry, ratio analysis, paired sample t-test.

## INTRODUCTION

One of the largest purchases in the Indian pharmaceutical sector is the union of Sun Pharmaceutical Industries Ltd. and Ranbaxy Laboratories Ltd. Sun Pharma stated in April 2014 that it would buy Ranbaxy in an all-stock transaction valued at around \$4 billion. The merger was successfully finalized in March 2015. Ranbaxy was merged into Sun Pharma and subsequently delisted as part of this agreement, which gave Sun Pharma shares to Ranbaxy stockholders. Due to this merger, Sun Pharma is now one of the top five generic medication firms worldwide and the biggest pharmaceutical company in India.

## LITERATURE REVIEW

Abhay kant & L. N kholi (2019) analyzed the impact of Pre & Post Merger and acquisition on financial performance of RIL & Network 18. The author have studied profitability, efficiency and liquidity ratio. They have used paired t- test table, the researcher found that there is no alternation is found in net profit ratio but have found significant improvement in net worth of both in both the companies after post merger period.

Kumar D & Zubairi M. (2023) studied impact of mergers and acquisitions on accounting based performance of firms in India. The study examines two decades of patterns to highlight India's trajectory from development to maturity in M&As transactions. They have analyzed 5 year, 3 year and 1 year impact of pre and post merger. The researcher have found that all the mergers and acquisitions results in desirable consequences.

Kanimozhi & pavathaarni (2019) examined the Impact of mergers and acquisition on the financial performance of the company with respect to pharmaceutical Industry. The researchers have studied 2 pharmaceutical companies which includes case 1 of merger i.e. sun pharmaceutical merge with Ranbaxy laboratories and case 2 of acquisition i.e. torrent pharmaceutical acquires Elder pharmaceutical. They have taken 3 year for pre and 3 years for post merger period. For evaluation of data, mean value have been considered with the help of liquidity ratios and profitability ratios. So, the researcher have concluded that selected cases have shown significant improvement in the value of firms in terms of profitability ratios. (Dr. R S Kanimozhi, 2019)

### RESEARCH METHODOLOGY :-

1. Research objectives :-

- > To analyze the profitability position of the selected companies.
- > To analyze the liquidity position of the selected companies.
- > To analyze the solvency position of the selected companies.

2. Hypothesis :-

Ho 1 :- There is no significant difference in profitability indicator ratio of pre merger and post merger

Ho 2 :- There is no significant difference in liquidity indicator ratio of pre merger and post merger

Ho 3 :- There is no significant difference in solvency indicator ratio of pre merger and post merger

3. Sample:-

Merger case of Sun Pharma and Ranbaxy has been taken as sample

4. Source of Data :-

The study has been based on secondary data, which is collected from annual report of selected companies, journals, websites of selected companies and through R.B.I official website.

5. Statistical Tools:-

For data analysis (a) Ratio analysis (b) paired sampled t-test is applied.

6. Time period :-

For the purpose of analysis of data, period of three years has been taken into consideration.

For Pre-merger – 2010, 2011, 2012, 2013

For post-merger - 2015, 2016, 2017, 2018

### DATA ANALYSIS :-

Pre merger data of selected companies :-

particulars	Sun Pharma (in cr)				Average
	2010	2011	2012	2013	
Profitability ratio:-					
1. Net profit ratio	98.33	81.22	32.96	26.02	59.63
2. Operating profit ratio	36.41	35.06	41.30	42.76	38.88
3. RONW	0.49	0.50	0.22	0.20	0.35
4. ROCE	50.98	-25.01	14.61	-22.68	4.48
5. EPS	2.09	0.95	1.11	0.92	1.27
Liquidity ratio:-					
6. Current ratio	8.82	6.544	3.93	3.76	5.76
solvency ratio :-					
7. Debt equity ratio	0.05	0.09	0.13	0.12	0.10

particulars	Ranbaxy (in cr)				Average
	2010	2011	2012	2013	
Profitability ratio:-					
1. Net profit ratio	16.70	28.07	7.40	8.17	15.06
2. Operating profit ratio	25.90	10.14	11.81	0.92	12.19
3. RONW	26.70	18.08	22.59	32.86	24.9
4. ROCE	0.5	0.44	0.46	0.57	0.49
5. EPS	8.82	6.54	3.93	3.76	5.76
Liquidity ratio:-					
6. Current ratio	2.09	0.95	1.11	0.92	1.27
solvency ratio :-					
7. Debt equity ratio	0.73	3.46	2.19	2.29	2.17

post merger data of selected companies :-

particulars	Sun pharma (in cr)				Average
	2015	2016	2017	2018	
Profitability ratio:-					

1. Net profit ratio	16.57	16.68	22.05	8.16	15.87
2. Operating profit ratio	24.24	26.35	28.65	16.72	23.98
3. RONW	17.71	15.01	19	5.67	14.35
4. ROCE	52.02	42.29	60.05	37.62	47.99
5. EPS	18.9	19.6	29.0	9.0	19.13
Liquidity ratio:-					
6. Current ratio	2.75	4.04	3.53	3.41	3.43
solvency ratio :-					
7. Debt equity ratio	0.63	0.42	0.52	0.48	0.51

Results of paired sample t-test :-

particulars		Mean value	S. D	T- value	sig
Profitability ratio:- 1. Net profit ratio	pre	59.56	35.68	2.508	0.087
	post	15.87	5.74		
2. RONW	pre	38.88	3.72	3.901	0.030
	post	23.99	5.17		
3. Roce	pre	0.35	0.16	-4.704	0.018
	post	14.35	6.02		
4. Eps	pre	0.49	0.06	-9.441	0.003
	post	47.99	10.03		
5. Operating ratio	pre	21.25	7.28	0.357	0.744
	post	19.13	8.17		
Liquidity ratio:- 6. Current ratio	pre	5.76	1.20	3.341	0.044
	post	1.89	0.15		
Solvency ratio:- 7. Debt equity ratio	pre	0.10	0.04	-1.484	0.234
	post	1.47	1.84		

From the results of paired sampled t test, it is shown that Net profit ratio divulges sign value of 0.087 and operating profit indicates sign value of 0.744, which is not significant. so, here the null hypothesis Ho 1 and Ho 5 is accepted. Return on net worth indicates value of 0.030, Return on capital employed of 0.018 and EPS indicates sign value of 0.003. Ho 2, Ho 3 and Ho 4 is rejected.

In liquidity ratio, current assets ratio indicates sign value of 0.04, which is less than 0.05 and that is significant. Therefore, the null hypothesis Ho 6 is rejected.

In solvency ratio, Debt to equity ratio divulges 0.234 which is more than 0.05 and that have not shown significant improvement. Therefore, here, the null hypothesis Ho 7 is accepted.

## CONCLUSION

It is cleared that some the financial ratios such profitability and liquidity indicator ratios have shown significant improvement except solvency ratios i.e Debt equity ratio. Higher leverage amplifies financial risk, especially if interest rates rise. This burden persists until synergies offset it.

## REFERENCES

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