

Identifying Key Parameters that Lead to the Success or Failure of a Merger Deal Using Discriminant Analysis and Logistic Regression

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Abstract

The objective of this paper is to identify various financial parameters relevant to mergers and acquisitions and understand their contribution to the success or failures of these deals. As a part of the study 22 major merger and acquisition deals (consisting of 8 failed and 14 successful deals) in India spanning the years 2009-2014 have been selected and analyzed. Research study entails applying discriminant analysis and logistic regressions for assessing the impact of mergers and acquisitions on the operating/financial performance of the acquiring companies. Two issues have been explored by the researcher. Firstly, researcher has evaluated the impact of mergers and acquisitions on the financial performance of the acquiring companies by identifying accounting ratios and type of deal as independent variables. The research findings reveal that the type of deal and net profit margin and EPS emerge as being significant predictors in determining the success or failure of a deal. The study also establish the superiority of logit model over discriminant analysis.

Key Words: Mergers, Deal, Discriminant, Logistic, Ratios

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