

Success and Failure Indicators of International Mergers: Evidence from Indian Acquirer Firms

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Abstract

The mergers and acquisition play a significant role in the industrial sector of any economy. While overseas acquisitions by emerging-economy firms have gained ground over the last few years, our understanding of whether this inorganic mode of international expansion creates value to acquirer firms is debatable. This paper considers the M&A in 26 Indian companies and classifies them into success (winner) and failure (loser) cases based on a mixture of factors influencing M&A like type of acquirer industry, type of deal, acquisition experience, industry relatedness between the acquirer and target firm, the size of the acquirer, group business, method of payment, and improvement in financial ratios. The research findings reveal that only 10 deals are able to bring the positive returns to the acquirer company, as evident by the declining ROE post acquisitions, while for others the deal was not a viable option. The findings also revealed that companies were lacking the operational synergies as 18 out of 26 companies started to move on a negative growth path, as evident by the declining EPS which was an outcome primarily of declining net profit margins post deal. The study concludes that understanding culture, training of managers to develop change agents, communication to stake holders, building targets, developing a new culture, leader to lead, careful planning and implementation at each stage of mergers are additional qualitative factors which make mergers successful.

Keywords: Acquire, Deal, Ratios, Synergies, Success and Failure.

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