ABSTRACT

The present study under the title "An Empirical Study on Financial Re-Engineering in Select Manufacturing Industries in India" was intended to analyse the effect of merger on financial performance of companies in Indian Industry. Previous studies in this topic were concentrated only on for particular sector in Indian manufacturing industries and for a shorter period. Not adequate study had been taken up to analyze under this scenario , the researcher has chosen to analyse the impact of merger activities, capital structure variable and share price movements on the financial position of companies in manufacturing sector in India.

In this context the researcher has conducted a survey for a longer period of more than 20 years after the introduction of liberalization in 1991. The researcher has further divided this period of more than 20 years into three different phases, viz., Pioneering stage, Growth stage and Consolidation stage. The period between 1991 and 1996was considered as Pioneering stage, as lot of changes were taking place in Indian economy immediately after the introduction of liberalization. The period between 1997 and 2006 has been termed by the researcher as Growth stage, as lot of economic development have evaluated as a result of changes made during the pioneering stage.

As the study was conducted to analyse the impact of merger of Indian manufacturing companies, it was achieved through the following objectives:

- To evaluate the pre and post merger financial performance of the acquirer and target manufacturing companies.

Hence a total of 70 firms have been included in the sample, and is fixed as the total sample size.

The secondary data were collected from the Prowess Corporate Database Software. And also from the Annual Reports, Published Research Reports by various industries, research organizations, etc. The collected data were analyzed through statistical software SPSS v.22 using various statistical techniques like t-test, MANOVA, Regression Analysis and Structural Equation Modeling.

The study has brought out some interesting findings which are listed below:

Merger has no effect on the dependent variables except creditor’s turnover ratio. The combined effect of period and merger has a significant impact on quick ratio, current ratio, debtor’s turnover ratio, creditor’s turnover ratio at 10% level of significance.

The capital structure variables are significant in explaining variations in profit before tax. About 75 per cent of the variation in the profit before tax was explained by the capital structure variables.

It was found through SEM that the variables Current ratio and Debt equity ratio have effect on profit before tax in all the stages while the other two variables Total Debt – Total Asset and Total Expenses – Total Income do not have any effect during the Pioneering stage. The variable Debt Equity Ratio has a negative impact on profit in all the three stages and it has a direct effect in the Growth and Consolidated stages. Also the variable current ratio has a negative impact on profit in the first half of study period and has become positive in the second half.