

IMPACT OF MERGERS ON CORPORATE PERFORMANCE: A SAMPLE STUDY OF INDIAN TEXTILE INDUSTRY

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Abstract

For several years large number of studies has been conducted to gauge the impact of mergers and acquisitions activity on the corporate performance. The results of these studies have been found contradictory. When tested on the 13 sample firms from Indian Textile industry that have experienced merger from 2001 to 2008 we found that there has been significant deterioration in the profitability position of these companies in the post-merger period. Finally, on applying the 49 days event window it is observed that the shareholders of acquirer firm has witnessed a falling cumulative average abnormal return around the merger announcement period, thus indicating that even the stock market has not responded favourably to these companies' merger decisions.

Keywords: Impact of mergers, Event study, AAR, CAAR, Ratio analysis, Indian textile industry mergers.

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