

EFFECT OF THE CAIRN-VEDANTA MERGER ON STOCK RETURNS OF CAIRN INDIA LTD: AN EVENT STUDY

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Abstract

In the fiercely competitive business environment, corporates are increasingly employing merger and acquisition strategies for survival and growth. Merger announcements are quite often sensed by markets in advance and are marked by unusual movement in share prices in pre and post-merger scenario. A mega merger in corporate India was announced on a Sunday, 14th June, 2015 between Cairn India Ltd. and Vedanta Ltd. It was received by markets and shareholders with lot of anxiety due to pros and cons associated with merger. Cairn India is one of the largest independent oil & gas exploration and production companies in India which operates 27% of India's domestic crude oil production. Its balance sheet has been very sound with a high cash balance position. The merger objective was declared to strengthen Vedanta's balance sheet. The present study uses Event-study methodology to investigate into the impact of the merger announcement on the stock returns of Cairn India Ltd.

Keywords: Merger, Stock returns, abnormal returns, event study

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