INTERNATIONAL JOURNAL OF RESEARCH IN COMPUTER APPLICATION & MANAGEMENT

IJRCM

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NEED/IMPORTANCE OF THE STUDY
STATEMENT OF THE PROBLEM
OBJECTIVES
HYPOTHESIS (ES)
RESEARCH METHODOLOGY
RESULTS & DISCUSSION
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POST MERGER PERFORMANCE ANALYSIS WITH SPECIAL REFERENCE TO WIPRO - INFOSERVER S. A

AKHILA N S
RESEARCH SCHOLAR
DEPARTMENT OF MANAGEMENT SCIENCES
MAHARAJA INSTITUTE OF TECHNOLOGY
MYSORE

Dr. MANOJ KUMARA N V
ASSOCIATE PROFESSOR
DEPARTMENT OF MANAGEMENT SCIENCES
MAHARAJA INSTITUTE OF TECHNOLOGY
MYSORE

ABSTRACT

This paper focused on post-merger performance analysis with special reference to Wipro Ltd. - Info Server S. A. Its specific objectives are to compare financial performance of bidder firm in post-merger. It also analyzes the profitability, liquidity level and solvency level of the firm. It is a survey covering time period of five years (Post-merger and acquisition: 2013-2017). An extensive review of various literatures has been carried out in order to get a better considerate in the topic of mergers and acquisitions (M&As) announcement effect on stock price and profit. Literature review has been prepared from journal, books, articles, student's paper published, websites etc. Historical data were obtained from the financial statement and accounts of Wipro Ltd. which merged with Info Server S.A. Data collected are evaluated and analyzed the statistical tools (descriptive analysis, T-test, mean, standard deviation, kurtosis, skewness etc.) and financial tools (current ratio, quick ratio, DER, ROC, etc.) This study reveals that merger and acquisition has influence on profitability, liquidity and solvency of the firm. The study found that there is a significance impact of M&A on firm's performance in post- acquisition. It concluded that merger and acquisition can stimulate economic growth and development of any nation. Hence, recommended that the company needed to concentrate on the debt pay back capacity. The liquidity level of the company is showing slight increase so the company requires concentrating on increasing the liquidity of the firm by taking actions to boost the CR and QR etc… The profitability of the company is showing decreasing, so that the company should concentrating on hiking the operational efficiency of the firm.

KEYWORDS
Wipro Ltd., Info Server S. A., post merger performance analysis.

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G34

1. INTRODUCTION

In the dynamic business scenario, mergers and acquisition is one of the best process of corporate restructuring, that has gained substantial prominence in both developed and developing nations. Reviewing published literature in the area of M&A gives a deeper insight on whether empirically it can be supported that M&A's are useful tools of corporate restructuring. Studies of post-merger performance usually follow one of the two general approaches of share-price movement analysis or analysis of operating performance to see the merger related gains.

Mergers and acquisition are increasingly becoming strategic choice for organizational growth and achievement of business goals including profit, empire building, market dominance and long term survival. The ultimate goal of this strategic choice of inorganic growth is, however, maximization of shareholder value. The phenomenon of M&A activity is observed world over across various continents, although, it has commenced much earlier in developed countries, and is relatively recent in developing countries. In India, the real impetus for growth in M&A activity had been the ushering of economic reforms introduced in the year 1991, following the financial crisis and subsequent implementation of structural adjustment program under the aegis of international monetary fund. In recent times, though the pace of M&A's has increased significantly in India too and varied across various economic sectors.

The term mergers and acquisition encompasses varied activities of stake acquisition and control of assets of different firms. Besides there are several motives for different types of mergers and acquisition seen in corporate world.

2. BACKGROUND OF THE CASE

WIPRO LTD & INFOSERVER S.A. ACQUISITION

Wipro Ltd. Is leading information technology, consulting and business process services company that delivers solutions to enable its clients do business better. Wipro delivers winning business outcomes through its deep industry experience and 360 degree view of business through technology.

Info SERVER started its operation in 1995 with a clear objective- to have through knowledge about technologies in order to innovate, develop and offer outstanding services to the market. As its main clients have always been from the financial and banking sectors, the company has invested heavily in technologies involving information security and identify protection, and has become a member of OATH- an organization that brings together the biggest and best players of encryption and strong authentication in the world.

It has sought strategic and innovative partnerships.

ABOUT THE ACQUISITION OF WIPRO LTD AND INFOSERVER

Wipro ltd a leading global information technology, consulting and business process services company designed an agreement to acquire info server S.A. for BRL. 27.6 million (USD8.7million).

Infoserver an IT service provider, which is focused on the Brazilian market, provides custom application development and software development services.

Two decade old infoserver, which counts some of the largest Brazilian banks as its clients, will help wipro in expanding its presence in the countries highly traditional and competitive banking, financial services and insurance market besides adding invaluable domain and process knowledge on the sector. This acquisition has been completed on April-10-2017.

The acquisition closely aligns with Wipro vision to localize, expand its presence and become a significant partner of choice in the LATAM market and an end to end IT service provider that brings global expertise while operating as a local company. Wipro has significant presence in Latin America with offices across 5 countries in the region- Argentina, Brazil, Chile, Colombia and Mexico.

This acquisition will provide wipro with scale and key client relationships, especially in the banking, financial services and insurance domains, which are the largest and fastest growing sectors in the regions.

Wipro and info server will combine strong local domain knowledge with technological breadth and global experience to help clients achieve their desired outcomes. Wipros global client base, delivery expertise and scale will help us expand our reach and offerings.

The acquisition is subject to customary closing conditions and approvals by regulatory bodies in Brazil.

The impact of Info Server acquisition is expected to reflect in the financials of the company for the quarter ending June 30, 2017.

This merger will help in expanding presence in that countries highly traditional and competitive banking, financial services and insurance market, besides adding domain and process knowledge on the sector.

3. LITERATURE REVIEW

Literature Survey There have been numerous studies on merger and acquisitions (M&As) in India and abroad in the last few decades, and several theories have been proposed and tested for empirical validation by researchers. Researchers have studied the economic impact of M&As on industry consolidation, returns to shareholders following M&As, and the post-merger performance of firms. Whether or not a merged firm achieves the expected performance is the critical question that has been examined by most of the researchers, resulting in the proposal of several measures for analyzing the impact and success of mergers. Such measures have included both short-run, as well as long-run impacts of merger announcements, effects on shareholders' wealth (SW) and more.

Harari (1997) analyzed on cost efficiency, economies of scale, and the scope of the Taiwanese banking industry, specifically focusing on how bank mergers affect cost efficiency, and concluded that bank merger activity is positively related to cost efficiency.

Simkowitz and Monroe (1971), in a study titled "A Discriminant Analysis Function for Conglomerate Targets" used multiple discriminant analysis (MDA) to study conglomerate target firms merged in 1968. **Omoye, A. S. (2016)** its specific objectives are to determine implication of merger and acquisition on profitability, leverage buy- out and shareholders' wealth. It concluded that merger and acquisition can stimulate economic growth and development of any nation. **Dušan Barana, Darius Saikeviˇcius (2015)** Mergers and acquisitions in the new member states of European Union (EU-10) are investigated in the study. **Marina Martynova (2006)** The type of takeover bid has a large impact on the short-term wealth effects for the target firm shareholders with hostile takeovers triggering substantially larger price reactions than friendly transactions. **Pradeep Kumar Gupta (2012)** M&A have become a common phenomenon in recent times. Companies have been actively involved in mergers and acquisitions domestically as well as internationally**. R Chatterjee and A Kuenzi (2001)** Possible explanations for the change in shareholders' perception of methods of payment and their increased sensitivity for risk issues might stand in relation to the observed rise in M&A-activity over the past few years. In the eyes of many investors, firms seem to undertake larger and more audacious transactions than compared to previous years. **Ayesha Alam (2014)** Mergers and acquisitions are being used as an important strategic tool for survival by many organizations in today's competitive business environment. The essence of mergers and acquisitions is that the value of two companies together is greater than one. **Norbert Schulz (2007**) Innovation and M&A are two important forms of investment which follow partly their own logic respectively. But as different forms of investment are sometimes substitutes and sometimes complements it is not surprising that both are related to each other and should be studied together, especially if the impact of merger on innovation is the focus of analysis. As some firms merge, to boost their innovative performance.

Ghosh S., Dutta S. (2016) In the dynamic business scenario, Mergers and Acquisitions (M&A) is one of the best processes of corporate restructuring that has gained substantial prominence in both developed and developing nations. **Dr. Kapil Chaudhary (2016)** The results exhibit that the cross-border affect was not significantly reliant on where the cross-border bidder was based, and was not special to cross-border acquisitions by companies based exterior of the EU.

E Akben-Selcuk (2011) This paper aims to extend this literature. Specifically, we investigate the changes in the performance of Turkish companies subsequent to the completion of M&A transactions. **Mark Zerdin (2014)** Mergers that do not meet the above prescribed thresholds for an intermediate merger constitute small mergers. The Competition Act does not require the parties to a small merger to notify that merger. However, if the Commission is of the opinion that the small merger may substantially prevent or lessen competition or cannot be justified on public interest grounds, it is entitled (at its discretion) to call upon the parties to notify the small merger.

4. OBJECTIVE OF THE STUDY

To compare financial performance of bidder firm in post-merger.

5. RESEARCH METHODOLOGY

TYPE OF RESEARCH

This study is considered by Descriptive Research design because of the mergers and acquisition is existing nature problems faced by companies and it's descriptive in nature.

SOURCES OF DATA

The data used is secondary data. It is collected through articles, journals and company profile.

SAMPLING DESIGN

SAMPLE

Acquiring	Acquired	Type of activity	Year of occurrence	Strategic motives
WIPRO Ltd	Info SERVER S.A	Acquisition	April -10-2017	Expanding presence in that countries highly traditional and competitive banking.

TOOLS FOR THE STUDY

- **STATISTICAL TOOLS**
  - ➢ **Descriptive statistics:** In this study using of the statistical tools for to identifying the companies mean, standard Deviation and the covariance of the study.
  - ➢ **T Test:** it is the statistical hypothesis test in which the test statistic follows a student's t-distribution under the null hypothesis.
  - ➢ **Mean:** simple or arithmetic average of a range of values or quantities, computed by dividing to the total of all values, also called arithmetic mean.
  - ➢ **Standard deviation:** it is a measure of dispersion of a set of data from its mean. It is calculated as the square root of variance by determining the variation between each data point relative to the mean.
  - ➢ **Kurtosis & skewness:** Skewness is a measure of symmetry, or more precisely, lack of symmetry. A distribution, or data set, is symmetric if it looks the same to the left and right centre point.
- **FINANCIAL TOOLS**
  - ➢ **Ratios:** In this study to analysing the ratio analysis using the companies consolidation balance sheet and income statement for both the companies.

a) **Current ratio:**
b) **Quick ratio**
c) **Return on capital employed**
d) **Return on equity**
e) **Net profit margin**

HYPOTHESIS

There is no significant change in the financial position of bidder firm in post acquisition period.

6. DATA ANALYSIS AND INTERPRETATION

In this study considers five years of ratios as a secondary data analysis. Ratios use as financial tools and mean, standard deviation, kurtosis, skewness, and T-test as a statistical tool.

TABLE 6.1: CALCULATION OF RATIOS

RATIOS	2013	2014	2015	2016	2017
Operating profit margin	20.86	23.50	22.32	20.38	20.75
Gross profit margin	18.75	21.60	20.43	18.43	18.47
Net profit margin	17.00	19.06	19.88	18.12	17.72
Return on capital employed	26.72	29.47	26.85	23.12	20.95
Return on net worth	23.31	25.16	23.66	19.79	17.47
Return on assets excluding revaluations	93.38	119.03	140.22	165.56	192.15
Return on long term funds	31.11	32.87	30.60	26.18	23.15
Current ratio	1.55	1.98	2.16	2.11	1.50
Quick ratio	2.02	2.53	2.95	3.06	2.17
Debt equity ratio	0.17	0.15	0.17	0.16	0.13

Interpretation: In the above table the ratios of five years (from 2013 to 2017) is showing. The operating profit of 2013 and 2017 is showing a mere difference that is in 2013 OP is 20.28 where in 2017 it is being slightly reduced to 20.75. Gross profit is also decreased in 2017 compared to 2013. The net profit of the company has been increased from 2013(17.00) to 2017(17.72). Return on capital employed is showing severe variation from 2013 to 2017, that is, it has been reduced from 26.72 to 20.95. The net worth of the company is also showing a decreasing trend from 2013 to 2017. Return on assets from the year 2013 to 2017 is showing an increasing trend that is, 93.38 to 192.15. return on long term fund in 2013 is 31.11, when it reaches 2017 it has been reduced to 23.15. The current ratio in 2013 is 1.55 and in 2017 it is slightly reduced to 1.50. Quick ratio has been increased from 2.02 to 2.17. Debt equity ratio for the year 2013 was 0.17 and when it reaches 2017 it is 0.13.

The ratios shown in the above table can be divided into three major heads, that is profitability ratio (OP,GP, NP,ROC, Return on Net worth, return assets excluding revaluations, return on long term funds), liquidity ratio(CR and QR), and solvency ratio(Debt Equity Ratio). While interpreting comparing two years the profitability of the company is being decreased from 2013 to 2017. The liquidity of the company also has been increased slightly compared to 2013. Finally, the solvency of the firm is showing reduced from 2013 to 2017.

DESCRIPTIVE STATISTICS ANALYSIS

TABLE 6.2

Descriptive	Mean	Standard Deviation	Kurtosis	Skewness	Minimum	Maximum
OPR	21.562	1.311457205	-0.78849	0.957174	20.38	23.5
GP margin	19.536	1.417455467	-1.20116	0.944769	18.43	21.6
NP margin	18.356	1.131052607	-0.98248	0.323901	17	19.88
ROC	25.422	3.369283307	-1.17584	-0.32902	20.95	29.47
Return on net worth	21.878	3.153881735	-1.34378	-0.67478	17.47	25.16
RAER	143.064	37.06724875	-1.13203	0.215861	98.38	192.13
RLF	28.782	3.997695586	-1.28758	-0.71293	23.15	32.87
CR	1.86	0.313289004	-3.03746	-0.43489	1.5	2.16
QR	2.546	0.45981518	-2.6039	0.013042	2.02	3.06
DER	0.156	0.016733201	0.535714	-1.08851	0.13	0.17

Interpretation: The table above shown depicts the descriptive of mean, standard deviation, kurtosis, skewness, minimum and maximum of each ratios. Operating profit ratio is having 21.562 mean, it holds standard deviation of 1.3114, a negative kurtosis (-0.78849) is showing**,** skewness is positive (0.9571), minimum is 20.38 and maximum of 23.5. The GP margin is having a mean of 19.536, standard deviation of 1.4174, a negative impact of kurtosis (-1.20116), skewness is showing 0.944, minimum is 18.43 and maximum 21.6. ROC and Return on Net worth is showing mean of 25.422 and 21.878, standard deviation of both is 3.3692 and 3.15388, kurtosis and skewness is showing negative, minimum is 20.95 for ROC and 17.47 for net worth and maximum is 29.47 and 25.16. The RAER and RLF is having mean of 143.064 and 28.782, standard deviation of both is 37.067 and 3.997, and the kurtosis is showing negative for both, skewness is showing negative for RLF and RAER is showing 0.2158. CR and QR is having a mean of 1.86 and 2.546, standard deviation of 0.31328 and 0.4598, kurtosis and skewness is showing negative for both and the minimum is 1.5 for CR and 2.02 for QR and maximum is 2.16 for CR and 3.06 for QR. The debt equity ratio is having mean of 0.156, standard deviation of 0.0167, kurtosis is positive and skewness is negative, whereas minimum is 0.13 and maximum is 0.17.

TABLE 6.3: ONE-SAMPLE TEST

			Test value=0			
	T	Df	Sig.(2-tailed)	Mean Difference	95%confidence interval of the difference	
					Lower	Upper
OPR	36.76	4	0.000	21.56	19.93	23.19
GP	30.82	4	0.000	19.53	17.77	21.29
NP	36.29	4	0.000	18.35	16.95	19.76
ROCE	16.87	4	0.000	25.42	21.23	29.60
RONW	15.51	4	0.000	21.87	17.96	25.79
RAER	8.23	4	0.001	14.06	94.12	190.01
RLTF	16.10	4	0.000	26.78	23.81	33.74
CR	13.28	4	0.000	1.86	1.47	2.24
QR	12.38	4	0.000	2.54	1.97	3.11
DER	20.85	4	0.000	0.15	0.135	0.17

The above table represents the calculation of one sample t-test considering the study period of 5 years using the profitability variable of the firms. The study found that, all the profitability variables t-test resulting positive as well as negative with the degree of freedom at 4. The study found that NP & RONW resulted more than 0.05 significance level. Therefore, it is proven that there are no significance changes in the profitability ratio with respect to NP & RONW. Further, it observed that the remaining ratios resulted P- value less than 0.05 significance level. Therefore, H0 is rejected. Henceforth, its proven that there is a significance impact of M&A on firm's performance in post- acquisition.

7. FINDINGS AND RECOMMENDATIONS

Comparing the results occurred in the above three tables the following findings has been derived,

- Considering the table 6.1(calculation of ratios) it is found that, the profitability ratio implies that the profitability of the company is being decreased from 2013 to 2017.
- It has been found that the liquidity of the company is slightly increased in 2017 compared to 2013.
- The study has been founded that the solvency of the firm is shown reduced from 2013 to 2017.

- The descriptive statistics analysis interprets in the table 6.2 that the Operating profit ratio is having 21.562 mean, it holds standard deviation of 1.3114, a negative kurtosis (-0.78849) is showing, skewness is positive (0.9571).
- The study reveals that the ROC and Return on Net worth is showing mean of 25.422 and 21.878, standard deviation of both is 3.3692 and 3.15388, kurtosis and skewness is showing negative.
- The debt equity ratio is having mean of 0.156, standard deviation of 0.0167, kurtosis is positive and skewness is negative.
- The T-test interprets the result that all the profitability variables t-test resulting positive as well as negative with the degree of freedom at 4.
- The study found that NP & RONW resulted more than 0.05 significance level. Therefore, it is proven that there is no significance changes in the profitability ratio with respect to NP & RONW.
- The study found that there is a significance impact of M&A on firm's performance in post- acquisition.
- The solvency of the firm is showing decreasing trend from 2013 to 2017, so the company needed to concentrate on the debt pay back capacity.
- The liquidity level of the company is showing slight increase so the company requires concentrating on increasing the liquidity of the firm by taking actions to boost the CR and QR etc.
- The profitability of the company is showing decreasing from 2013 to 2017, so that the company should concentrating on hiking the operational efficiency of the firm

8. CONCLUSION

Issue of merger and acquisition has been a major strategy employed by firms. Many firms resolve to merger or acquisition with the expectation of achieving increase in shareholder's wealth or market capitalization, leverage buyout, increase in performance etc… Merger and acquisition, as trend in business environment would enhance profitability, shareholder's wealth, leverage buyout and as well could increase companies overall performance. Although there is enough literature on merger and acquisition announcement effect on stock prices and profitability of companies, most of the studies have been done for the developed countries especially UK and US. In, India very few researches have been done on this topic. Some studies conducted in India context have explored the impact of merger and acquisitions on financial position of firms. The current study make an attempt to explore the merger and acquisition announcement impact on shareholders wealth and firms' profitability and aim to investigate the performance of pre -post mergers and acquisition by taking two companies as sample. Mergers and acquisitions are being used as an important strategic tool for survival by many organizations in today's competitive business environment. The essence of mergers and acquisitions is that the value of two companies together is greater than one. Companies merge with or acquire other companies to make use of one another's strengths and these results in increased market shares and profitability that are vital for survival. Mergers and acquisitions enable companies to work as one and thus increase their total market value.

Through this paper I tried to study the post merger performance of two companies and to compare financial performance of bidder firm in post-merger. The study can be concluded that there is a significant change in the financial position of bidder firm in post-acquisition period. It is proven that there is a significant impact of M&A on firm's performance in post- acquisition.

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