Shikshan Sanshodhan : Journal of Arts, Humanities and Social Sciences ISSN(o): 2581-6241
Monthly, Peer-Reviewed, Refereed, Indexed Journal Impact Factor: 6.831
Volume - 7, Issue - 02 February - 2024

DOIs:10.2018/SS/202402009 --:-- Research Paper / Article / Review

Impact of merger and acquisition on financial performance of RIL and network 18 : An analytical study

[1] Laheri Priti Ravi, [2] Dr. Hemendra shah
[1]Research scholar, S. D school of commerce, Gujarat university, Ahmedabad
[2]Assistant professor, Accountancy Department, Gujarat arts & amp commerce collage, Ahmedabad
Laheripriti75@gmail.com, hem2377@gmail.com

Abstract : *In today's cut throat competitive world, mass media and Entertainment industry plays an essential role in context of Indian economy. Growth and expansion can be achieve by fulfilling consumer demand and earning adequate revenue which is arise from advertising activities. This paper helps in evaluating impact of merger and acquisition on financial performance of the Reliance industries ltd and network 18.The period of study merger and acquisition is 3 years for pre and 3 years for post and used ratio analysis and paired sampled t test for data analysis. The findings indicates that mergers and acquisition have not shown positive impact on Reliance industries ltd and network 18 merger.*

Keywords: *Merger, financial performance, Mass media industry, ratio analysis, paired sample t-test.*

1. INTRODUCTION :

The mergers and acquisitions is the consolidation of companies or their major business assets through financial transactions between companies. A company may purchase and absorb another company right and merge with it to transform a new company by acquiring some or all of its major assets, make a tender offer or its stock, or stage a hostile takeover.The acquisition of Network 18 and TV 18 by Reliance of at Rs. 41.04 per share and 30.18 per share respectively is less comparative to the current market value of Network 18 and TV 18 Rs. 61.00 per share & Rs. 32.55 per share respectively.

2. LITERATURE REVIEW :

Gupta R & Nakum D (2020) analyzed the financial performance of Merger and acquisition of Airtel and Telenor. The author have studied 6 financial ratios. They have used 5 years average for pre merger and 5 years average for post merger, the researcher found that there is no significant impact on shareholders profitability, overall profitability, shareholders wealth and ownership structure. **(Gupta, 2020)**

Benny B & Mukthar J KP (2020) studied pre and post merger financial performance of selected Indian companies. They have studied Tata steel- corus group, Vodafone – Hutchison Essar, TCS- CMC, ICICI – Bank of Rajasthan, Sun pharmaceutical- Ranbaxy merger cases. They have analyzed 3 year and 3 year impact of pre and post merger. The researcher have found that the post merger impact on many companies above is a mixture of both positive and negative. The impact of post merger on Vodafone has been negative. This implies that while some have managed to synergies the merger and able to integrate respective companies with dynamic leadership and determinism, certain others had to face huge loss due to mounting debt and other operational issues. **(benny, 2020)**

Chavda K. and Raval K. (2019) examined mergers and acquisition of selected steel companies in India". The aim of present study is to evaluated financial performance of selected steel companies in India. The study comprises of 3 cases namely JSW steel merger with JSW ISPAT, Indian Iron steel company merger with SAIL and visvesvaraya iron merger with steel with SAIL. Trend analysis and ratio analysis such as operating profit ratio, net profit ratio, debt to equity ratio and earning per share have been employed. The researcher have found mixed trend, one company showing positive impact while other company showing negative impact. They concluded that merger and acquisition includes both, the positive impact as well as the higher risk. **(chavda, 2019)**

Thakkar C. & Nakum D. (2019) examined mergers and acquisition of selected Rubber companies. The study comprises of 5 tyre companies. 3 years had taken for pre- post merger for evaluation of steel companies. Only profitability ratio were used. The results of the study indicates that net profit, return on equity, earning per share and return on capital employed has increase, which is a good sign. It divulges profitable scenario for the company. The researcher have found positive impact of merger and acquisition on the selected companies of rubber. The findings highlights that overall result from acquisition of stake of selected tyre companies shows a profitable position. **(thakkar, 2019)**

3. Research Methodology :

- **Research objectives :-**

-> To analyze the profitability position of the selected companies.
-> To analyze the liquidity position of the selected companies.
-> To analyze the solvency position of the selected companies.

- **Hypothesis :-**

Ho 1 :- There is no significant difference in profitabilty indicator ratio of pre merger and post merger
Ho 2 :- There is no significant difference in liquidity indicator ratio of pre merger and post merger
Ho 3 :- There is no significant difference in solvency indicator ratio of pre merger and post merger

- **Sample:-** Merger case of RILand Network 18 has been taken as sample

- **Source of Data :-**

The study has been based on secondary data, which is collected from annual report of selected companies, journals, websites of selected companies and through R.B.I official website.

- **Statistical Tools:-** Fordata analysis (a) Ratio analysis (b) paired sampled t-test is applied.

- **Time period :-** For the purpose of analysis of data, period of three years has been taken into consideration.

For Pre-merger – 2011, 2012, 2013
For post-merger - 2014, 2015, 2016

4. Data analysis :-

Pre merger data of selected companies :-

particulars	RIL (in cr)				Network 18 (in cr)			
	2011	2012	2013	Avg	2011	2012	2013	Avg
Profitability ratio:-								
1. Net profit ratio	7.18	5.41	5.25	5.94	-2.49	-20.20	-1.36	-8.01
2. RONW	0.12	0.11	0.11	0.34	-3.51	-122.22	-3.72	-126.97
3. ROCE	75.4	52.04	43.95	142.09	-3.14	-42.42	-82.06	-42.54
4. Operating ratio	-2.56	-25.59	6.45	-30.3	91.03	93.03	-25.59	52.82
5. EPS	20.36	22.23	23.91	22.16	-3.17	-26.82	-1.85	-10.61
Liquidity ratio:-								
6. Current ratio	1.43	1.81	1.61	3.77	3.20	0.51	1.22	4.11
solvency ratio								
7. Debt equity ratio	0.99	0.92	1.29	2.34	0.22	9.89	0.71	10.34

Post merger data of selected companies :-

Particulars	RIL (in cr)			
	2014	2015	2016	Average
Profitability ratio:-				
1.Net profit ratio	5.17	6.27	7.94	14.08

2. RONW	0.11	0.11	0.09	0.25
3. ROCE	80.09	-157.45	30.20	-67.29
4. Operating ratio	6.49	-0.81	12.12	9.72
5. EPS	22.76	25.87	21.67	55.85
Liquidity ratio:-				
6. Current ratio	1.31	0.98	0.62	1.18
solvency ratio :-				
7. Debt equity ratio	1.29	1.36	1.57	1.40

Results of paired sample t-test :-

Particulars		Mean value	S. D	T- value	sig
Profitability ratio:- 1. Net profit ratio	pre	5.94	1.07	-0.375	0.744
	post	6.46	1.39		
2. Ronw	pre	0.11	0.01	1.732	0.225
	post	0.10	0.01		
3. Roce	pre	57.13	16.33	1.063	0.399
	post	-15.72	125.25		
4. Eps	pre	22.16	1.77	-0.653	0.581
	post	23.30	2.18		
5. Operating ratio	pre	-7.23	16.52	-2.236	0.155
	post	5.93	6.48		
Liquidity ratio:- 6. Current ratio	pre	1.61	0.19	2.41	0.137
	post	0.97	0.34		
Solvency ratio:- 7. Debt equity ratio	pre	1.06	0.19	-6.75	0.021
	post	1.40	0.14		

From the results of paired sampled t test, it is shown that Net profit ratio divulges sign value of 0.744, return on net worth indicates value of 0.225, return on capital employed of 0.399, EPS indicates sign value of 0.581, operating profit indicates sign value of 0.155,which is not significant . so, here the null hypothesis Ho 1, Ho 2, Ho 3, Ho 4 and Ho 5 is accepted.

In liquidity ratio, current assets ratio indicates sign value of 0.137, which is more than 0.05 and that is not significant. Therefore, the null hypothesis Ho 6 is accepted.

In solvency ratio, Debt to equity ratio divulges 0.021 which is less than 0.05 and that have shown significant improvement. Therefore, here, the null hypothesis Ho 7 is rejected.

5. CONCLUSION :

It is cleared that all the financial ratios such profitability indicator ratios and liquidity indicator ratio have shown insignificant improvement except solvency ratios i.e Debt equity ratio.

REFERENCES :

1. Rekha gupta and Dhaval nakum (2020). Merger and acquisition in the telecom industry: An analysis of financial performance of Airtel and Telenor. *A global Journal of Interdisciplinary studies* . ISSN 2581- 5628 volume 3 issue 1.
2. Binto benny and Jaheer Mukthar KP (2020). Pre and post-merger financial performance : A case study of selected Indian companies. Journal of Emerging technologies and Innovative Research. ISSN – 2349-5162 volume 7 issue 3.
3. Chavda, K., and Raval, K., (2019). A study on financial performance of mergers and acquisition of selected steel companies in India. *A global Journal of Interdisciplinary studies* . ISSN 2581- 5628 volume 2 issue 4
4. Thakkar, C., (2019). A study on mergers and acquisitions of selected rubber companies". *A global Journal of social sciences* . ISSN 2581- 5830 volume 2 issue 4.