

8.1 Conclusions:

The analysis of the selected cases bring out the following conclusions:

- (i) There are two winning cases (IOCL+IBP), (BPCL+ KRL). The remaining two cases showed mixed results. However, a comprehensive reading of all the cases together brings out a common underlying theme in all these cases. These M&As are the strategic responses of these companies to the changes in the economic environment brought about by the policy changes introduced by the Govt. of India in recent times. The behavior of these firms is similar to the behavior of other companies in different sectors in Indian economy and in line with the international trends.
- (ii) In general, the driving forces and motives which pushed these companies for the M&A deals are: enlarging their scale of operations into global levels, desire to realize the economies of scale and cost efficiencies, improve the market share etc. All the M&A deals studied here are the results of the effort of these companies for integration, both forward as well as backward. Now a days petroleum companies world over aim to be present in every stage of the value addition of hydrocarbon business. It is observed that , even though strategic motives drive most M&A deals, they are not always achieved .Even in cases where synergies are realized to a good extent they do not necessarily translate into improved shareholder's return and wealth.
- (iii) In this context, a pre-merger due diligence study taking into consideration technical, financial, legal and cultural aspects is very important to accurately assess the possible synergies as well as the risks involved.
- (iv) Traditional accounting methods does not provide the full picture and are inadequate to analyze the impact of M&A deals on the performance of the companies. New tools like WAI, EVA and FGV analysis are more adequate for this purpose.
- (v) It is also observed that corporate restructuring decisions being strategic in nature, timing and speed of implementation are very important for achieving the possible synergies.

- (vi) Results of paired “t” test shows that statistically there is no significant difference between the operational synergy, financial synergy, shareholder’s return and shareholder’s wealth parameters of the Pre and Post merger and acquisition of companies in Indian Petroleum Industry whereas individually data analysis of all 4 deals considered here show different results. Hence it can be inferred that post M&A performance in Indian Petroleum Industry cannot be generalized and requires data analysis on a case to case basis of each M&A deal.
- (vii) Scope for improvement of the study and research in allied fields: This study focused mainly on the operational & financial synergies of the M&A deals and the shareholder’s returns thereafter. However the subject matter of mergers and acquisitions is wide and new issues are emerging. Large scale corporate restructuring in India is a recent phenomenon and there are several specific to Indian context. Some of the issues on which future researchers on this field can concentrate are listed below
- (viii) Comparison of company’s performance versus industry performance after the M&A deal to know whether the company has outperformed the industry.
- (ix) Evaluation of the pricing of the deal for the justification about the amount of premium paid by the acquirer for the shares of the target company in relation to the prevailing market prices of the share and the percentage of the stake acquired.
- (x) The quality and the adequacy of disclosures in the financial statements arising from corporate restructuring is another vital issue connected with corporate governance.
- (xi) There are finer issues of integration of business systems & technologies and cultures of the two entities which have come together because of M&A deal and the impact of these deals on the employee morale and behavior.

8.2 Managerial Implications:

Mergers and Acquisitions revolve around synergy where two entities come together and pool in their expertise and resources to perform better.

Primarily, estimating synergies and its effect is an important decision in the M&A process for four reasons.

- a) M&A are meant for value creation and hence assessing the value that would be created by the synergies is important
- b) Assessing how investors would react to the merger deal is another important consideration.
- c) Managers need to disclose the strategies and benefits of M&A deals to investors and hence their perfect estimation and knowledge is important.
- d) Valuing synergies is important for developing post-merger integration strategies.

However important valuing synergies may be, practically very few companies actually develop a transactional team, draw up a joint statement regarding the objectives of the deal or solve the post-closing operating and financial problems timely. Synergies can be further discussed as being financial, operating or managerial synergies.

Operational synergies refer to those classes of resources that lead to production and/or administrative efficiencies. Product related diversification mergers are often carried out keeping operational synergies in mind. These synergies help firms bring down unit costs due to product relatedness. Common technology, marketing techniques like common brand and manufacturing facilities like common logistics are essentially the components of operational synergy.

Operational synergy can be explained as a combination of economies of scale, which would reduce average costs as a result of more efficient use of resources and economies of scope, which would help a company deliver more from the same amount of inputs.

Financial synergy refers to the impact of mergers and acquisitions on lowering the cost of capital of the merged or newly formed entity. Financial synergies lead to reduced cost of capital and / or increased borrowing power. Conglomerate mergers generally focus on financial synergies that increase the competitiveness for each

individual unit controlled by one centralized parent company beyond what could have been achieved by each unit competing individually. Along with a lower cost of capital, financial synergies also bring about a larger capital base which helps funding of larger investments. In case of conglomerate mergers, financial diversification can bring about various other advantages like more stable cash flows, lower performance variations, insurance gains and other tax advantages. Financial synergies are possible between related and unrelated firms unlike operational synergies that take place only between related firms.

Managerial synergy is the increased efficiency as a result of integration of management teams of two firms coming together. Often management teams have different strengths and their coming together could result in improved managerial expertise. These synergies occur when competitively relevant skills possessed by managers of previously independent companies can be successfully transferred to the merged or acquired entity

8.3 Limitations of This Study:

Size of the samples considered is one of the limitations of the study. Examining few companies which have undergone M&A on the basis of petroleum sector considered here may not prove worthy for other sector firms.

This study analyses impact evaluation of M&A decision immediately after announcement which also captures stock market reactions. The pre and post-merger evaluation analyses the acquired company performance also along with Acquirer Company till the actual integration occurs in 2-3 years after which acquired company merged to the acquired company. Hence data as separate companies are not available.

Taking more years data in research analysis has the risk of other factors affecting their performance due to other organic / inorganic expansion decisions done later due to which true effect on performance and shareholder's wealth due to M&A decision under this study may not get captured.