FINANCIAL PERFORMANCE EVALUATION- TATA & JLR ACQUISITION

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Abstract: *Merger and Acquisitions is a key part of a corporate growth strategy which helps for growth of the companies. The paper focus on analyse impact of merger and acquisition compare to post merger activity (2013-2017). The present study includes descriptive information about the merger and acquisition .the study falls under the various statistical and financial tools and resulted .Therefore , the study explain about the global market performance in various country and companies are implementing the strategy as merger and acquisition.*

Keywords: *Ratios, profitability, Merger and Acquisition and T-test*

1.   INTRODUCTION:

A company that merges to diversify may acquire another company in a seemingly unrelated industry in order to reduce the impact of a particular industry's performance on its profitability. Companies seeking to sharpen focus often merge with companies that have deeper market penetration in a key area of operation.

Some of the reasons why companies merge with or acquire other companies include:

- **Synergy**: The most used word in M&A is synergy, which is the idea that by combining business activities, performance will increase and costs will decrease. Essentially, a business will attempt to merge with another business that has complementary strengths and weaknesses.

- **Diversification / Sharpening Business Focus**: These two conflicting goals have been used to describe thousands of M&A transactions. A company that merges to diversify may acquire another company in a seemingly unrelated industry in order to reduce the impact of a particular industry's performance on its profitability. Companies seeking to sharpen focus often merge with companies that have deeper market penetration in a key area of operations.

- **Growth**: Mergers can give the acquiring company an opportunity to grow market share without having to really earn it by doing the work themselves - instead, they buy a competitor's business for a price. Usually, these are called horizontal mergers. For example, a beer company may choose to buy out a smaller competing brewery, enabling the smaller company to make more beer and sell more to its brand-loyal customers.

- **Increase Supply-Chain Pricing Power**: By buying out one of its suppliers or one of the distributors, a business can eliminate a level of costs. If a company buys out one of its suppliers, it is able to save on the margins that the supplier was previously adding to its costs; this is known as a vertical merger. If a company buys out a distributor, it may be able to ship its products at a lower cost.

- **Eliminate Competition**: Many M&A deals allow the acquirer to eliminate future competition and gain a larger market share in its product's market. The downside of this is that a large premium is usually required to convince the target company's shareholders to accept the offer. It is not uncommon for the acquiring company's shareholders to sell their shares and push the price lower in response to the company paying too much for the target company.

2. BACKGROUND OF THE CASE:

Mr. Ratan N. Tata, Chairman of Tata Sons and Tata Motors, was present at the handing over ceremony at the head quarters of Jaguar Land Rover at Gay don in the UK along with Mr. Don Leclair, the Executive Vice President and Chief Financial Officer of Ford Motor Company, and Mr. Lewis Booth, Executive Vice President of Ford Motor Company, who has responsibility for Ford of Europe, Volvo and Jaguar Land Rover.

Commenting on the occasion, Mr. Tata said, this is a momentous time for all of us at Tata Motors. Jaguar and Land Rover are two iconic British brands with worldwide growth prospects. We are looking forward to extending our full support to the Jaguar Land Rover team to realise their competitive potential. Jaguar Land Rover will retain their distinctive identities and continue to pursue their respective business plans as before. We recognise the significant improvement in the performance of the two brands and look forward to this trend continuing in the coming years. It is our intention to work closely to support the Jaguar Land Rover team in building the success and pre-eminence of the two brands.

Tata Motors confirmed that Mr. David Smith, the acting Chief Executive Officer of Jaguar Land Rover, would be the new CEO of the business. Mr. Smith has 25 years of experience with Jaguar Land Rover and Ford. Before recently returning to Jaguar Land Rover as its Chief Financial Officer, he was Director Finance and Business Strategy for PAG and Ford of Europe.

Mr. Smith said, "We are very pleased with the association with Tata Motors. We look forward to a sustained bright future for the company and its stakeholders.

DATE OF ACTIVITY: 26 March 2008.
NATURE OF ACTIVITY: Acquisition.
DEAL VALUE: US$ 2.3 billion on a cash free, debt-free basis.
CHECK OUT THE CROSS BRODER: UK, Europe and US**.**
NATURE OF THE COMPANIES: Automobile Company.
STRATEGIC MOTIVES:
- Understand the role of acquisition as a growth strategy.
- Examine Tata Motors' inorganic growth strategy.
- Examine the rationale behind Tata Motors' acquisition of Jaguar and Land Rover.
- Understand the advantages and disadvantages of cross-border acquisitions.
- Understand the need for growth through acquisitions in foreign countries.

3. LITERATURE REVIEW:
Derek K. Oler, Jeffrey S. Harrison, Mathew R. Allen (2008)Kevin C. Farmer, , Spyros Arvanitis, Tobias Stucki (2014).) In this study the author says about how the M&A has increasing in from the two decades. It has occupied a large attention from the corporate world, and public as well. **Phd1, Ashok K. Gumbhir (1992), Martin Bugeja (2011)** Many companies adopt these strategies to realize cost synergies against the competition, pricing, asset concentration etc. , **Nir N. Brueller, Abraham Carmeli, ,Krishnan Maheswaran, Soon Chin Yeoh (2005),Jing Zhou, Shung J. Shin, Albert A. Cannella, Jr (2008**)M&A considered as an external growth strategy because of LPG adopted by the many countries. Many reasons are there for the companies to go for M&A but the main intention was to create a shareholder's value. **), Isabel Feito-Ruiz, Susana Menéndez-Requejo (2009), n (2005),** The booms in Mergers and Acquisitions suggests that the organizations are spending a significant **Warren.D.Kissin, Julio Herrera, (1990),**amount of time and money either searching for companies to acquire or worrying about whether some other company will acquire them. **Linda Canina, Jin-Young Kim, Qingzhong Ma (2010), Jing Yang, Woo Gon Kim, Hailin Qu (2010), David R. King, Svante Schriber (2016),** The study about how the activities of M&A take place for the betterment of the business entities and long run.
Naeem Zafar, Victoria Chan (2012), The author also explains about all types of mergers like vertical, horizontal & conglomerate etc. **Rikard Larsson, Michael Lubatkin (2001),** how the companies adopt these kinds which suits their operations and also about Pre and Post acquisition which is **Katty Marmenout (2010), Yaakov Weber (1996),** impacted more on the firms., but some authors describes that M&A has not affect the business entity. **Raymond Da Silva Rosa, Philip Lee, Michael Skott, Terry Walter (2004),** There has been extensive research on M&A both from domestic as well as international standpoint. **Israel Drori(2014)**The companies goes to the decision of mergers and acquisition for reasons like to enter the economy and to build a competitive advantage and to expand their business activities, many companies goes for these activities with a deal for cash or stock exchange Hence, **David M. Schweiger, Philip K. Goulet (2005), Jisun Yu, Rhonda M. Engelmann, Andrew H. Van De Ve** this study aims at understanding the **Jerayr Haleblian, Cynthia E. Devers, Gerry McNamara, Mason A. Carpenter, Robert B. Davison (2009)**strategies which is best fit for the betterment of the respect of M&A as a main strategic objectives and impact of it on different kinds of firms in different countries.

4.   OBJECTIVE OF THE STUDY:
- To analyse impact of merger and acquisition compare to post merger activity. To look at the effect of merger and procurement on Net overall revenue.
- To look at the effect of merger and procurement on return on value.
- To look at the effect of merger and procurement on acquiring per share.
- To look at the effect of merger and procurement on deals development to rated.A

5.   RESEARCH METHODOLOGY:
Methodology is the systematic, theoretical analysis of the methods applied to a field of study. It comprises the theoretical analysis of the body of methods and principles associated with a branch of knowledge. Typically, it encompasses concepts such as paradigm, theoretical model, phases and quantitative or qualitative techniques.

A methodology does not set out to provide solutions - it is therefore, not the same as a method. Instead, a methodology offers the theoretical underpinning for understanding which method, set of methods, or [best practice] can be applied to a specific case, for example, to calculate a specific result.

5.1 Type of Research: Descriptive research: Descriptive research is used to describe characteristics of a population or phenomenon being studied. It does not answer questions about how/when/why the characteristics occurred.

5.2 Sample Design

Sample:

SL. NO	ACQUSITION	ACQUIRED	TYPES OF ACTIVITY	DEAL VALUE	YEAR	STRTERGIC MOTIVES
1	Tata motors	Jaguar land rover	acquisition	2.3 billion	**2008**	Understand the need for growth through acquisitions in foreign countries

5.3 Sources of data:

Secondary data refers to data that was collected by someone other than the user. Common sources of secondary data for social science include censuses, information collected by government departments, organisational records and data that was originally collected for other research purposes.

a.   Tool for the study

I)   T –TEST

A T- test is an analysis of two populations means through the use of statistical examination; a T-test with two sample is commonly used with small sample sizes, testing the difference between the sample when the variance of two normal distributions are not known.

II)   Descriptive statistics:

i)   **Mean**: In statistical, that single value is called the central tendency and mean, median and mode are all ways to describe it. To find the mean add up the values in the data set and then divide by the number of values that you added.

ii)   **Standard deviation :**A quantity expressing by how much the member of a group differ from the mean value for the group**.**

iii)   **Kurtosis:** kurtosis is a statistical measure that is used to describe the distribution. Whereas skewness differentiates extreme values in one versus the other tail, kurtosis measures extreme values in either tail. Distributions with large kurtosis exhibit tail data exceeding the tails of the normal distribution (e.g., five or more standard deviations from the mean). Distributions with low kurtosis exhibit tail data that is generally less extreme than the tails of the normal distribution.

iv)   **Skewness**: skewness is asymmetry in a statistical distribution, in which the curve appears distorted or skewed either to the left or to the right. Skewness can be quantified to define the extent to which a distribution differs from a normal distribution. This situation is also called negative skewness.

5.4 Hypothesis: H0: There is no significant impact of merger and acquisition in post acquisition period.

6.   DATA ANALYSIS & INTERPRETATION:

The following study ascertain the to analyze impact of merger and acquisition compare to post merger of the jaguar after acquiring by Tata motors considering in the year is 26 march 2008. The study using both statistical and financial tool

Table -6.1   **Ratio analysis**:

Ratios	2013	2014	2015	2016	2017
PBDIT Margin	8.48	8.52	1.77	10.15	5.01
PBIT Margin	4.42	2.48	-5.39	4.71	-1.67
PBT Margin	0.39	-2.99	-10.95	0.36	-6.02
Net profit margin	0.67	0.97	-13.05	-0.14	-5.59
Return on net worth	1.57	1.74	-31.93	-0.26	-11.91
ROCE	0.97	1.08	-16.02	-0.16	-6.72
Return on assets	0.57	0.67	-9.48	-0.1	-4.23

Source: Authors calculation: Annual Report Databases

In 2013 the PBDIT margin is 8.48 where as in 2017 the PBDIT had decrease to 5.01.In 2013 the PBIT margin was 4.42 were as in 2017 the PBIT has decreased to -1.67.In 2013 the PBT margin was 0.39 were as in 2017 the PBT had decreased to -6.02.In 2013 the net profit margin was 0.67 were as in 2017 the net profit had decreased to -5.59.In 2013 the return on net worth was 1057 were as in 2017 the return on net is -11.91.In 2013 the return capital

employees was 0.97 were as in 2017 the return on capital employees is -6.72.In 2013 the return on assets was 0.57 were as in 2017 the return on assets is -4.23.

It indicates that it has negative impact after merged Tata and Jaguar Company. The overall profitability index from 2013 to 2017 had decline of TATA motors after getting merged with jaguar Land Rover.

Table -6.2   Descriptive statistics

Statistics	PBDIT	PBIT	PBT	NPM	RONW	ROC	ROA
Mean	6.786	0.91	-3.842	-3.428	-8.158	-4.17	-2.51
Standard Deviation	3.37	4.34	4.78	6.00	14.44	7.36	4.38
Kurtosis	-0.38	-1.04	-0.34	1.00	1.82	1.12	0.75
Skewness	-0.90	-0.83	-0.83	-1.36	-1.53	-1.39	-1.32
Minimum	1.77	-5.39	-10.95	-13.05	-31.93	-16.02	-9.48
Maximum	10.15	4.71	0.39	0.97	1.74	1.08	0.67

Source : Authors calculation: Annual Report Databases

The mean value of PBDIT is (6.786).The SD value of PBDIT is (3.372956).the kurtosis value of PBDIT is negative (-0.3867).the skewness value of PBDIT is negative (-0.90842).the profitability index value start from minimum value (1.77) to maximum value of (10.15).The mean value of PBIT is (0.91). The SD value of PBIT is (4.346591). The kurtosis value of PBIT is negative (-1.04512).the skewness value of PBIT is negative (-0.83839).the profitability index value start from minimum value (-5.39) to maximum value of (4.71).The mean value of PBT is (-3.842). The SD value of PBT is (4.784346). The kurtosis value of PBT is negative (-0.34614).the skewness value of PBT is negative (-0.83265).the profitability index value start from minimum value (-10.95) to maximum value of (0.39).

The mean value of NPM is (-3.428). The SD value of NPM is (6.00425). The kurtosis value of NPM is (0.34614).the skewness value of NPM is negative (-1.36959).the profitability index value start from minimum value (-13.05) to maximum value of (0.97).The mean value of RONW is (-8.158). The SD value of RONW is (14.44099). The kurtosis value of RONW is (1.829607).the skewness value of RONW is negative (-1.53625).the profitability index value start from minimum value (-31.93) to maximum value of (1.74).The mean value of ROC is (-4.17). The SD value of ROC is (7.365243). The kurtosis value of ROC is (1.122959).the skewness value of RONW is negative (-1.39286).the profitability index value start from minimum value (-16.02) to maximum value of (1.08).The mean value of ROA is (-2.514).The SD value of ROA is (4.385947).the kurtosis value of ROA is (0.750838).the skewness value of ROC is negative (-1.32057).the profitability index value start from minimum value (-9.48) to maximum value of (0.67).

Table: 6.3   One- sample test

	TEST VALUE=0					
	t	dt	Sig(2-tailed	Mean Difference	95% confidence interval of the difference	
					Lower	upper
PBDIT	4.499	4	.011	6.78	2.59	10.97
PBIT	468	4	.664	.910	-4.48	6.30
PBT	-1.796	4	.147	-3.84	-9.78	2.09
NPM	-1.277	4	.273	-3.42	-10.88	4.02
RONW	-1.322	4	.257	4.59	-14.12	5.01
ROC	-1.266	4	.274	-4.17	-13.31	4.97
ROA	-1.282	4	.280	-2.51	-7.95	2.93

Sources : Authors calculation: SPSS Database

- The P value at 0.05 significance level the p value of PBDIT is resulted 0.11 which is less then p value ($p <$ 0.05 significance level) .Therefore Ho is rejected. Therefore, the study proven that, there is significant change in PBDIT in post acquisition.
- With respect to all remaining profitability ratio are resulted p value is more than 0.05>. Therefore, Ho is accepted and it stated that there is no significant change in PBIT, PBT, NPM, RONW, ROC, and ROA.

7.   FINDINGS & RECOMMENDATIONS:
- This merger   had being by TATA motors and jaguar after acquisition the Tata faeces heavy losses.
- They did not find any profit they faces loss.

- The value of the profitable index is negative.
- They acquired the jaguar from expansion of business is foreign country but they fail so.
- Before acquiring the firm the companies has to select a firm which should give profits for future growth.
- The Tata has to analysis the market condition of jaguar before acquiring any company.
- The Tata has to identify the reason behind the loss and try to cover the loss.

8. CONCLUSION:

This is the case of Tata motors and jaguar land rover where the jaguar company was have crisis in the business they decided to sold the business at that time Tata motor had acquired the jaguar in the year 26 march 2008 with the amount of 2.3 billion on cash free, debt- free basis. the jaguar has cross bored business in UK, Europe and U S after acquiring the jaguar the Tata company have major motto that to expanding of their business in foreign countries. They also have many strategic motives but it fails the research state which is conduct that proved that analysis the post merger activity which result that profitability index had show negative value (loss) after acquiring the jaguar faces due to heavy burden due to Debt and Equity which lead the wrong decision of acquiring the jaguar company

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