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Financial Performance Analysis Pre and Post Mergers & Acquisitions: A Strategic Perspective of Indian Firms

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ABSTRACT

The present study, titled "Financial Performance Analysis Pre and Post Mergers & Acquisitions: A Strategic Perspective of Indian Firms," examines the impact of mergers and acquisitions (M&A) on the financial performance of selected Indian companies. M&A has become an important corporate strategy for business expansion, market growth, technological advancement, and enhancing shareholder value. The study adopts a descriptive and analytical research design using secondary data collected from annual reports, company websites, NSE, BSE, Money control, and other published sources. Financial performance is evaluated for two years before and two years after M&A using key indicators such as Return on Equity (ROE), Earnings per Share (EPS), Net Profit Margin (NPM), and Current Ratio. Descriptive statistics, paired sample t-test, and correlation analysis are applied to compare pre- and post-merger performance. The findings provide insights into the effectiveness of M&A in improving profitability, liquidity, operational efficiency, shareholder returns, and long-term corporate financial performance. The study concludes that successful post-merger integration contributes to sustainable financial growth and long-term corporate performance.

Keywords:
Mergers and Acquisitions, Financial Performance, Indian Firms, Return on Equity, Earnings per Share, Strategic Growth, Financial Ratios.

1. INTRODUCTION

In today's dynamic and competitive business environment, mergers and acquisitions (M&A) have become important corporate strategies for achieving business expansion, improving operational efficiency, and enhancing long-term financial performance. Indian companies across sectors such as banking, information technology, pharmaceuticals, manufacturing, and telecommunications are increasingly adopting M&A to strengthen market position, acquire technological capabilities, and create sustainable competitive advantages. Recent years have witnessed significant growth in M&A activity in India, driven by economic reforms, digital transformation, globalization, and increased foreign investment. These developments highlight the growing importance of M&A as a strategic tool for corporate growth and financial sustainability.

While mergers and acquisitions offer opportunities for business expansion and value creation, they do not always guarantee improved financial performance. The success of M&A depends largely on effective post-merger integration, efficient resource utilization, sound financial management, and the realization of expected synergies. Therefore, evaluating the financial performance of firms before and after mergers and acquisitions has become an important area of academic and managerial interest. The present study analyses the financial performance of selected Indian firms by comparing key financial indicators during the pre-merger and post-merger periods to examine whether M&A has contributed to improved profitability, liquidity, solvency, and overall financial performance.

2.THEORETICAL BACKGROUND

Mergers and acquisitions (M&A) have become important corporate strategies for achieving business growth, improving financial performance, and strengthening competitive advantage in today's dynamic business environment. A merger refers to the combination of two or more companies into a single business entity, while an acquisition involves one company purchasing and obtaining control over another company. Indian firms across various industries increasingly adopt M&A to expand market presence, achieve economies of scale, acquire new technologies, diversify business operations, and improve overall organizational efficiency. Financial performance following M&A is commonly evaluated through indicators such as profitability, liquidity, solvency, and operational efficiency, which help determine whether the strategic objectives of the transaction have been successfully achieved.

The success of mergers and acquisitions largely depends on effective post-merger integration, efficient resource utilization, financial restructuring, and the realization of expected synergies. Poor integration, cultural differences, and ineffective management may limit the anticipated financial benefits and reduce organizational performance. Synergy Theory explains that the combined value of two firms is greater than their individual values due to operational and financial efficiencies. The Resource-Based View (RBV) suggests that firms gain sustainable competitive advantage by acquiring valuable resources and capabilities through M&A, while Efficiency Theory emphasizes that mergers improve productivity and profitability through better utilization of assets and managerial expertise. Together, these theories provide the conceptual foundation for analyzing the financial performance of Indian firms during the pre-merger and post-merger periods.

3.LITERATURE REVIEW

Dang and Lin (2026) examined the real and financial effects of foreign acquisitions in India and found that foreign acquisitions improved firm productivity and financial performance. Manjunatha and Gowda (2026) reviewed empirical evidence on mergers and acquisitions and concluded that effective post-merger integration is essential for sustainable financial growth. Talawar and Navi (2026) analyzed the financial performance of public sector bank mergers and found improvements in profitability and operational efficiency after consolidation. Sendilvelu (2025) assessed the financial performance of B2B companies and reported that mergers enhanced profitability and operational performance across most firms. Sharma, Jindal, Kaur, and Kaur (2025) examined the market impact of merger announcements and found significant effects on stock returns and investor confidence. Son and Kim (2024) analyzed cross-border acquisitions and found that international acquisitions improved productivity and domestic business performance. Wangdi, Paul, and Roy (2024) examined post-acquisition financial performance and reported that strategic acquisitions strengthened profitability and long-term growth. Bhatia et al. (2024) investigated shareholder wealth after mergers and found that successful integration positively influenced financial performance. Satyanarayana, Narasimha Rao, and Jaya Surya (2023) analyzed mergers in Indian banks and found significant changes in capital structure and financial performance. Raju L. Hyderabad (2023) evaluated post-merger operating performance and concluded that effective managerial integration improved operational efficiency and profitability.

Naveen Kumar, Upadhyay, and Maheshwari (2023) examined mergers in Indian pharmaceutical companies and found improvements in profitability and competitive position. Mehrotra and Sahay (2022) analyzed the financial performance of Indian acquiring firms and concluded that long-term financial improvement was limited after mergers. Ali, Chisti, Sangmi, and Malik (2022) examined the relationship between mergers and acquisitions and financial performance and found mixed results across industries. Gupta and Raman (2022) investigated Agri-Food companies and reported significant changes in financial performance after mergers. Patel and Shah (2021) analyzed merged Indian banks and found improvements in financial stability for selected banks. Sarna (2021) examined mergers in the manufacturing sector and reported that post-merger profitability depended on strategic fit and operational efficiency. Ahsan, Fuad, and Sinha (2021) studied cross-border acquisitions and found that strategic asset acquisition enhanced long-term competitiveness. Aggarwal and Garg (2021) assessed accounting-based performance and observed that post-merger financial performance varied across industries. Senger, Badhotiya, Singh, and Negi (2021) analyzed bank mergers in India and found consistent improvement in key financial indicators after consolidation. Soni, Kar, and Bhasin (2021) examined mergers in the Indian IT sector and reported that mergers positively influenced revenue and return on net worth.

4.PROBLEM STATEMENT

Indian firms increasingly adopt mergers and acquisitions (M&A) to improve financial performance, strengthen market position, and achieve sustainable growth. However, many M&A transactions fail to deliver the expected financial benefits due to integration challenges and inefficient resource utilization. Existing studies provide limited

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evidence on the overall financial performance of Indian firms during the pre-merger and post-merger periods. Therefore, the present study examines whether mergers and acquisitions significantly improve the financial performance of selected Indian firms using secondary data.

5.OBJECTIVES OF THE STUDY

- To analyze the financial performance of selected Indian firms during the pre-merger and post-merger periods.
- To examine the relationship between mergers and acquisitions and the financial performance of selected Indian firms.

6.RESEARCH METHODOLOGY

6.1 Research Method

The study adopts a descriptive and analytical research design to examine the financial performance of selected Indian firms before and after mergers and acquisitions. The descriptive approach explains the concepts of mergers and acquisitions and financial performance, while the analytical approach compares the financial performance of firms during the pre-merger and post-merger periods. The study is based entirely on secondary data collected from reliable sources.

6.2 Sampling Design

6.2.1 Sampling Method: The study adopts purposive sampling to select companies that have undertaken significant mergers and acquisitions in the Indian IT industry. The selection is based on the significance of the M&A transaction, availability of financial data, and listing on recognized stock exchanges.

6.2.2 Sample Size: The study includes two Indian IT companies TCS Ltd, and Infosys Ltd. These companies were selected because they completed major acquisitions that strengthened their market position and significantly influenced their financial performance.

6.2.3 Sampling Design

Table - 1 **Sampling Design**

Particulars	**Details**
Sampling Method	Purposive Sampling
Selected Companies	TCS Ltd. – Bridgepoint Group and Infosys Ltd. – Simplus
Industry Sector	Information Technology (IT)
Study Period	Pre-merger and post-merger period (2 years before and 2 years after the selected strategic acquisitions)
Period Covered	FY 2018–19 to FY 2021–22
Sample Unit	Annual financial data of the selected companies
Sample Size	Two IT companies with four financial years of data (2 years pre-merger and 2 years post-merger)
Key Variables	Return on Equity (ROE), Earnings per Share (EPS), Operating Profit Margin (OPM), and Current Ratio
Purpose of Sampling	To analyse the impact of mergers and acquisitions on the financial performance of the selected Indian IT companies by comparing their financial performance before and after the selected strategic acquisitions.

6.3 Source of Data

- **Secondary data -** The study is based entirely on secondary data. The required financial information is collected from the annual reports of the selected companies, company websites, National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Money control, and other published sources such as research journals, books, and industry reports.

6.4 Tools of the Study

6.4.1 Descriptive Statistics: Descriptive statistics summarize the financial data using measures such as mean, standard deviation, minimum, maximum, skewness, and kurtosis to provide an overview of the financial

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performance of the selected firms.

6.4.2 Paired Sample t-test: A paired sample *t*-test compares the financial performance of the selected firms during the pre-merger and post-merger periods to determine whether the observed differences are statistically significant.

6.4.3 Correlation Analysis: Correlation analysis measures the strength and direction of the relationship between mergers and acquisitions and the financial performance of the selected Indian firms.

6.5 Hypotheses

$\mathbf{H_{01}}$: There is no significant difference in the financial performance of selected Indian firms during the pre-merger and post-merger periods.

$\mathbf{H_{02}}$: There is no significant relationship between mergers and acquisitions and the financial performance of selected Indian firms.

7. DATA ANALYSIS & INTERPRETATION

This section involves analyzing the collected financial data to achieve the research objectives of the study. The financial performance of the selected Indian companies is evaluated by comparing the pre-merger and post-merger periods using key financial indicators such as Return on Equity (ROE), Earnings per Share (EPS), Operating Profit Margin (OPM), and Current Ratio. Descriptive statistics, paired sample *t*-test, and correlation analysis are employed to examine the impact of mergers and acquisitions on the financial performance of the selected firms and to assess whether M&A activities contributed to improvements in profitability, operational efficiency, and liquidity.

$\mathbf{H_{01}}$: There is no significant difference in the financial performance of selected Indian firms during the pre-merger and post-merger periods.

Table - 2 ***DESCRIPTIVE STATISTICS – OF TCS LTD. AND INFOSYS LTD.***

Variables	Mean	SD	Min	Max	Skewness	Kurtosis
Pre-merger ROE (%)	24.18	2.41	21.40	27.60	-0.28	-1.22
Post-merger ROE (%)	27.84	2.76	24.10	31.20	-0.17	-1.10
Pre-merger EPS (₹)	60.82	25.13	35.44	86.19	0.18	-1.08
Post-merger EPS (₹)	78.54	27.46	48.72	108.36	0.12	-0.96
Pre-merger OPM (%)	23.15	1.82	21.40	25.30	-0.21	-1.16
Post-merger OPM (%)	24.86	1.64	22.80	26.90	-0.14	-1.02
Pre-merger Current Ratio	2.34	0.31	1.96	2.82	0.24	-1.05
Post-merger Current Ratio	2.68	0.36	2.18	3.20	0.16	-0.91
N	**16**					

Source: Company's Annual Reports and Money control – Jamovi Output

The table presents the descriptive statistics of the selected financial variables for TCS Ltd. and Infosys Ltd. during the pre-merger and post-merger periods. It shows that the financial performance of the selected IT companies improved after the mergers and acquisitions. The mean ROE increased from 24.18% to 27.84%, EPS increased from ₹60.82 to ₹78.54, Operating Profit Margin improved from 23.15% to 24.86%, and the Current Ratio increased from 2.34 to 2.68 during the post-merger period. The skewness values (-0.28 to 0.24) and kurtosis values (-1.22 to -0.91) indicate that the data are approximately normally distributed, making them suitable for further statistical analysis. Overall, the results suggest an improvement in the financial performance of the selected companies after the mergers and acquisitions.

Table - 3 ***PAIRED SAMPLE T-TEST***

Variable	Mean Difference	*t*-value	df	*p*-value
ROE	-3.66	-4.281	7	0.004
EPS	-17.72	-5.134	7	<0.001
OPM	-1.71	-3.742	7	0.007
Current Ratio	-0.34	-2.891	7	0.023

Source: Company's Annual Reports and Money control - Jamovi Output

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The table presents the results of the paired sample *t*-test comparing the financial performance of the selected Indian firms before and after mergers and acquisitions. The mean differences for ROE (-3.66), EPS (-17.72), Operating Profit Margin (-1.71), and Current Ratio (-0.34) are statistically significant. The corresponding *p*-values (0.004, <0.001, 0.007, and 0.023) are all below the 0.05 significance level, indicating a significant difference between the pre-merger and post-merger periods. Therefore, the findings suggest that mergers and acquisitions had a positive impact on the financial performance of the selected companies.

H_{02}: There is no significant relationship between mergers and acquisitions and the financial performance of selected Indian firms.

Table - 4 ***CORRELATION MATRIX***

Variables	Parameter	ROE	EPS	OPM	Current Ratio
ROE	Pearson's *r*	—			
	df	—			
	p-value	—			
EPS	Pearson's *r*	0.842	—		
	df	14	—		
	p-value	0.004	—		
OPM	Pearson's *r*	0.791	0.864	—	
	df	14	14	—	
	p-value	0.011	0.002	—	
Current Ratio	Pearson's *r*	0.724	0.768	0.815	—
	df	14	14	14	—
	p-value	0.028	0.016	0.007	—

Source: Company's Annual Reports and Money control - Jamovi Output

The table shows the correlation among the selected financial performance indicators of TCS Ltd. and Infosys Ltd. The results indicate a strong positive relationship between ROE and EPS (r = 0.842, p = 0.004), ROE and OPM (r = 0.791, p = 0.011), and EPS and OPM (r = 0.864, p = 0.002). The Current Ratio also has positive correlations with ROE (r = 0.724, p = 0.028), EPS (r = 0.768, p = 0.016), and OPM (r = 0.815, p = 0.007). Since all the p-values are less than 0.05, the relationships are statistically significant. Therefore, the null hypothesis is rejected, indicating that the selected financial performance indicators are significantly and positively related during the study period.

8. RESULTS AND DISCUSSIONS

- The mean ROE increased from 24.18% to 27.84%, EPS increased from ₹60.82 to ₹78.54, Operating Profit Margin (OPM) improved from 23.15% to 24.86%, and the Current Ratio increased from 2.34 to 2.68, indicating improved financial performance after the mergers and acquisitions.
- The paired sample *t*-test revealed significant differences in ROE (t = -4.281, p = 0.004), EPS (t = -5.134, p < 0.001), Operating Profit Margin (t = -3.742, p = 0.007), and Current Ratio (t = -2.891, p = 0.023) between the pre-merger and post-merger periods.
- The correlation analysis showed a strong positive relationship between ROE and EPS (r = 0.842), EPS and OPM (r = 0.864), ROE and OPM (r = 0.791), and Current Ratio and OPM (r = 0.815), with all p-values less than 0.05, indicating significant positive associations among the selected financial performance indicators.
- The results led to the rejection of H_{01} and H_{02}, confirming that mergers and acquisitions had a significant positive impact on the financial performance of the selected Indian IT companies.
- Indian IT companies should undertake strategic mergers and acquisitions to improve profitability, operational efficiency, and overall financial performance.
- Companies should focus on effective post-merger integration and resource utilization to maximize the benefits of mergers and acquisitions.

- Regular monitoring of ROE, EPS, Operating Profit Margin, and Current Ratio should be carried out to evaluate post-merger financial performance and support managerial decision-making.
- Companies should continue investing in innovation, digital technologies, and strategic acquisitions to achieve sustainable growth, enhance shareholder value, and strengthen their competitive position in the IT industry.

9. CONCLUSION

The study concludes that mergers and acquisitions have significantly improved the financial performance of the selected Indian IT companies, namely TCS Ltd. and Infosys Ltd. The findings indicate that the post-merger period recorded higher Return on Equity (ROE), Earnings per Share (EPS), Operating Profit Margin (OPM), and Current Ratio compared to the pre-merger period, reflecting enhanced profitability, operational efficiency, and liquidity. The paired sample *t*-test confirmed a statistically significant difference in the selected financial performance indicators, leading to the rejection of H_{01}. Similarly, the correlation analysis revealed a significant positive relationship among the selected financial performance indicators, resulting in the rejection of H_{02}. Overall, the study demonstrates that well-planned mergers and acquisitions enable Indian IT companies to improve financial performance, achieve operational synergies, and strengthen their competitive position.

The present study is limited to two selected Indian IT companies and is based on secondary data collected from their annual reports. Future research may include a larger sample of companies from different industries and extend the analysis over a longer post-merger period to evaluate long-term financial performance. Researchers may also incorporate additional financial and market-based indicators, such as Return on Assets (ROA), Net Profit Margin (NPM), Market Capitalization, Earnings Growth, and Share Price Performance, to provide a more comprehensive assessment of the impact of mergers and acquisitions on corporate performance and shareholder value.

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