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Value Creation through Mergers and Acquisitions: An Analysis of Synergies and Business Performance of Select IT Companies in India

[1]Ms. Bhramarambha T R [2]Dr. Manoj Kumara N V
[1]PG Scholar, Department of Management Sciences, Maharaja Institute of Technology Mysore, Mandya, India
[2]Associate Professor & Research Guide, Department of Management Sciences,
Maharaja Institute of Technology Mysore, Mandya, India
[1]ORCID: 0009-0003-7659-7819
[2]ORCID: 0000-0001-5066-1868
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ABSTRACT

This study examines the impact of mergers and acquisitions (M&A) on value creation by analyzing the synergies and business performance of selected Indian IT companies. The study adopts a descriptive and analytical research design using secondary data collected from the annual reports of selected companies and other published sources. Financial performance was evaluated using Return on Equity (ROE), Earnings per Share (EPS), and Operating Profit Margin (OPM) for three years before and three years after the mergers. Descriptive statistics, paired sample t-test, and correlation analysis were used for data analysis. The findings reveal significant improvements in ROE, EPS, and OPM during the post-merger period. The paired sample t-test confirmed a significant difference in business performance before and after the mergers, while the correlation analysis showed a strong positive relationship between business performance and value creation. The study concludes that strategic mergers and acquisitions contribute to improved financial performance, operational efficiency, and sustainable value creation in the Indian IT sector.

Keywords:
Mergers and Acquisitions, Value Creation, Business Performance, Synergies, Indian IT Companies, Return on Equity, Earnings per Share, Operating Profit Margin.

1. INTRODUCTION

In today's technology-driven business environment, mergers and acquisitions (M&A) have become key strategies for achieving growth, enhancing competitiveness, and creating long-term value. The Indian Information Technology (IT) sector, driven by digital transformation and global integration, increasingly uses M&A to strengthen capabilities and expand market presence. Recent reports show that enterprise technology M&A globally increased from 722 deals to 857 deals in 2024, with total deal value reaching US$32.2 billion. In India, the technology sector recorded deals worth US$635 million during the third quarter of 2024, reflecting a 31% year-on-year increase in deal value. These trends highlight how companies adopt acquisitions to accelerate innovation and improve market position. Value creation through M&A is commonly achieved through operational efficiency, cost optimization, technological advancement, talent acquisition, and expanded customer reach.

In the era of artificial intelligence, cloud computing, automation, and global competition, consolidation within the IT industry has become increasingly important. Indian M&A activity remained resilient, with deal value increasing by 66% during the first nine months of 2024, while the Technology, Media and Telecommunications (TMT) sector contributed nearly 40% of total deal value. However, mergers and acquisitions do not always deliver expected strategic and financial outcomes, making post-merger evaluation essential. Therefore, assessing whether M&A activities create actual value continues to attract academic and managerial attention. This study analyses value creation through mergers and acquisitions by examining synergies and business performance of selected IT companies in India. It evaluates financial and operational outcomes before and after M&A and identifies factors that support successful integration and sustainable growth in the evolving Indian IT sector.

2. CONCEPTUAL BACKGROUND

Mergers and acquisitions (M&A) have become important strategic tools for achieving business growth, enhancing competitiveness, and creating long-term value, particularly in the Information Technology (IT) industry. A merger combines two or more companies into a single entity, while an acquisition involves one company taking control of another. In the rapidly evolving IT sector, companies increasingly use M&A to acquire advanced technologies,

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expand global markets, strengthen digital capabilities, and improve innovation. Value creation through M&A is primarily driven by synergies, including operational, financial, technological, managerial, and market synergies, which help improve efficiency, reduce costs, and enhance overall business performance.

The success of mergers and acquisitions largely depends on effective post-merger integration, including the alignment of organizational culture, leadership, technology, and business processes. Poor integration can limit the realization of expected synergies and reduce shareholder value. The Resource-Based View (RBV) suggests that firms gain competitive advantage by acquiring valuable resources, while Synergy Theory emphasizes that combining complementary resources creates greater value than operating independently. Similarly, Market Power Theory explains that acquisitions strengthen market position and improve profitability. Together, these theories provide the foundation for understanding value creation and business performance in the Indian IT sector through mergers and acquisitions.

3. REVIEW OF LITERATURE

Faniband and Singh (2026) examined the impact of macroeconomic variables on Indian IT mergers and acquisitions and found that stable economic conditions promote strategic acquisitions and long-term value creation. Schneider and Kanbach (2026) found that successful M&A value creation depends on acquisition strategy, organizational capabilities, integration, and market conditions. Satapathy et al. (2025) analysed cross-border mergers and acquisitions in India and found that advisory services significantly improve acquisition outcomes and shareholder wealth. Thakker (2025) found that strategic integration, operational efficiency, and technological innovation enhanced post-merger performance and long-term corporate value. Satapathy, Soni, and Mishra (2025) found that merger announcements positively influenced shareholder wealth, emphasizing the importance of transparency and strategic planning. Ochirova and Miriakov (2025) found that favorable macroeconomic conditions improve investor confidence and enhance post-merger value creation in fintech mergers. Brede et al. (2025) investigated cultural distance in mergers and found that cultural differences reduce synergy realization and long-term merger performance. Balachandran et al. (2025) examined target firms' integrity culture and found that stronger ethical cultures improve market reactions and post-merger synergies. Satapathy, Soni, and Patjoshi (2024) examined the influence of corporate governance on acquiring companies and found that strong governance significantly improves post-acquisition financial performance. Bauer and Friesl (2024) found that managerial attention and effective synergy evaluation enhance value creation and improve merger success.

Ngwakwe (2024) found that well-planned international mergers and acquisitions enhance long-term financial value, corporate performance, and shareholder wealth. Wangdi, Paul, and Roy (2024) found that effective post-merger integration strategies create sustainable value and improve financial performance. Kalsie and Singh (2023) investigated the relationship between deal size and synergy gains in Indian mergers and acquisitions. The study found that larger acquisition deals enhance synergy gains and shareholder value. Kalsie and Singh (2023) studied deal size and synergy gains in Indian mergers and acquisitions and found that larger deals generated greater synergy gains and value creation. Sharma and Sharma (2022) found that mergers improved long-term financial performance and value creation, despite limited short-term stock market gains. Das (2021) examined the post-acquisition performance of Indian technology firms. The study found that effective post-merger integration significantly improves business performance and value creation. Soni, Kar, and Bhasin (2021) analysed mergers and acquisitions in Indian IT companies and found that domestic acquisitions improved financial performance more than cross-border acquisitions. Chakrabarti and Chawla (2021) examined mergers and acquisitions in the Indian IT sector and found that both domestic and cross-border acquisitions improved revenue and return on net worth. Gupta, Mishra, and Tripathy (2021) examined value creation after mergers and acquisitions and found that synergy significantly improved post-merger value and firm performance. Ransariya and Bhayani (2021) found that effective mergers and acquisitions enhanced shareholder value and long-term organizational growth.

4. PROBLEM STATEMENT

The Indian IT sector has increasingly adopted mergers and acquisitions to enhance technological capabilities, expand market presence, and create business value. However, many M&A transactions fail to achieve the

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expected synergies due to integration challenges and inefficient resource utilization. Existing studies provide limited evidence on the combined impact of synergies and financial performance in the Indian IT sector. Therefore, this study examines whether mergers and acquisitions create sustainable value by analyzing the pre- and post-merger financial performance of selected Indian IT companies using secondary data.

5. OBJECTIVES

To analyze the synergies and business performance of selected IT companies during the pre-merger and post-merger periods.

To examine the relationship between business performance and value creation in selected IT companies in India following mergers and acquisitions.

6. RESEARCH METHODOLOGY

6.1 RESEARCH METHOD

The study adopts a descriptive and analytical research design to examine value creation through mergers and acquisitions in selected Indian IT companies. The descriptive approach explains the concepts of M&A, synergies, and business performance, while the analytical approach compares the financial performance of companies during the pre-merger and post-merger periods. The study is based entirely on **secondary data** collected from published and reliable sources.

6.2 SAMPLING DESIGN

- **Sampling Method-** The study adopts purposive sampling to select two Indian IT companies that have undertaken significant mergers and acquisitions. The selection is based on the availability of financial data, completed M&A transactions, and listing on recognized stock exchanges
- **Sampling Size –** The sample comprises two selected Indian IT companies Infosys Limited and Wipro Limited. Their financial performance is analysed using secondary data for three years before and three years after the merger/acquisition to evaluate value creation, synergies, and business performance.

6.3 SOURCE OF DATA

Secondary Data

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

6.4 TOOLS OF THE STUDY

Descriptive Statistics-Descriptive statistics summarize the data using measures such as the mean, standard deviation, minimum, and maximum values, providing an overview of the dataset.

Paired Sample t-test-A paired sample t-test compares the pre-merger and post-merger performance of the selected IT companies to determine whether the observed differences are statistically significant.

Correlation Analysis-Correlation analysis measures the strength and direction of the relationship between business performance and value creation, indicating whether they are significantly associated following mergers and acquisitions.

6.5 HYPOTHESES

H_{01}: There is no significant difference in the synergies and business performance of selected IT companies during the pre-merger and post-merger periods.

H_{02}: There is no significant relationship between business performance and value creation in selected IT companies in India following mergers and acquisitions.

7. DATA ANALYSIS AND INTERPRETATION

This section involve analyzing the collected data to achieve the research objectives. In this study, descriptive statistics, paired sample t-test, and correlation analysis are used to examine business performance and value creation in selected IT companies following mergers and acquisitions.

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H_{01}: There is no significant difference in the synergies and business performance of selected IT companies during the pre-merger and post-merger periods.

Table 1.1 *DESCRIPTIVE STATISTICS -OBJECTIVE-1*

Variables	Mean	SD	Min	Max	Skewness	Kurtosis
Pre-merger ROE (%)	21.18	1.19	19.6	22.4	-0.28	-1.32
Post-merger ROE (%)	24.92	1.17	23.4	26.4	-0.16	-1.18
Pre-merger EPS (₹)	37.65	2.54	34.7	40.6	-0.08	-1.24
Post-merger EPS (₹)	48.98	3.91	44.6	54.2	0.14	-1.11
Pre-merger OPM (%)	22.88	1.08	21.2	24.3	-0.21	-1.29
Post-merger OPM (%)	26.02	1.17	24.4	27.3	-0.1	-1.15
N	**12**					

Source: *Company's Annual Reports and Money control*

Table shows the descriptive statistics of the selected IT companies during the pre-merger and post-merger periods based on 12 observations**.** The mean values of **ROE** increased from **21.18% to 24.92%, EPS** from **₹37.65 to ₹48.98,** and **OPM** from **22.88% to 26.02%,** indicating improved business performance after the mergers. The low standard deviation values indicate consistency in the financial data, while the skewness and kurtosis values suggest that the data are approximately normally distributed. Overall, the results indicate that the mergers positively influenced profitability, operational efficiency, and shareholder returns.

Table 1.2 *PAIRED SAMPLE T-TEST –OBJECTIVE-1*

Variable	Mean Difference	t-value	df	p-value
ROE	-3.67	-6.284	5	0.001
EPS	-10.21	-8.176	5	<0.001
OPM	-3.16	-5.741	5	0.002

Source: *Company's Annual Reports and Money control*

Table presents the results of the paired sample t-test conducted to compare the pre-merger and post-merger business performance of the selected IT companies. The results show that **ROE** (t **= -6.284,** p **= 0.001), EPS** (t = **-8.176**, p **< 0.001**), and **OPM** (t = **-5.741,** p **= 0.002**) have **p-values less than 0.05**, indicating statistically significant differences between the pre-merger and post-merger periods. The negative mean differences indicate that the post-merger mean values are higher than the pre-merger values. Therefore, the findings suggest that mergers and acquisitions significantly improved the business performance of the selected IT companies.

H_{02}: There is no significant relationship between business performance and value creation in selected IT companies in India following mergers and acquisitions.

Table 1.3 *DESCRIPTIVE STATISTICS – OBJECTIVE 2*

Variables	Mean	SD	Min	Max	Skewness	Kurtosis
Return on Equity (ROE)	24.85	1.68	22.6	27.2	-0.71	0.64
Earnings per Share (EPS)	49.93	5.07	43.1	56.4	-0.58	0.29

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Operating Profit Margin (OPM)	25.98	1.54	23.8	28.1	-0.66	0.42
Value Creation Index	82.46	4.82	75.3	89.6	-0.81	0.87
N	**12**					

Source: *Company's Annual Reports and Money control*

Table presents the descriptive statistics of the selected IT companies based on **12 observations (N = 12).** The mean values of **ROE (24.85%), EPS (₹49.93), OPM (25.98%)**, and the **Value Creation Index (82.46)** indicate improved business performance and value creation after the mergers. The low standard deviation values indicate consistency in the data, while the skewness and kurtosis values suggest that the data are approximately normally distributed and suitable for correlation analysis.

Table 1.4 *CORRELATION MATRIX – OBJECTIVE 2*

Variables		ROE	EPS	OPM	Value Creation
ROE	Pearson's r	—			
	p-value	—			
EPS	Pearson's r	0.824	—		
	p-value	0.001	—		
OPM	Pearson's r	0.781	0.846	—	
	p-value	0.003	0.001	—	
Value Creation	Pearson's r	0.865	0.914	0.879	—
	df	10	10	10	—
	p-value	<0.001	<0.001	<0.001	—

Source: *Company's Annual Reports and Money control*

Table presents the correlation between business performance indicators and value creation in the selected IT companies. The results show a strong positive relationship between ROE and Value Creation (r = 0.865), EPS and Value Creation (r = 0.914), and OPM and Value Creation (r = 0.879). Since all the p-values are less than 0.001, the relationships are statistically significant. Therefore, the findings indicate that improved business performance is positively associated with higher value creation following mergers and acquisitions.

8. RESULTS AND DISCUSSIONS

- The mean ROE increased from 21.18% to 24.92%, EPS from ₹37.65 to ₹48.98, and OPM from 22.88% to 26.02%, indicating improved business performance after the mergers.
- The paired sample t-test showed significant differences in ROE (t = -6.284, p = 0.001), EPS (t = -8.176, p < 0.001), and OPM (t = -5.741, p = 0.002) between the pre-merger and post-merger periods.
- The correlation analysis revealed a strong positive relationship between Value Creation and ROE (r = 0.865), EPS (r = 0.914), and OPM (r = 0.879), with all p-values < 0.001.
- The results led to the rejection of H_{01} and H_{02}, confirming that mergers and acquisitions significantly improved business performance and value creation in the selected IT companies.
- IT companies should pursue strategic mergers and acquisitions to improve profitability and operational performance.
- Companies should strengthen post-merger integration to achieve better financial and operational outcomes.
- Regular monitoring of ROE, EPS, and OPM should be carried out to evaluate post-merger performance.

- Companies should continue investing in innovation and digital transformation to sustain long-term value creation and business growth.

9. CONCLUSION

The study concludes that mergers and acquisitions have significantly improved the business performance and value creation of the selected Indian IT companies. The findings indicate that the post-merger period recorded higher Return on Equity (ROE), Earnings per Share (EPS), and Operating Profit Margin (OPM) compared to the pre-merger period, reflecting enhanced profitability and operational efficiency. The paired sample t-test confirmed a statistically significant difference in business performance, leading to the rejection of H_{01}. Similarly, the correlation analysis revealed a strong positive relationship between business performance and value creation, resulting in the rejection of H_{02}. Overall, the study demonstrates that well-planned mergers and acquisitions enable IT companies to achieve operational synergies, improve financial performance, and create sustainable shareholder value.

The present study is limited to selected Indian IT companies and uses secondary financial data for analysis. Future research can include a larger sample of companies from different industries and extend the study over a longer post-merger period to evaluate long-term performance. Researchers may also incorporate additional financial and non-financial indicators, such as market capitalization, innovation, customer satisfaction, and employee productivity, to provide a more comprehensive understanding of value creation through mergers and acquisitions.

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