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Pre and Post Merger Performance Analysis of Tata Consultancy Services Limited : A Case Study

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Abstract

Mergers and Acquisitions do have an impact on the stock valuation and the earnings. Though earnings may increase but at the same time earnings also include the building of accruals. Thus this paper is an attempt to study the fact whether the change in financial evaluation is noteworthy in the period preceding and following merger. Statistical tools like TEST-PAIRED T is applied for the meaningful scrutiny on some selected financial ratios of TCS. GRAHAM NUMBER analysis has been done to see the trend of impact on stock valuation. For the quality check, SLOAN RATIO has been applied to check the impact on rising of accruals. The study concludes that there is no material change in the financial attainment of the TCS Company. Stock of company under scrutiny is undervalued in the anterior and posterior period as per Graham number estimate. There are many drivers that drive the acquisitions transactions like managerial synergies, market expansion and access.

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Keywords : Graham Test, M&A, Acquisition, Merger, TCS, Performance,T- Test, India

I. Introduction

BUSINESS ENVIRONMENT IS dynamic and competitive in nature. Continuous technological up gradation, change in taste and preference of the consumer, consumer expectations, product designs and government policies have forced the business firms to renew their business plans. The risk associated with the financial related matters like operating, liquidity, profitability has increased. Therefore the businesses not only have to exist and survive but have to transform their business plans for enlargement and growth.

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preceding acquisition activity and period after acquisition shows that the stock is fairly valued and good for investors to invest in. The Sloan ratio does not indicate a good sign for the company as the ratio is consistently in warning and non safety zones over the years whether pre or post. Overall after the evaluation it can be interpreted that there is no material change in the financial performance of the company in short run and that the corporate sector is driven by many other factors emerging out of M&As like expansion of markets, technological advancements, larger resources etc to avail benefits of financial synergies in long run.

Non Technical Summary Statement

— The study includes the sample of only one company TCS as it is having the important share in the market segment.

— The mergers and acquisitions are mostly motivated by the goals of achieving financial and operating synergies. But as observed maximum times there are no material or important changes in the performance execution of the company in short run.

— The company should focus on the effective utilization and building of accruals earnings.

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