Abstract

This dissertation examines the impact on short-term and long-term shareholder value, and operating performance of acquisitions by Indian firms. Further, I examine the roles of insider ownership, business group affiliation, overall market valuation, multiple acquisitions, acquisition of public targets, full acquisitions, related acquisitions, and method of payment on the performance of Indian acquirers.

In the third chapter of the dissertation, I examine the wealth effect to Indian acquirers making domestic or cross-border acquisitions using 21 years of data from 1991 to 2011. I use marketadjusted, market model, and mean-adjusted methods to estimate abnormal returns of acquirers with several event windows. Results show that the Indian acquirers create shareholder value in the short-run. Annual analysis shows insignificant abnormal returns after year 2007. Univariate results show that acquirers having majority promoters' ownership usually create significantly higher shareholder value as compared to acquirers having minority promoters' ownership. Agency cost reduces with an increase in the promoters' ownership up to approximately 49%. An inflection point occurs at the promoters' ownership of around 49%; after that, the abnormal returns decrease with an increase in the promoters' ownership resulting in the managerial entrenchment.

In the fourth chapter, I examine the long-run performance of acquirers using buy and hold abnormal return (BHAR) with respect to the returns of matched firms. The matched firms are selected using seven different matching criteria. Overall, Indian acquirers neither create nor destroy long-term shareholder value. However, acquisitions made during 2001-2003 create significant long-term shareholder value; while the acquisitions made during 2007-2009 destroy shareholder value. Univariate results suggest that acquirers having majority promoter ownership create more value as compared to acquirers having minority promoter ownership

both in domestic and cross-border acquisitions. However, multivariate results do not indicate any effects of promoter ownership. A high market valuation has a negative relationship with the long-run abnormal performance of acquirers in univariate analysis, but not in multivariate analysis.

In the fifth chapter, I analyze the operating performance of acquirers using the difference-indifference method. For this, I use three-year pre- and post-acquisition return on assets (ROA) of event and matched firms. Results show that the operating performance of Indian acquirers deteriorates after acquisition compared to similar-sized firms. However, after accounting for prior operating performance, there is no difference in the operating performance of event and control firms in the post-acquisition period. Operating performance of event and control firms significantly reduces after acquisition irrespective of the matching criteria used. Operating performance of acquirers deteriorates after an acquisition if the acquirer has majority promoters’ ownership, does not have an affiliation to a business group, makes a full acquisition, or makes only one acquisition in the sample period.