

PalArch's Journal of Archaeology  
of Egypt / Egyptology

AN EMPIRICAL STUDY - THE IMPACT OF CORONAVIRUS OUTBREAK  
ON MERGERS AND ACQUISITION ON FINANCIAL PERFORMANCE: A  
SPECIAL REFERENCE TO TATA STEEL AND CORUS

*Dr. Swati Saxena*, Professor, Department of Business Studies, Himalayan University,  
Itanagar, Arunachal Pradesh, India.

*Lourdunathan F*, Professor, Department of Commerce and Management, Kristu Jayanti  
College (Autonomous), Bangalore, India

*Dr G Arockia Stalin*, Asst. Professor, Department of Commerce, Kristu Jayanti College  
(Autonomous), Bangalore, India

*Dr Rajakamal. Ch*, Asst. Professor, Department of Commerce, Kristu Jayanti College  
(Autonomous), Bangalore, India

**Dr. Swati Saxena, Lourdunathan F, Dr G Arockia Stalin, Dr Rajakamal. Ch: An  
Empirical Study - The Impact of Coronavirus Outbreak on Mergers and Acquisition on  
Financial Performance: A Special Reference to Tata Steel and Corus-- Palarch's Journal  
Of Archaeology Of Egypt/Egyptology 17(7). ISSN 1567-214x**

**Keywords: Covid-19, Financial performance, Mergers and Acquisition, and TATA Steel**

## ABSTRACT

This research article examined the impact of merger and acquisitions on the financial performance of Tata Steel and Corus post Covid-19. This article analysis the reasons the effect of merger upon the financial performance. Sample size of this research consists Tata Steel and Corus Company which undergone merger and acquisitions during 2007-08. To understand the impact, the annual report of Tata Steel and Corus Company analyzed by taking 19 years audited and published annual report, from period 2002-2020. Various financial tools and techniques are adopted to analyze, understand and significance of the study on performance of the company. The finding of this study shows that there is significant development in financial performance of companies after merger, but due to pandemic there is a decline in the financial performance of the company.

## 1.1 INTRODUCTION

In the Contemporary era the corporate mergers and acquisitions is become buzz word in global business. The global Merger and acquisitions market proved its ability to recover quickly to its originality in 2016, posting volumes of \$3.9 trillion, in line with the third best year on record. In the present covid-19 situations where all companies are facing huge setback in their earnings, repayments of debt, cost of production and advancement of technology mergers and acquisitions (M&As) is only solution to, capture new technology, Expand the business, enter new markets or to create synergies

with existing Business functions and to recover the business from the current financial and non – financial risk. Companies proudly announce M&A's as Mergers and Acquisitions will take the businesses to a next level. Hence an empirical study on – the impact of mergers and acquisition on financial performance is taken by the researcher to analyse whether the mergers and acquisitions helped the companies to mitigate the profitability and liquidity position to create an impact on the functioning the growth of the business enterprises once mergers and acquisitions takes place.

## **1.2 RESEARCH PROBLEM**

Due to the importance Merger and acquisition in present scenario (Covid-19) and existing empirical gaps, this study aimed to contribute to existing related literature. To the best of my knowledge no study has been integrated all the mentioned variables in a single study thus the unique contribution by this study.

## **1.3 REVIEW OF RELATED STUDIES**

The consecutive articles are some of present work reviewed. The Scholars and researchers conducted the study to understand the financial performance of Tata steel and Corus during covid-19 and its impact on company the during post-merger. Haresh Kothari CA and Shankar Sodha (2001) analyzed and interpreted that there is correlation between liquidity, leverages and profitability on account of merger. Hitt, Harrison and Best (1998). Rau and Verma (1997) has investigated that the determinants of poor performance of the bidding firm after acquisition and concluding that firms having low book to market ratio in general make poor decisions. Regarding merger and acquisition. However, higher profitability of the firm being acquired is found to be existing pre and post-merger and acquisition Acharya (2000). Clear and factual communication among the Employees of the acquiring and acquired firms is very crucial to increase their productivity which will resultantly have positive impact on performance of firms during or even after merger and acquisition Steven Appelbaum and Barbara Shapiro (2000).

## **1.4 RESEARCH GAP**

Many researches have been undertaken the study on mergers and acquisition, but all the researchers have focused on the negative sides of the mergers and acquisition and risk involved due to mergers and acquisitions, no researchers have under taken study on the positive sides in the present situation of covid-19. Hence the researcher have under taken an imitative to the topic “An Empirical Study on – the impact of mergers and acquisition on financial performance post covid-19 pandemic. A special reference to Tata steel and Corus”, to analyze how for mergers and acquisitions helped the company to mitigate the profitability and liquidity exist in the business due to the coronavirus outbreak.

## **1.5 RESEARCH METHODOLOGY**

The present study is an attempt to analyse the impact of mergers and acquisitions on the functioning and growth of business. For this purpose the researcher has undertaken TATA Steel which absorbed the business of Corus. The financial statements of TATA Steel were collected both for the Pre-merger and post-merger periods. And the financial statements were analyzed with the help of statistical tools like percentage and index number.

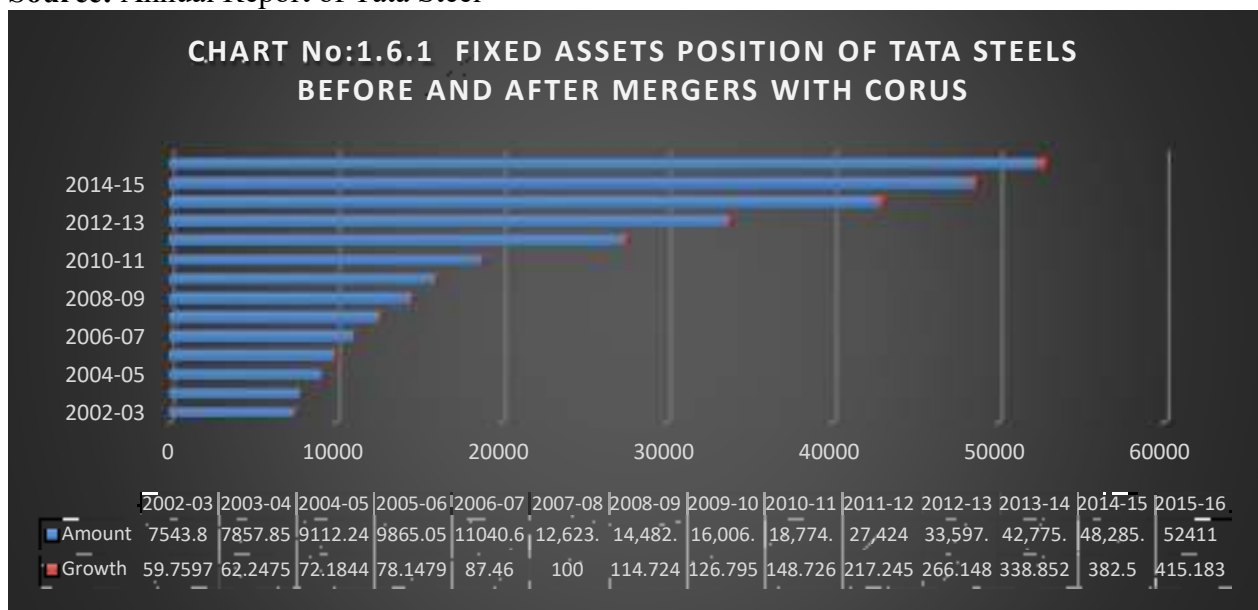
### 1.6 ANALYSIS AND INTERPRETATION ANALYSIS OF FIXED ASSETS

The below table reveals the growth of Fixed assets after depreciation of Tata Steels over a period of time. The table compares the fixed assets position of Tata steels before and after mergers with Corus.

**TABLE:-1.6.1 SHOWS THE FIXED ASSETS POSITION OF TATA STEELS BEFORE AND AFTER MERGERS WITH CORUS**

S.No	Year	Amount	Growth
1	2002-03	7543.80	59.75969
2	2003-04	7857.85	62.2475
3	2004-05	9112.24	72.18439
4	2005-06	9865.05	78.14792
5	2006-07	11040.56	87.45996
6	2007-08	12,623.56	100
7	2008-09	14,482.22	114.7237
8	2009-10	16,006.03	126.7949
9	2010-11	18,774.48	148.7257
10	2011-12	27,424	217.2446
11	2012-13	33,597.34	266.1479
12	2013-14	42,775.15	338.8517
13	2014-15	48,285.19	382.500
14	2015-16	52410.96	415.183

Source: Annual Report of Tata Steel



**TABLE:-1.6.2 SHOWS THE ADOPTION OF INDIAN ACCOUNTING STANDARDS  
(IND AS)**

S.No	Year	Amount	Growth
1	2016-17	1,31,719.48	74.203
2	2017-18	1,22,411.18	70.621
3	2018-19	1,41,880.78	67.640
4	2019-20	1,74,591.41	74.745

**Source:** Annual Report of Tata Steel



The table shows TATA steel is allocated (Invested more funds) on Fixed assets, it has been analyzed prior to and post M&A the investment in fixed assets are increasing at an alarming rate. Comparing to the base year 2007-08 where the merger took place the overall increase in the total fixed assets of Tata steel has been more than 300%.

#### **ANALYSIS OF NET CURRENT ASSETS (WORKING CAPITAL)**

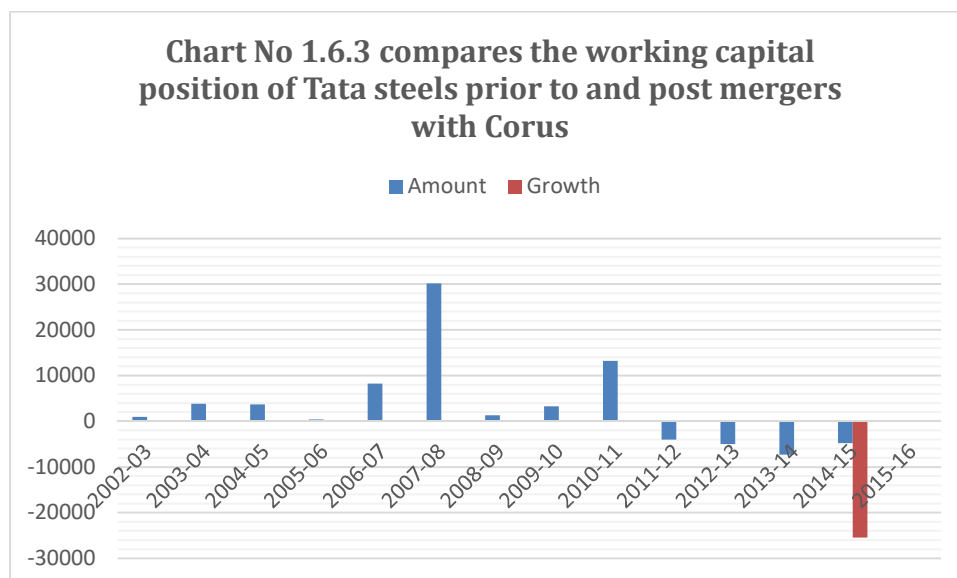
The below table shows the growth of Net current assets of Tata Steels over a period of time.

**TABLE: - 1.6.3 COMPARES THE WORKING CAPITAL POSITION OF TATA  
STEELS PRIOR TO AND POST MERGERS WITH CORUS.**

S.No	Year	Amount	Growth
1	2002-03	957.52	3.171262
2	2003-04	3808.82	12.61463
3	2004-05	3699.99	12.2542
4	2005-06	428.88	1.420431
5	2006-07	8248.23	27.31775
6	2007-08	30,193.66	100
7	2008-09	1,311.04	4.342104
8	2009-10	3,247.08	10.75418
9	2010-11	13,216.49	43.7724
10	2011-12	-4,039.64	-13.3791

11	2012-13	-4,983.80	-16.5061
12	2013-14	-7,317.18	-24.2342
13	2014-15	-4774.62	-25419.04
14	2015-16	-4585,04	-25608,62

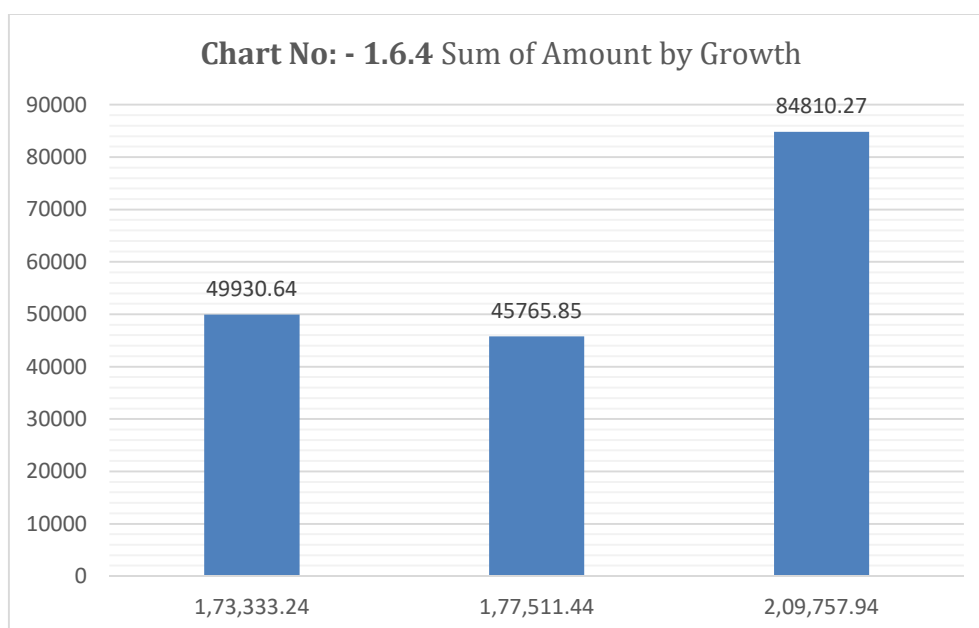
**Source:** Annual Report of Tata Steel



**TABLE: - 1.6.4 ADOPTION OF INDIAN ACCOUNTING STANDARDS (IND AS)**

S.No	Year	Amount	Growth
1	2016-17	45,765.85	1,77,511.44
2	2017-18	49,930.64	1,73,333.24
3	2018-19	67,774.69	2,09,757.94
4	2019-20	17,035.58	2,09,757.94

**Source:** Annual Report of Tata Steel

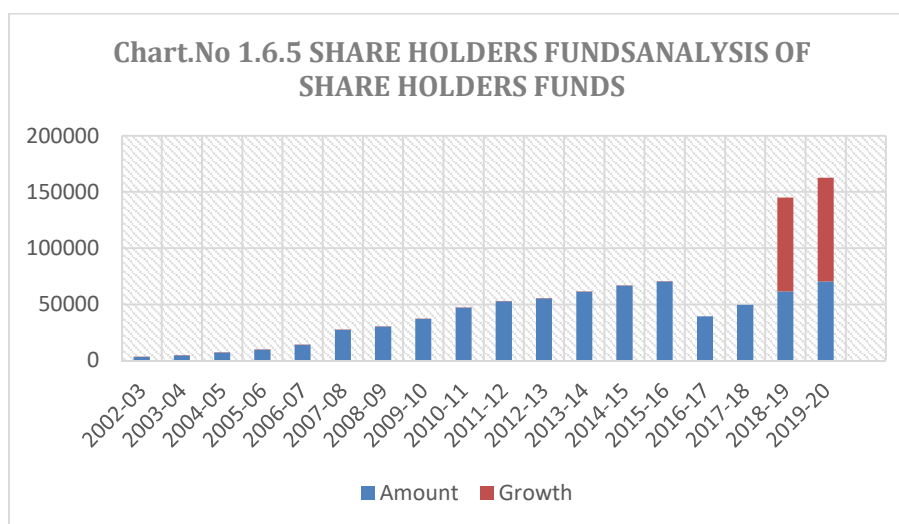


The total Net Current assets of the Company prior to Merger was positive and it shows the working capital of the company was manageable, but post-Merger was not so effective since the analysis of table shows negative Net current assets(Negative Working capital performance).

**TABLE: - 1.6.5 ANALYSIS OF SHARE HOLDERS FUNDS**

S.No	Year	Amount	Growth
1	2002-03	3186.02	11.67009
2	2003-04	4515.86	16.54117
3	2004-05	7059.92	25.85982
4	2005-06	9755.30	35.73274
5	2006-07	14096.15	51.63287
6	2007-08	27,300.73	100
7	2008-09	30,176.26	110.5328
8	2009-10	36,961.80	135.3876
9	2010-11	46,944.63	171.9538
10	2011-12	52,621.36	192.7471
11	2012-13	55,209.68	202.2279
12	2013-14	61,147.99	223.9793
13	2014-15	66,663.89	244.18
14	2015-16	70,476.72	258.149
15	2016-17	39,421.02	1,77,511.44
16	2017-18	49,659.00	1,73,333.24
17	2018-19	61,514.82	83,571.17
18	2019-20	70,454.71	92,289.39

**Source:** Annual Report of Tata Steel



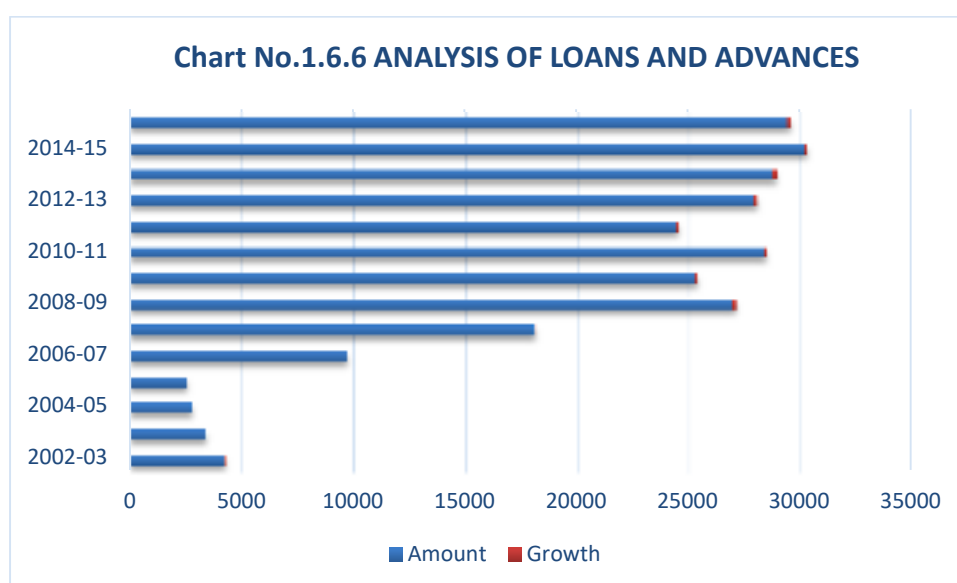
The above table shows the growth of owner's capital of Tata Steels over a period of time. Regarding the shareholders' funds it is always in the increasing trend during both the periods. Comparing to the base year the total funds has been increased more than 200%.

**TABLE:-1.6.6 ANALYSIS OF LOANS AND ADVANCES**

S.No	Year	Amount	Growth
------	------	--------	--------

1	2002-03	4225.61	23.44736
2	2003-04	3373.28	18.71789
3	2004-05	2739.70	15.20224
4	2005-06	2516.15	13.96179
5	2006-07	9645.33	53.52067
6	2007-08	18,021.69	100
7	2008-09	26,946.18	149.5208
8	2009-10	25,239.20	140.049
9	2010-11	28,301.14	157.0393
10	2011-12	24,391.06	135.3428
11	2012-13	27,903.60	154.8334
12	2013-14	28,735.64	159.4503
13	2014-15	30,114.44	167.10
14	2015-16	29368.44	162.96

**Source:** Annual Report of Tata Steel



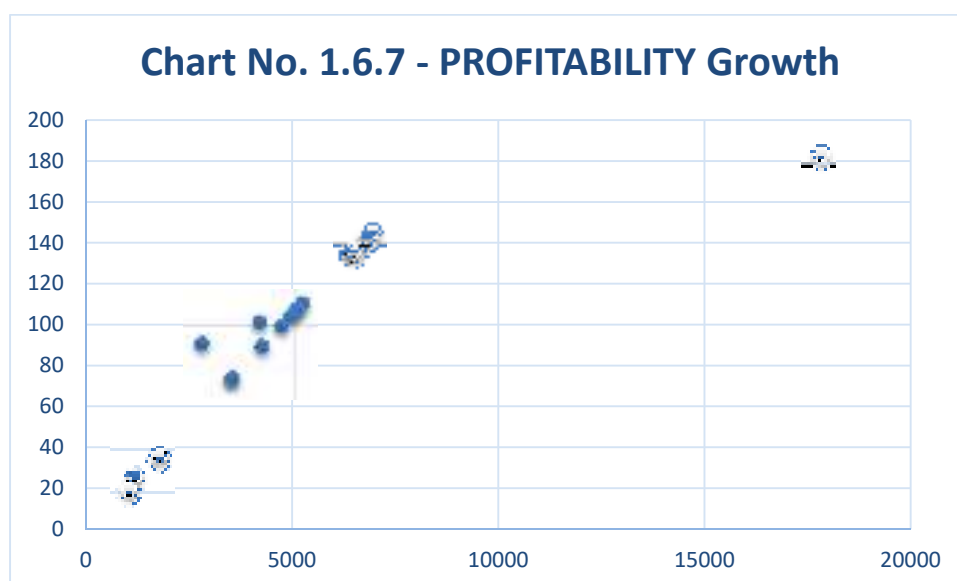
The total loans and advances of Tata steel is increasing year by year but comparing to the pre-merger period the total loans and advances of this company is not increasing in the post-merger period.

**TABLE1.6.7 ANALYSIS OF PROFITABILITY**

S.No	Year	Amount	Growth
1	2002-03	1012.31	21.59811
2	2003-04	1746.22	37.25643
3	2004-05	3474.16	74.12285
4	2005-06	3506.38	74.81027
5	2006-07	4222.15	90.08157
6	2007-08	4,687.03	100
7	2008-09	5,201.74	110.9816
8	2009-10	5,046.80	107.6759
9	2010-11	6,865.69	146.4827

10	2011-12	6,696.42	142.8713
11	2012-13	5,062.97	108.0209
12	2013-14	6,412.19	136.8071
13	2014-15	6439.12	137.38
14	2015-16	4900.95	104.56
15	2016-17	2,778.01	91.545
16	2017-18	4,168.57	101.764
17	2018-19	17,762.81	184.683
18	2019-20	1,164.23	27.951

Source: Annual Report of Tata Steel



The net profit of Tata steel is increasing at constant level even after the merger with Corus. In the year 2007-08 the net profit of the business was 4687.03 Crores it is increased to 6412.19 Crores in the year 2013-14.

## 1.7 MAJOR FINDINGS

During the Financial Year 2015-16, the Company recorded a profit after tax of `4,901 crore as compared to `6,439 crore in Financial Year 2014-15. The decline is primarily due to lower realizations owing to availability of cheaper steel imports. For the year, there was also an exceptional loss of `1,583 crore (Profit of `1,891 crore during the previous year). The basic and diluted earnings per share were at ` 48.67 (previous year: ` 64.49).

- Decrease in Loans and Advances is primarily on account of reduction in derivative assets owing to repayment of US\$ 335 Mn loan in the Financial Year 2015-16.
- The allocation of fund to total fixed asset of Tata Steels has increased at alarming rate as compared to the pre-merger periods.
- The current assets of Tata steels are less than the current liabilities in the post-merger period.
- The profitability of Tata steel is increasing in the post-merger period.



## 1.8 CONCLUSION

The researcher want to conclude, Due to the coronavirus out break there is huge loss incurred by the company and the company taking a crucial decision in selling of subsidiary companies. Putting an end to the doubt on restructuring and sale, there exists an uncertainty for the future of the company as a going concern.

The M&A performance measures are diverse owing to heterogeneous views on what constitutes M&A performance and organization performance. They are categorized under Accounting Measures, Market Measures and administrative Measures, including subjective assessments. The explanatory variables found in the studies are extensive and can be categorized under Deal Characteristics, Managerial Effects, Firm Characteristics and Environmental Factors.

## REFERENCES

- Avadhani VA (2015), Securities Analysis and Portfolio Management, Himalaya Publishing House, M/s. Aditya Offset Process (I) Pvt. Ltd., Hyderabad.
- Jain S.P. and K.L. Narang (2012), Advanced Accountancy Volume II, Kalyani Publishers, New Delhi.
- Sharma and Shashi K.Gupta (2015), Financial Management, Tata McGraw-Hill Education, Kalyani Printers, Noida.
- Acharya (2000), Effect of Mergers on Corporate Performance in India, *Research Gate*, 26 (1), pp: 19-32.
- Haresh Kothari CA and Shankar Sodha (2001), The impact of liquidity and leverage on profitability: Evidence from selected pharmaceutical companies of India, *GAP GYAN - An International Peer-Reviewed Open Access Journal of Social Sciences*, Vol (I), Iss.(1), pp:65-71.
- Manoj Kumara N V and Satyanarayana (2013), An Analysis of the Impact of Merger and Acquisition of Corus by Tata Steel, *IOSR Journal of Business and Management (IOSR-JBM)*, 11(1), pp:41-47.
- Steven Appelbaum and Barbara Shapiro (2000), Anatomy of a merger: Behavior of organizational factors and processes throughout the pre-during- post-stages, *Research Gate*, Management Decision 38(10):674-684.
- <https://www.tatasteel.com/investors/integrated-reportannual-report/> retrieved on 23<sup>rd</sup> November 2020 at 10:36 am.
- <https://www.rbi.org.in/scripts/AboutUsDisplay.aspx?pg=MonthlyPublications.htm> retrieved on 25<sup>th</sup> November 2020 at 12:17 pm.
- <https://indianexpress.com/> retrieved on 27<sup>th</sup> November 2020 at 08:23 am.
- <https://economictimes.indiatimes.com/defaultinterstitial.cms> retrieved on 27<sup>th</sup> November 2020 at 07:56 pm.
- <https://www.deccanherald.com/> retrieved on 28<sup>th</sup> November 2020 at 09:34 am.
- <https://www.thehindubusinessline.com/> retrieved on 28<sup>th</sup> November 2020 at 10:58 pm.
- <https://businessindia.co/> retrieved on 29<sup>th</sup> November 2020 at 07:40 pm.

<https://www.businessworld.in/> retrieved on 29<sup>th</sup> November 2020 at 03:44  
pm.  
<https://www.dsij.in/> retrieved on 30<sup>th</sup> November 2020 at 08:34 pm.