THE ACQUISITION OF BELL CERAMICS LTD, WITH ORIENT BELL LTD, AND ITS IMPACT ON POST – MERGER ACQUISITION. A COMPARISON BETWEEN SYNERGETIC PERFORMANCE POST–ACQUISITION

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Abstract—In today’s business merger and acquisition play an important role in expanding and diversifying the business. In this paper an industry named bell ceramics was taken by orient bell ltd, and the merger of these two created a good working condition. There is an positive and negative values with respect to profitability ratios, and in respect to efficiency ratios there is decrease in ratios after post – merger. And in the T- test output the level of significance is resulted with more than 0.05, and Ho is accepted. The study is based on the case of bell ceramics ltd, which was acquired by Orient Bell Ltd. and shows that how the company’s ratios were valued during pre and post- merger.

Index Terms—Ratios, Descriptive Analysis, T- test.

I. INTRODUCTION ABOUT MERGERS AND ACQUISITIONS

The reasoning behind mergers and acquisitions (M&A) is that two companies together are more valuable than two separate companies. The key principle behind buying a company is to create shareholder value over and above that of the sum of the two companies. This rationale is particularly alluring to companies when times are tough. Strong companies will act to buy other companies to create a more competitive, cost-efficient company. The companies will come together hoping to gain a greater market share or achieve greater efficiency. In the present globalized world, investments play a key role. But the international financial crisis has affected both the course of these flows and their intensity. Investors have reconsidered their positions and strategies on the market. There are more options for investors to place their money and to develop. Out of these options, an important part of the investment flows happens through mergers and acquisitions. This is not necessarily linked to the number of such processes taking place, but it is more related to the sums of money that are transacted in merger and acquisition operations.

II. ORIENT BELL HISTORY

Company Profile
Established in 1970s, OrientBell is one of the pioneers in Tile Industry. With over four decades of experience, OrientBell has become one of the largest manufacturers of Ceramic and Vitrified Tiles. Headquartered in Heart of India (New Delhi), OrientBell boasts exponential growth not only in market share but also in technological advancements. OrientBell has 7th largest market share within the organized tile market marking an overall market share of 50%. With four patented technologies to its name, OrientBell has launched a new generation of Tiles and is continuing to do so. Vision and Experience are two pillars that drive us whilst futuristic thinking and foresightedness allows us to create products that you love. Created with research and crafted with excellence, our products offer high performance, high durability and compelling designs. Concept Selling is the latest initiative by OrientBell where we have launched a chain of exclusive signature showrooms showcasing our product spectrum. The showrooms provide a blended experience of compelling designs, product aesthetics and practical application. At OrientBell, we believe in giving back to the society. We believe that
inclusive growth can only be achieved if we initiate to eradicate grass-root problems and provide optimum solution. OBL’s CSR initiative #Ek Accha Bhavishya provides a platform to educate our young minds who are deprived of education. With an open mind and with every ounce, we are always in the forefront to push our boundaries and provide world class products with best in class service.

III. REVIEW OF LITERATURE

Muhammad Faizan Malik, Melati Ahmad Anur, Shehzad Khan, Faisal Khan (2014) – states that, the main objective of the firm behind entering into the deal of merger and acquisition is to work with other companies that can be more beneficial as compared to work alone in a market. Sandra Waddock and Samuel B. Graves (2005) -the study found that acquiring foreign firms pay employees more than their domestic predecessors with corresponding increased levels of productivity.

Michael A. Hitt, David King, Hema, Krishnan, Marianna Makri, Mario Schijven (2009) - mergers and acquisitions represent a popular strategy used by firms for many years. The cross border mergers and acquisitions which have become prominent in recent years. Manuel Portugal Ferreira, Jao Carvalho Santos, Martinho Insard Riberiro De Almeida Nuno Rosa Reis (2014) - mergers and acquisitions (M&A) are important modes through which firms carry out their domestic and international strategies and have been noted as the CEO’S favorite strategy.

John W. Hunt and Stephen Downing (2006) – says that in recent years, there has been an appreciable world – wide growth in merger and acquisition activity amongst business concerns. Ayesha Alam, Sana Khan, Dr. Fareeha Zafar (2008) - in the past decades mergers and acquisitions were merely financial transactions aiming to control undervalued assets and the target was an industry or business very different from the acquirer’s core business Vivek Bhatia Dr. NeerajShukla (2014) - the management of an acquiring company may be motivated more by the desire to manage ever-larger companies than by a possible gain in efficiency. Laurel S. Jeris, James R. Johnson, C. Carol Anthony (2002) - the purpose of this case study research was to explore the timing and scope of HRD involvement in organizations recently involved in a merger or acquisitions, be using three theoretical modes as lenses.

Andy BS Chui, WH Ip (2017) - merger and acquisitions are an internationally adopted expansion strategy, but not every case can be successfully executed nor achieved the intended post- expansion results. Paulo Rotela Junior, Paulo Rotela Junior, Edson De Oliveira Pamplona, Anevison. Francisco Da Silva (2013) – enterprises go through the process of mergers and acquisitions (M&A) with the goal of improving performance, increasing efficiency and obtaining business synergy.

Jan Bena, Kai Li (2012) - using a large and unique patent – merger data set over the period 1984 to 2006 we show that companies with large patent portfolios and low R&D expenses are acquirers, while companies with high R&D expenses and slow growth in patent output are targets. Jeffrey A Krug (2006) - merger and acquisitions play a major role in shaping business activities worldwide and, consequently is a widely researched area within the field of business and management.

Shree Prakash (2017) - the study found that M&A overall were found destroying value for the shareholders of the hypothetical combined entity. Prof. Dr. Enxil, Dr. K.S. Reddy (2017) - merger and acquisitions is an interdisciplinary stream that allows all kinds of technical and non- technical scholars to draw conclusions and explore new perspectives.

Keith Chapman (2003) - cross border mergers/acquisitions account for the bulk of contemporary foreign direct investment. OL Adegbuyega (2012) - this paper evaluates the impact of mergers and acquisitions on performance of banks in Nigeria. Isil Erel, Rose C. Liao and Michael S. Weisbach (2014) - it states that we to evaluate the extent to which these international factors influence the decision of firm to merge.

Nadia Doytch, Esin Cakan- the purpose of this paper is to analyze the impact of mergers and acquisitions (M&A) sales on economic growth. Neelam S Rani, Surendra S Yadav, and P K Jain (2015) – globalization and liberalization have led firms like emerging market in India to become more aggressive and opt for mergers and acquisition (M&A) to fight the competitive battle.
IV. OBJECTIVE OF THE STUDY

- To measure the performance of the company by comparing different synergies in past.

V. METHODOLOGY

Type of research–Descriptive research – it is used to describe characteristics of a population or phenomenon being studied. It does not answer questions about how/when/why the characteristics occurred.

Source of data –
- Secondary Data – includes Journals, Articles and the company website.

Sampling design

<table>
<thead>
<tr>
<th>Sl. N. O.</th>
<th>Acquiring</th>
<th>Acquired</th>
<th>Type of Activit y</th>
<th>Deal Val u e</th>
<th>Yr. of Occurrence</th>
<th>Strategi c motives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Acquiring 19.5% eq. stake with a ceramic tile mfg co.</td>
<td>Bell ceramics Ltd</td>
<td>acquisition</td>
<td>-</td>
<td>2011</td>
<td>Increase d outsourc ing. Expande d dealer network all over India by adding over 1,000 new dealers and improve d our branding and display. Establis hed the Orient Internati onal division to source world-class tiles from countrie s in Europe and Asia.</td>
</tr>
</tbody>
</table>

Tools for the study: it includes the following statistical tools
- Descriptive statistics
- T-test: it is an analysis of two populations’ means through the use of statistical examination; a t-test with two samples is commonly used with small sizes, testing the difference between the samples when the variance of two normal distributions is not known.
- Mean: the mean or average that is used to derive the central tendency of the data in question.
- Standard Deviation: Standard deviation is a measure of the dispersion of a set of data from its mean. It is calculated as the square root of variance by determining the variation between each data mean relative to the mean.
- Kurtosis - is a measure of whether the data are heavy-tailed or light-tailed relative to a normal distribution.
- Skewness - is a measure of symmetry, or more precisely, the lack of symmetry. A distribution, or data set, is symmetric if it looks the same to the left and right of the center point
- Hypothesis of the study
- There is no significant change in synergetic performance in post-acquisition.

Background of the case
The acquisition of majority of stake in BCL is in line with OCIL’s inorganic growth strategy. The combined turnover of OCIL and BCL will make OCIL the fourth largest tile company in the country and the one with the largest installed capacity amongst all tile manufacturers in India and also the only one to have plants in North, West and South India.

As of December 29, 2010, Bell Ceramics Ltd. was acquired by Orient Bell Limited. Bell Ceramics Ltd engages in the production and sale of ceramic glazed tiles in India. It offers ceramic glaze wall tiles, floor tiles, and edge cut floor tiles. The company was founded in 1985 and is based in Vadodara, India.

Bell Ceramics Limited is an India-based company. It is engaged in the business of production and sale of ceramic glazed tiles. Its products include Vigor, Stella, Indus LB, Indus CB, Veneer Rose, Veneer Beige, Dora Grey, Dora Ivory, Dora White, Corzo White, Corzo Pink and Corzo Ivory. As of March 31,
2011, the Company had an installed capacity to produce 10,837,500 square meters of ceramic floor and wall tiles. During the fiscal year ended March 31, 2011 (fiscal 2011), it produced 6,653,188 square meters of tiles. It has two plants located near Vadodara, Gujarat, and the other near Bangalore, Karnataka. As of March 31, 2011, Vadodara plant had production installed capacity of 6.387 million square meters per annum of wall and floor tiles. As of March 31, 2011, Bangalore plant has an installed capacity of 8.213 million square meters per annum of floor tiles. On December 29, 2010, Orient Ceramics & Industries Ltd (OCIL) acquired 67.72% interest of the Company.

Key Financial Ratios

Gross Profit Ratio - since in the year march 2007 the

<table>
<thead>
<tr>
<th>PARTICULAE RS</th>
<th>Dec 10</th>
<th>March 10</th>
<th>March 09</th>
<th>March 08</th>
<th>March 07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross profit margin</td>
<td>-3.97</td>
<td>1.40</td>
<td>5.97</td>
<td>-4.59</td>
<td>2.77</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>-7.26</td>
<td>-4.13</td>
<td>0.17</td>
<td>-13.42</td>
<td>-3.92</td>
</tr>
<tr>
<td>Return on capital employed</td>
<td>0.94</td>
<td>2.63</td>
<td>9.54</td>
<td>-5.49</td>
<td>3.50</td>
</tr>
<tr>
<td>Return on net worth</td>
<td>-9.38</td>
<td>-56.45</td>
<td>1.88</td>
<td>-125.93</td>
<td>-12.28</td>
</tr>
<tr>
<td>Return on Assets Excluding Revaluations</td>
<td>69.59</td>
<td>5.25</td>
<td>8.21</td>
<td>8.05</td>
<td>18.19</td>
</tr>
</tbody>
</table>

value is positive and the same is also in 2009 and 2010. But there is negative value in March 2010 and in Dec 2010.

Net Profit Ratio – there is negative value in March 2007 as well as in March 2008, but there is a positive result in March 2009 and again there is a negative value in march 2010 and in Dec 2010.

Return on Capital Employed - there is a positive values in all the years accept in the year march 2008.

Return on net worth – there is negative value in the all the years accept in the year march 2009.

Return on assets excluding evaluations - the last year resulted in positive values, with an increase in the year Dec 2010 by 69.59.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Dec 10</th>
<th>March 10</th>
<th>March 09</th>
<th>March 08</th>
<th>March 07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory Turnover Ratio</td>
<td>3.5</td>
<td>6.80</td>
<td>6.45</td>
<td>7.18</td>
<td>3.95</td>
</tr>
<tr>
<td>Debtors Turnover Ratio</td>
<td>9.1</td>
<td>12.40</td>
<td>15.59</td>
<td>14.85</td>
<td>17.88</td>
</tr>
<tr>
<td>Fixed Assets Turnover Ratio</td>
<td>0.3</td>
<td>0.64</td>
<td>0.79</td>
<td>0.69</td>
<td>1.20</td>
</tr>
<tr>
<td>Total Assets Turnover Ratio</td>
<td>0.6</td>
<td>1.35</td>
<td>1.51</td>
<td>1.27</td>
<td>1.15</td>
</tr>
<tr>
<td>Asset Turnover Ratio</td>
<td>0.7</td>
<td>1.03</td>
<td>1.50</td>
<td>1.18</td>
<td>1.12</td>
</tr>
</tbody>
</table>

Inventory Turnover Ratio – in the year march 2007 there is a decrease in the inventory turnover ratio, but there is huge increase in the next 3 consecutive years, but in the year Dec 2010 there is decrease by 3%. Debtors Turnover Ratio – there is an increase in the debtors’ turnover in all 4 years, but there is a slight decrease in the year Dec 2010 by 3%.

Fixed Assets Turnover Ratio – there is an increase only in the year march 2007, where for all the rest of the years there is slight variations of ratios.

Total Assets Turnover Ratio – there is increase of ratio in all the years, except in the year Dec 2010 there is decrease.

 Asset Turnover Ratio – since in all the years it is showing positive values, except in the year Dec 2010, there is a slight decrease.

VI. DATA ANALYSIS

One-Sample Test

<table>
<thead>
<tr>
<th>t</th>
<th>d (2-tailed)</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the</th>
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<table>
<thead>
<tr>
<th></th>
<th></th>
<th>d)</th>
<th>Difference</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Lower</td>
<td>Upper</td>
</tr>
<tr>
<td>GP</td>
<td>M</td>
<td>0.1</td>
<td>0.88</td>
<td>0.316</td>
</tr>
<tr>
<td>NP</td>
<td>M</td>
<td>2.5</td>
<td>0.06</td>
<td>-5.712</td>
</tr>
<tr>
<td>ROC</td>
<td>E</td>
<td>0.9</td>
<td>0.40</td>
<td>2.224</td>
</tr>
<tr>
<td>RO</td>
<td>NW</td>
<td>1.7</td>
<td>0.16</td>
<td>40.432</td>
</tr>
<tr>
<td>RO</td>
<td>A</td>
<td>1.8</td>
<td>0.14</td>
<td>21.858</td>
</tr>
</tbody>
</table>

**Sources: Authors Calculation SPSS data base**

From the above table the calculation of one sample T- test considering the period of 5 years using the profitability ratios of the firms. The study found that the entire profitability ratios t- test resulted in positive as well as negative with the degree of freedom at 4. The study found that GPM, ROCE, ROA resulted in more than 0.05 significance level therefore it is stated that there is no significant changes in the profitability ratio with respect to GPM, ROCE & ROA, therefore Ho is accepted. Henceforth, it’s proven that there is no significant change in synergetic performance in post-acquisition.

VII. FINDINGS AND RECOMMENDATIONS

- The Return on Capital Employed resulted in positive values for all the years except in the year march 2008.
- After the post-merger the Return on Capital Asset Excluding Revaluation resulted in sharp increase in the year Dec 2010, it also stood positive in the previous 4 years.
- And the efficiency ratios resulted in increase and decrease in the value.
- The inventory turnover ratio resulted an increase values in the year march 2008, 2009, 2010. Except in the year Dec 2010 after the post-merger and before pre-merger March 2007 there was a slight decrease in the values.
- After the post-merger the Debtors Turnover ratio decreased by 3% in the year Dec 2010, when compared to the previous year it was increased in good numbers.
- The fixed assets turnover ratio, total assets turnover, asset turnover ratio, the values decreased after the post-merger, except that of debtors’ turnover ratio.
- The t-test output resulted that there is no significant changes in post synergetic performance in post-acquisition.
- The company needs to concentrate on gross profit margin to increase the profits after post-merger.
- Since the post-merger the profitability ratios and efficiency ratios were decreased, therefore the company needs to analyze more on increasing the efficiency and business.
- Also the company needs to find an alternative in case if it cannot perform well even after the post-merger.
- Since Bell Orient is the acquirer, the company can design its own way of expanding and diversifying the business around the country.

VIII. CONCLUSION

The company can make a good turnover if it concentrates more on Profitability Ratios and Efficient Ratios, the company needs to follow a good strategy for achieving the desired result since the ratio turnover are varying when it was merged it needs to focus on how to improve its performance and bounce back in the market to provide good services to the customers also it needs to increase its brand image to survive in the market, since it was
new acquisition the company needs to adjust with new strategies and achieve them within the targeted time.

REFERENCES


