IMPACT OF MERGERS AND ACQUISITIONS ON THE FINANCIAL PERFORMANCE OF HUL LTD

Project Report

Submitted by

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Under the guidance of

Dr. Jency Treesa

In partial fulfillment of requirements for award of the degree of

Bachelor of Commerce

ST. TERESA’S COLLEGE (AUTONOMOUS), ERNAKULAM

COLLEGE WITH POTENTIAL FOR EXCELLENCE

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ST. TERESA’S COLLEGE (AUTONOMOUS), ERNAKULAM

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CERTIFICATE

This is to certify that the project report titled '**IMPACT OF MERGERS AND ACQUISITIONS ON THE FINANCIAL PERFORMANCE OF HUL LTD'** submitted by **ADITHYA VENUGOPAL, ALEENA BERLY AND ANNA PIUS** towards partial fulfillment of the requirements for the award of degree of Bachelor of Commerce is a record of bonafide work carried out by them during the academic year 2022-23.

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DECLARATION

We, Adithya Venugopal, Aleena Berly and Anna Pius do hereby declare that this dissertation titled**, ‘IMPACT OF MERGERS AND ACQUISITIONS ON THE FINANCIAL PERFORMANCE OF HUL LTD’** has been prepared by us under the guidance of **Dr Jency Treesa**, Assistant Professor, Department of Commerce, St Teresa’s College, Ernakulam.

We also declare that this dissertation has not been submitted by us fully or partly for the award of any Degree, Diploma, Title or Recognition before.

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INTRODUCTION

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INTRODUCTION

Mergers and Acquisitions (M&A) have received a lot of public attention during the past decade as several major M&A transactions have been affected globally. Corporate restructuring has emerged as a significant factor in the financial and economic climate. Globalization, competition and a dynamic market has brought about a significant change in the world economy and the way businesses operates trillions of dollars have been spent in the acquisition of thousands of firms (Gupta and Gerchak , 2002). In order to stay competitive, many companies around the world have merged with each other with a motive to expand into new markets, incorporate new technologies and/or enhance revenue (Harpeslagh & Jemison, 1991). Both business decisions and public policy formulation have been impacted by industrial restructuring. Indian industries have become increasingly competitive and exposed to domestic and international competition since 1991. As a result, mergers and acquisitions have been used by businesses to begin reorganizing their operations around their core business activities in recent years.

In a business transaction known as a merger or acquisition (M&A), the ownership of one company, another business organization, or their operational units is transferred to another company or business organization or consolidated with another in the context of strategic management. Businesses can change the nature of their business and their competitive position through mergers and acquisitions (M&A).

Most of the time, mergers and acquisitions (M&A) are done to gain market share, cut operating costs, expand into new areas, combine products, increase revenues, and profits—all of which should be good for the company's shareholders. Shares of the new company are distributed to existing shareholders of the two original businesses following a merger.

SIGNIFICANCE OF THE STUDY

In a changing economic environment, mergers and acquisitions are a routine. M&A are undertaken on the assumption that the combined company will have a greater value than the two companies alone (Mirvis and Marks 1992). Post-merger financial benefits are only achieved if the two companies are worth more together than individually. Therefore, there is a need to study wealth

accumulation in relation to mergers and acquisitions, which may help assess the success of mergers and acquisitions. Many studies have been conducted to analyze both acquirers and targets in the pre-merger period, especially acquirers in the pre- and post-merger period. It is equally important to analyze the pre- and post-merger period from the perspective of the acquirer and the target company. An attempt was therefore made to examine the financial performance of the acquiring company in the pre- and post-merger periods.

SCOPE OF THE STUDY

Merger and acquisition (M&A), is a corporate strategy in which two or more companies merge to form a single organization. Companies that utilize this method are often aiming to grow their operations, improve market share, or obtain access to new products or technologies. Mergers and acquisitions are used as instruments of momentous growth and are increasingly getting accepted by Indian businesses as a critical tool of business strategy. They are widely used in a wide array of fields such as information technology, telecommunications, and business process outsourcing as well as in traditional business to gain strength, expand the customer base, cut competition or enter into a new market or product segment. Mergers and acquisitions may be undertaken to access the market through an established brand, to get a market share, to eliminate competition, to reduce tax liabilities or to acquire competence or to set off accumulated losses of one entity against the profits of other entity. Mergers and acquisitions can bring long-term benefits when they are accompanied by policies to facilitate competition and improved corporate governance.

PROBLEM STATEMENT

No other term in business has collected more attention in recent years than the term "Mergers & Acquisitions." More and more companies are trying to grow and expand their business through external growth strategies such as mergers and acquisitions. However, in recent years, the negative aspects of the M&A business have become apparent. For instance, many empirical studies show failure rates of around 50% to 80%. Here, we conduct analysis on mergers and acquisitions and the issue of mergers and acquisitions. M&A success and failure rates are also considered.

OBJECTIVES

- The main aim of the study is to analyze the impact of mergers and acquisitions on the operating performance of the firm.
- This research study attempts to evaluate the impact of pre and post-financial performance of the companies.
- To strategically evaluate the impact on shareholders' wealth post-merger and acquisition.
- To understand the macroeconomic environment besides the effects of the merger, which impacts the performance of the firms after M&A.
- To study the economic factors that create the motive for merger and acquisition in the business sector.

METHODOLOGY OF THE STUDY

This is an empirical case study aimed at analyzing a company's business performance assuming structural changes in other companies. We conducted a comparative survey of companies that had undergone M&A after the reform. We analyzed the performance before and after the acquisition and showed the effectiveness of M&A in corporate regeneration. The study examines the impact of corporate mergers and acquisitions in India in recent years.

- **Case study approach**

Case study approach is followed in this study to analyze the financial performance of HUL. A case study is a research approach that is used to generate an in-depth, multi-faceted understanding of a complex issue in its real-life context. It is an established research design that is used extensively in a wide variety of disciplines, particularly in the social sciences.

DATA SOURCES USED FOR THE STUDY

Secondary Data

Secondary data is any information that has already been gathered for a different purpose and is currently available on the market. Any type of data that is gathered and used instantly becomes auxiliary information for others. Since this material is historical in nature, it relates to the past more so than the present. Simply put, a secondary form of data is any type of data that exists in the universe and has been gathered by someone else for a different reason. The ease of collection is the primary benefit of using secondary data. Second, it takes far less time than the source data.

The data collection used for the study is secondary data. The secondary data is collected from various books, journals, web sites etc. The data relating to the companies are collected from the records and the websites of the respective companies.

Tools for data analysis

- Ratio Analysis
- Graphical analysis

Keyword

- Merger: A merger is the voluntary combination of two companies on considerably equal terms to form a new legal entity.

- Acquisition: An acquisition is when a company buys most or all of the shares of another company in order to gain control of that company.

- Acquirer: An acquirer is a company that acquires rights in another company or business relationship through an agreement.

- Operational efficiency: Operational efficiency is the rate of an organization's outputs to inputs that, when healthy, help a company reduce unnecessary costs while increasing revenue.

LIMITATIONS OF THE STUDY

- The study is restricted to a period of 6 years only.
- The analysis is based only upon the annual reports and other additional data of the company.
- Accounting ratios have their own limitations, which applies to this study also.
- The reliability and the findings are based on the data published in annual reports and on other websites.

CHAPTER 2

REVIEW OF LITERATURE

Under this study the researcher reviewed research papers for the purpose of providing an insight into the work related to Merger and Acquisitions (M&As). After going through the available relevant literature on M&As and it comes to know that most of the work done highlights the impact of M&As on different aspects of the companies. A firm can achieve growth both internally and externally. Internal growth may be achieved by expanding its operation or by establishing new units, and external growth may be in the form of Merger and Acquisitions (M&As), Takeover, Joint venture, Amalgamation etc.

Many studies have investigated the various reasons for Merger and Acquisitions (M&As) to take place, just to look at the effects of Merger and Acquisitions on corporate sectors.

1) **Isha Gupta and Naliniprava Tripathy (2021)**: In their study, they used various financial ratios to examine the impact of mergers and acquisitions on the financial performance of the construction and real estate industries. The study was carried out using the paired t test methodology. The study lasted from 2011 to 2020. According to the study, there is a significant difference between the pre and post M&A periods. Finally, the study concludes that the financial performance of Indian construction and real estate companies has improved overall for the acquiring firms during the post-M&A period.

2) **Muhammed Faizan Malik (2014)**: In their study titled "Mergers and Acquisitions: A Conceptual Review," they investigated whether or not the benefits of mergers and acquisitions had increased. The study focused on the most recent M&A literature available to portray the M&A. Accounting return, residual income approach, data envelopment approach, event studies, and other methods are used. The study attempted to cover some historical and background issues such as history, M&A waves, deal measurement methods, and M&A motives.

3) **Nitin Vazirani(2015)**: In this study he found out some factors that could positively influence the mergers and acquisitions. The study revealed that if the HR is involved at the pre-merger discussion and at the strategic planning phase, the HR can identify the areas of divergence of both the companies which could further help in a successful merger. It concluded that the human

resource development performance often becomes a critical factor that influences the success in M&As.

4)**Puja Aggarwal & Sonia Garg (2019)**: In their study, "Impact of Mergers and Acquisitions on Accounting-based Performance of Acquiring Firms in India," they examined the growth of M&A transactions over the last two decades. Data from 68 mergers that occurred between 2007-08 and 2011-12 were used for analysis. Seven variables were used to assess performance, which were divided into three categories: profitability, liquidity, and solvency. Over a five-year period, mergers had a positive impact on the acquiring firm's profitability and liquidity, but had no significant impact on the company's solvency, according to the study.

5)**I.Gupta & T.V.Raman(2019)**: The impact of mergers and acquisitions on the financial performance of agri-food companies was investigated. The study lasted from 2011 to 2019. The Wilcoxon Sign Rank methodology was used to carry out the study. The study made use of accounting ratios such as Operating Profit Margin, Operating Expense Ratio, Gross Profit Margin, Net Profit Margin, Return on Assets, Return on Equity, EPS, Book Value per share, and Dividend Yield. The study concludes that the financial performance of the India Agri-Food company has improved overall for the acquiring firms during the post-M&A period.

6) **Priya Bhalla (2014)**: Globalization, deregulation, and technological advancements have resulted in an increase in M&A activity around the world. In the advanced economies, there is a vast body of literature. However, there is very little information available about M&A in India. Different sectors have seen varying levels of M&A activity, with some sectors participating more than others. Certain industries, such as financial services and pharmaceuticals, have seen increased M&A activity. A sector-by-sector analysis is required to highlight the varying importance of sectors in M&A activity. As a result, this study seeks to investigate the disparities in the representation of various sectors in M&A. It also investigates India's role in the rising global M&A activity. In light of this, it identifies the factors driving global financial sector consolidation.

7)**Arpita Mehrotra and Arunaditya Sahay (2018)**: The post-liberalization Mergers and Acquisitions (M&A) wave began in 1991.The goal of this article is to review previously published

literature on acquirers` post-merger financial performance. The review revealed that the research is primarily focused on transactions that occurred in developed countries where M&A became popular as early as the late nineteenth century. The review revealed a gap in research conducted in developing countries.

8) **Beena P L (2000)**: The study suggests that acceleration of the merger movement in the early 1990s is accompanied by the dominance of mergers between firms belonging to the same business group or house with similar product lines. Therefore, the study argues that the merger wave in the early 1990s was more a means of internal restructuring rather than an instrument to further product market or asset share.

9) **Harpreet Singh Bedi (2010)**: The paper investigates the trends and developments in M&A in India. It also takes into account various factors that have aided in the progress and execution of M & A in India.

10) **Viral Upendrabhai Pandya (1991)**: The paper attempts to quantify India's mergers and acquisitions sector from 1991 to 2010 using time series data and major recent global developments. This paper also attempts to categorize trends in the manufacturing and non-manufacturing sectors in order to provide definite evidence for the motives and reasons for the specific behavior observed, as well as the prospective future of mergers and acquisitions activity in India.

11) **Rabi Narayan Kar and Amit Soni (2020)**: This paper focused on stating mergers as a strategy for increasing enterprise value. Researchers examined and chose the period following liberalization to examine the impact of mergers.

12) **Agnihotri (2013)**: This paper investigates the determinants of acquisitions in three Indian industries and discovers that earnings volatility and business group affiliation have a significant influence on acquisitions by Indian firms. The paper concentrated on the increase in earnings as a result of acquisitions.

13) **Erel, Liao, & Weisbach (2009)**: The study reveals that acquisitions occur when perceived advantage in the form of production efficiencies, market power, and tax considerations are greater for combined entities than for pre-acquisition entities. The researcher suggests in the paper that before pursuing an international acquisition strategy, a firm should perceive sufficient benefits from a cross-border acquisition.

14) **Ravi Sanker and Rao K.V (1998)**: An empirical study titled 'Takeovers as a Turnaround Strategy' examines the financial implications of takeovers using parameters such as liquidity, leverage, profitability, and so on. They observed that when a sick company is taken over by good management and makes serious efforts to turn it around, it is possible to succeed.

15) **Canagavally R (2000)**: The dissertation, titled 'An Analysis of Mergers and Acquisitions,' compares the performance of companies before and after mergers in terms of size, growth, profitability, and risk. The dissertation also looks into the share prices of sample companies in response to merger announcements.

16) **Pramod Mantravadi and A. Vidyadhar Reddy (2008)**: According to the study titled 'Mergers and Operating Performance: Indian Experience,' this research study aims to study the impact of mergers and acquisitions on the operating performance of acquiring corporations in different periods in India, by examining some pre- and post-merger financial ratios with selected sample firms and mergers between 1991 and 2003. The findings indicate that there are minor variations in the impact on operating performance following merger in India at different time intervals.

CHAPTER 3

THEORETICAL FRAMEWORK OF MERGER AND ACQUISITION

3.1 INTRODUCTION

An entrepreneur can expand their business through internal or external expansion. In the case of internal expansion, a company expands over time in the normal course of business by acquiring new assets, replacing technologically out-of-date equipment, and launching new product lines. However, in external expansion, a company acquires an established business and rapidly expands through mergers and acquisitions. These combinations, which can take the form of mergers, acquisitions, fusions, or acquisitions, have emerged as essential components of corporate restructuring. They have been a significant contributor to the external expansion of a number of world-class businesses. They have gained popularity as a result of increased competition, the elimination of trade barriers, the open movement of capital between nations, and the globalization of businesses. Due to their increased exposure to domestic and international competition, Indian industries have also begun reorganizing their operations around their core business activities through mergers, acquisitions, and takeovers following economic reforms.

Since India entered the Liberalization, Privatization, and Globalization (LPG) era in the 1990s, the concept of mergers and acquisitions has gained a lot of popularity in recent years. LPG has a negative impact on all parts of the Indian economy, but the industrial sector is the most affected. The market became extremely competitive as a result. Indian businesses are engaging in mergers and acquisitions in an effort to combat international and multinational corporations and avoid unhealthy competition as economic competition increases.

3.2 CONCEPTS AND DEFINITIONS

The term "merger" refers to the combination of two or more businesses into a single entity in which one survives and the other ceases to exist. The assets and liabilities of the merged company or companies are transferred to the surviving entity.

A merger occurs when one company is completely absorbed by another. The less important company loses its identity and joins the larger, more powerful corporation, which keeps its own

identity. The surviving corporation takes on all of the merged corporation's rights, privileges, and obligations when there is a merger. A merger is not the same as a consolidation, in which two corporations merge to form a brand-new entity after shedding their individual identities.
A merger is when two or more businesses come together to form one. In Indian law, the term "amalgamation" refers to a merger. The Income Tax Act of 1961 (Section 2(1A)) defines amalgamation as the combination of one or more businesses into a single entity, or the combination of two or more businesses into a single entity, in such a way that shareholders owning at least nine-tenths of the value of their shares in the amalgamating company or companies become shareholders of the amalgamated company.

ACQUISITION

In a broad sense, acquisition is acquiring ownership of the property. The acquisition of a controlling interest in another company's share capital by one company is called an acquisition. This indicates that, despite a change in management, both businesses retain their distinct legal identities after the takeover.

When one company acquires control of another by purchasing all or most of that company's shares, this is known as an acquisition. The acquirer can make decisions regarding the newly acquired assets without the approval of the company's other shareholders if they purchase more than 50% of the target company's stock and other assets.

Due to the fact that these enormous and significant transactions typically dominate the news, we typically hear about acquisitions of large, well-known businesses. In point of fact, compared to large corporations, mergers and acquisitions (M&A) occur more frequently between small and medium-sized businesses.

CONSOLIDATION

The term "consolidation" refers to the merger of two distinct businesses into a single new entity in which both of the distinct businesses are dissolved. As a result, consolidation is the process of

combining two businesses to form a new entity in which both of the existing businesses lose their identities and cease to exist. The assets of the two businesses that were mixed up are given a new name, and shareholders in the two businesses become shareholders in the new business. For instance, the merger of Hindustan Computers Ltd., Hindustan Instruments Ltd., Indian Software Company Ltd., and Indian Reprographics Ltd. into a brand-new entity known as HCL Ltd.

COMBINATION

Combination is a term that is frequently used interchangeably with the terms "merger" and "consolidation" but has a distinct legal meaning. Business combination encompasses all mergers, acquisitions, and amalgamations.

TAKEOVERS

In most cases, a takeover includes the acquisition of a specific amount of a company's equity capital that grants the acquirer control over the company's operations. The terms "merger," "acquisition," "takeover," and "merger" are typically used interchangeably.

WHAT IS THE TYPE OF MERGERS:

A merger of a business typically falls into one of four categories:

1) Horizontal Mergers

A horizontal merger is the combining of two or more businesses operating in the same industry. A horizontal merger is the combination of two businesses that are essentially engaged in the same line of work. The primary goal of this merger is to achieve economies of scale in production by removing redundant facilities, lowering competition, cutting costs, raising share prices, and expanding market segments. A horizontal merger is the combination of ICICI Bank and Bank of Madura, for instance. Yet, the merger between Mahindra Tractor and ICICI Bank is not a horizontal merger.

Three basic competitive challenges are brought up by horizontal mergers. First, there will be less competition between the merged companies, which, depending on their size, can be a big deal. The second is that the merged business may be able to boost prices by unilaterally limiting output thanks to the consolidation of the merging firm's operations. The third issue is that by increasing market concentration, the transaction may make it easier for the remaining market participants to coordinate their pricing and output choices. The concern is not that the entities will work together covertly but rather that the decrease in industry participants will lead to better behavioral coordination.

2) Vertical Mergers

A vertical merger combines two or more businesses that are involved in several phases of a product's manufacture or distribution. It is the combining of two businesses that are at various phases of the same product's or service's manufacturing or distribution process. In short, the firms merging is involved in various manufacturing or distribution steps. The primary goal is for the prior distributors to become more profitable. For instance, ICICI Ltd. and ICICI Bank provide as an illustration of a vertical merger with backward connection in terms of ICICI Bank.

Vertical merger may take the form of forward or backward merger. Backward merger refers to a company's merger with a material supplier, and forward merger refers to a company's merger with a customer. The vertical merger internalizes all business dealings between the manufacturer and its supplier or dealer, turning what could have been a competitive relationship into more of a cooperative one. Second, internalization can provide management with better means of assessing and enhancing performance. Because of their well-established market dominance, vertical mergers may also be anticompetitive by preventing new businesses from entering the market.

3) Conglomerate Mergers

A conglomerate merger is the union of two businesses operating in different industries; in other words, the merging businesses are involved in a range of commercial endeavors. 6 For instance,

Reliance Industries Ltd. merged with Reliance Petroleum Ltd., and ICICI Ltd. merged with Mahindra Tractor. Conglomerate deals can take a variety of shapes, from brief joint ventures to full mergers. Conglomerate mergers involve businesses that serve distinct markets, regardless of whether they are pure, geographical, or product line extensions. Transactions involving conglomerates typically don't affect competition directly. Conglomerate mergers can create a market or demand for businesses, providing entrepreneurs with liquidity at fair market value and a significant incentive to start new businesses. Conglomerate mergers can give businesses the chance to lower their capital costs and achieve other efficiencies.

This sort of merger may also lower the number of smaller enterprises and increase the combined firm's political power, therefore undermining the social and political purpose of keeping autonomous decision-making core, providing small company chances and safeguarding democratic procedures.

4) Reverse Mergers

Reverse mergers are amalgamations of regular mergers that take place in the same broad industry but in a different business. In a reverse merger, a financially strong company merges with a weaker one, and the former company is dissolved. For example, the combination of machine tool maker with the producer of industrial conveyor systems. The principal elects their candidates for the board of directors and changes the company's name to that of their own company. An existing public firm or a subsidiary of a public business and a private company combined. In a reverse merger a running private firm joins with a public corporation which has no assets or known liabilities.

3.3 DIFFERENCE BETWEEN MERGER AND ACQUISITION

>WHAT IS A MERGER:

The term "merger" has a strictly legal meaning and has nothing to do with the future operations of the combined businesses. When one company merges with another and then disappears, this is

called a merger. Since all mergers take place as specific, formal transactions in accordance with the statutes of the states in which the companies are incorporated, they are all statutory mergers. A company's post-transaction operations or control have no bearing on whether a merger has taken place.

>WHAT IS AN ACQUISITION:

The process by which a buyer acquires a corporation's stock or assets is known as an acquisition. The purchase of assets or stock may be the form of the transaction.

>DIFFERENCE BETWEEN MERGER AND ACQUISITION:

The distinction between acquisition and merger is subtle. It is true that the terms "mergers" and "acquisitions" are often used interchangeably. But the fact of the matter is that the two ideas are a little different.

Two businesses combine to form a new entity in the event of a merger. The companies that were owned separately become jointly owned and acquire a new identity. Stocks from both companies are forfeited when two companies merge, and new stock is issued in the new company's name. Mergers typically occur between businesses that are roughly comparable in size. The procedure is called "Merger of Equals" in these situations.

However, in an acquisition, one company acquires another and assumes sole ownership. In most cases, the company that takes over is the larger and more powerful one. After an acquisition, the smaller, less powerful company ceases to exist, and the company that takes over runs the entire business in accordance with its own identity. In contrast to a merger, an acquisition does not result in the surrender of the acquired company's stock. The company's previously purchased stocks continue to be traded on the stock market. However, mergers and acquisitions frequently become synonymous due to the fact that, in many instances, a large company may buy out a smaller one, requiring the acquired company to declare the transaction as a merger. Despite the fact that an acquisition actually takes place, the businesses call it a merger to avoid making a bad impression.

The fact that, in the event of a buyout, a transaction between two businesses is declared to be a merger is another distinction between merger and acquisition. However, an Acquisition is one in which the stronger company acquires the weaker one, even though the weaker company is unwilling to be acquired.

3.4 SIGNIFICANCE OF MERGERS AND ACQUISITIONS:

Internal growth necessitates the development of a company's operating facilities, such as manufacturing, research, marketing, etc., in order to accelerate a company's growth, particularly when internal growth is constrained by a lack of resources. However, a company's growth rate may be slowed down by a lack of resources or insufficient time for internal development. As a result, through mergers and acquisitions, a business can acquire production facilities as well as other resources from outside. Especially when trying to enter new markets or products, the company might not have the technical know-how to do so. Instead, it might need special marketing skills and a big distribution network to get into different markets. The company can quickly expand by acquiring other businesses with the necessary infrastructure and expertise.

This may happen because of: -

1) OPERATING ECONOMIES:

Due to operating economies, a combination of two or more businesses may result in cost savings. To put it another way, a combined company may consolidate its management functions, such as manufacturing, marketing, and thus reduce operating costs by avoiding or reducing functions that overlap. A combined company might, for instance, eliminate redundant distribution channels, establish a centralized training center, or introduce an integrated planning and control system.

2) GAIN IN MARKET SHARE

When businesses are going through difficult times, mergers and acquisitions can be extremely beneficial. The company has the option of entering into an acquisition agreement if it is unable to resolve the market's various issues. A more competitive and cost-effective business can be created by buying out a weaker company by a company with a strong market presence.

This way, the target company gets out of a difficult situation, and the joint company gains more market share after being bought by the big company. Because of these advantages, smaller and less powerful businesses consent to being acquired by larger firms.

3) SYNERGY

It's a scenario in which the combined firm is worth more than the sum of the individual firms it combines with. Other than those associated with economies of scale, it refers to benefits. One type of synergy benefit is operating economies. However, synergy may also result from enhanced managerial capabilities, creativity, innovativeness and market coverage capacity due to the complementarity of resources and skills and a broader horizon of opportunities. This is in addition to operating economies.

4) ECONOMIES OF SCALE

Arise when the cost of production per unit decreases as a result of an increase in production volume. This is due to a reduction in the unit cost of production as a result of the distribution of fixed costs across a substantial volume of production following a merger. Other divisibility's, such as production facilities, management functions, and management resources and systems, may also result in economies of scale. This is because the combined company uses a particular facility, function, or resource for numerous large-scale operations.

5) GREATER VALUE GENERATION

The belief that the combined company will be able to generate more value than the individual companies motivate businesses to pursue mergers and acquisitions. When one company buys out

another, it hopes that the new shareholder value will be greater than the value of the two companies' individual shares.

6) RESOURCE TRANSFER

Resource distribution is uneven across businesses, and the interaction of target and acquiring firm resources can either overcome information or combine scarce resources to create value.

7) ACHIEVE DIVERSIFICATION

Acquisitions permit organizations to accomplish expansion in their business. Acquiring various businesses entails both risks and benefits. The company maintains a positive impact on the share market by expanding into new areas.

3.5 LIMITATIONS OF MERGERS & ACQUISITIONS

The following are the limitations of business acquisition:

- Culture clashes between two organizations.
- Fewer jobs and more unemployed people.
- Conflict between goals between organizations.
- Low levels of output.
- Morale among employees may decline.
- Acquiring the right company; failing to do so could harm the productive company.
- The value of a brand can be damaged.
- Issues with production.

3.6 IMPACT OF MERGERS & ACQUISITIONS

- Impacts on Employees

Employees of an organization may suffer significant financial consequences from mergers and acquisitions. In point of fact, employees may find mergers and acquisitions quite challenging due to the constant possibility of layoffs following any one of them. If the merged company has adequate business capabilities, it does not require the same number of employees to conduct the same amount of business. Therefore, layoffs are almost certainly inevitable. Plus, the people who are working, would likewise see a few changes in the corporate culture. Employees may also experience emotional and physical issues as a result of the shifts in the working environment and business procedures.

- ➢ Impact on Management

It's possible that the management level has a higher rate of job loss than the general workforce. Conflicts in corporate culture are to blame for this. Many professionals at the managerial level are required, on behalf of their superiors, to implement policies that they may not agree with because of a shift in the organization's corporate culture. It comes with a lot of stress.

- ➢ Impact on Shareholders

Mergers and acquisitions have an economic impact on shareholders as well. If the acquisition is a purchase, shareholders of the acquired company benefit greatly because the acquiring company pays a significant sum for the acquisition. In contrast, the increased debt load and the acquisition premium result in losses for the acquiring company's shareholders following the acquisition.

- ➢ Impact on Competition

When it comes to market competition, mergers and acquisitions have distinct effects. Different industries have different degrees of contests after the consolidations and acquisitions. The financial services industry, for instance, experiences relatively constant competition. On the other hand, market players are also experiencing power shifts.

➢ Impact on Stock Price

How do company stocks move during an acquisition?

1) Flexibility in stock price

When the acquisition is mentioned on the stock market, it can cause flexibility in both the buyer's and seller's stock prices because traders and analysts are trying to figure out what the deal means for strategy, how the buyer will pay for it, whether it will lead to a bigger offer from a third party, and so on.

2) What happens to Target company’s stocks during the acquisition?

The acquisition generally results in higher stock prices for the target company, or the company that is about to be acquired. The reason for this is that the company must be purchased at a premium by the acquiring company. As a result, when the acquisition deal is about to close, the target company's listed stocks typically rise for a brief period of time.

However, there will always be exceptions. For instance, if the target company's stock prices recently plummeted as a result of negative earnings or if the company is being acquired at a discount, there is little chance that the target company's stock prices will rise.

3) What happens to Acquiring Company’s stocks during the acquisition?

As a result of having to pay the premium to the target company out of its cash reserves or taking on debt to finance the acquisition, the acquiring company's stock generally tends to fall.

However, the terms of the deal, sources of funding, opinions of traders and analysts, investors' feelings about the deal, and other factors influence the acquiring company's stock during the acquisition. If the acquisition deal is thought to have a positive effect and the premium paid is considered to be worth it, these factors may cause the acquiring company's stock to rise. On the

other hand, if the acquisition deal is thought to lower the value, the acquiring company's stock prices may fall or not rise as expected.

3.7 WHY DO MERGERS OR ACQUISITIONS FAIL?

➢ LACK OF COMMUNICATION

Both organizations managers must effectively communicate and champion the post-integration milestones step by step. Additionally, they must be familiar with the target company's brand and clientele. If management is seen as distant and unresponsive to customer requirements, the new business runs the risk of losing customers.

➢ UNREALISTIC EXPECTATIONS

Unrealistic expectations are one of the most common causes of mergers and acquisitions failing. When two businesses merge, they frequently have divergent expectations for the new entity. In the future, this may result in disagreements and conflict.

➢ OVERPAYING

According to a study of 2500 deals that took place between 2013 and 2018, larger deals are more likely to fail. The fact that mixed deals, which included both cash and stock, were also more likely to result in a failed business was another interesting observation.

Even if the investors' deal doesn't make sense for the company as a whole, brokers often push to close such great deals "just to get things done." As a result, an excessive amount of money is spent on the acquisition even though the transaction will not provide the anticipated benefits.

➢ POOR INTEGRATION PROCESS

In order to avoid disruptions, it is critical that two businesses carefully integrate their operations after a merger. Sadly, many businesses neglect to adequately plan for the integration process. As a result, they end up with two distinct businesses that can't work together well. Employees, customers, and shareholders may experience a great deal of confusion and frustration as a result of this. On the off chance that the two organizations can't really convey and incorporate, creating the consolidation a success can be undeniably challenging. Some of the most common reasons include poor planning, clashes between cultures, and unrealistic expectations. It is likely that a merger will fail if these issues are not addressed prior to the merger.

- ➢ MISUNDERSTANDING THE COMPANY

One of the most common causes of mergers and acquisitions failing is misinterpretation by one company of the other. They did not take the time to learn about the goals, values, and culture of the company. They were unable to effectively integrate the two businesses as a result. Employees frequently have different working styles and values when two businesses merge. Conflict and tension among employees may result as a result, and the merger may ultimately fail.

- ➢ LACK OF MANAGEMENT PLAN

Employees frequently express a lot of optimism and excitement when a merger occurs. However, it may be challenging to persuade employees that the plan will succeed if senior management is skeptical or a lack of enthusiasm for the vision. Employees may become frustrated when their expectations for benefits and rewards are not met if senior leadership fails to clearly communicate this information to them.

- ➢ HIDDEN FINANCIAL PROBLEM

Mergers and acquisitions can be unsuccessful due to undiscovered financial issues. When they are actually having financial difficulties, businesses frequently put on a good front. When the company's true financial situation is revealed in the future, this could result in significant issues.

- ➢ LIMITED OWNER INVOLVEMENT

The majority of the time, the owners of large corporations prefer to appoint a single person to oversee the entire M&A process. After that, these advisors have everything to deal with, and their role is limited until the transaction is finished. Instead, owners should actively participate in the entire process, and advisors should act as associates rather than as deal heads. If the owner gets involved, he will get a better view and learn more, and there will be more transparency for the employees and less uncertainty throughout the company.

- ➢ CULTURAL INTEGRATION ISSUES

Employees frequently fail to carry out their post-integration plans as a result of cultural clashes between the two organizations. When two businesses merge, their cultures and values frequently diverge. Employees may experience conflict and tension as a result. Finally, cultural differences between the two businesses are another frequent cause of merger and acquisition failure. It may be very challenging to make the merger successful if the cultures of the two businesses are not compatible. Employees' misunderstandings and conflicts caused by cultural differences can make it difficult to complete work.

- ➢ HIGH RECOVERY COSTS

Acquisitions and mergers can frequently be costly and time-consuming. One of the primary motivations behind why they come up short is a result of the great recuperation costs. Successfully integrating two companies can frequently be challenging. The new business may be required to invest in new systems and procedures, which can result in high recovery costs. In addition, the new business may experience redundancies, which may also result in high costs.

3.8 MERGERS AND ACQUISITIONS REGULATIONS AND LAWS IN INDIA

In India, various laws regulate mergers and acquisitions. The laws are in place to make these transactions transparent and safeguard the interests of all shareholders. They are governed by the following provisions:

1. THE COMPANIES ACT, 2013

The act's M&A provisions, including arrangements for businesses, their members, and creditors, are covered by sections 230-240. Section 234 was notified on April 13, 2017, and all sections, with the exception of 234 became effective on December 15, 2016.The Companies Act of 1956's provisions are completely different from these ones. Furthermore, only 391-394 of our sections dealt with mergers and acquisitions. In addition, we have the 2016 Compromise, Arrangements, and Amalgamation Rules (the "CAA RULES").

2. COMPETITION ACT, 2002

This act was replaced by the MRTP Act 1969 to prohibit unfair trade practices, but it was insufficient and had numerous loopholes. The competition act was created to prevent monopolistic trade practices and to earn people's trust. It overcame all challenges and has a strong grasp on the global economy. This will help to raise the economy's GDP. This will be achieved through the implementation of fair-trade policies.

The Act's Objectives

- ➢ To safeguard the interests of consumers.
- ➢ To prevent unethical business practices.
- ➢ To avoid abuse of power.
- ➢ To avoid monopolistic markets and promote healthy market competition
- ➢ To establish a framework for the Indian Competition Commission.
- ➢ To look into the matter in question or something related to it.
- ➢ To prevent anti-competitive actions.

This act is intended to govern the activities and operations of combinations. Mergers, amalgamations, and acquisitions are all examples of this. If the combinations exceed the threshold limit, they will or are likely to have a negative impact on the economy. However, if CCI desires, they can instruct them to modify the scheme and then proceed with it. The threshold limit is determined by the company's turnover and assets.

3. THE INDIAN INCOME TAX ACT, 1961

The ITA does not define merger, but it is covered by the definition of "amalgamation" in section 2(1B) of the Act. The Income-tax Act has always given merger and demerger special treatment in order to promote restructuring. Many businesses reorganization related issues were clarified by the Finance Act of 1999, making them easier to complete and tax neutral. Apparently, this was done to speed up internal liberalization, according to the finance minister.

4. THE INDIAN STAMP ACT, 1899

The law is being enforced throughout all of India with regard to the rates of various instruments that are of a commercial nature. This was enacted by the central government, but it gives the states the option of using it as is or making changes. Even they have the authority to pass a unique stamp duty law for their state. Section 3 of the act imposes stamp duty. It must be paid in full and on time to the state government. A penalty is applied if there is any payment delay. The responsibility for paying stamp duty arises at the time the instrument is executed, and if the instrument is executed outside of the state, the rules regulating that state's stamp duty will be implemented.

5. FOREIGN EXCHANGE MANAGEMENT ACT, 1999

FEMA deals with the concept of cross-border mergers. It refers to any combination, agreement, or merger of Indian and foreign businesses. According to the 25th rule of the CAA Rules, 2016, FEMA regulations require any cross-border transaction to go through RBI. Section 234 of the Companies Act was amended in 2017 to address cross-border mergers. In 2018, the RBI published a notice in the official gazette inviting stakeholders to participate in the development of

regulations. They will play a significant role because they will monitor the state of the market. Before 1999, there was the Foreign Exchange Regulating Act, or FERA 1973. It served as a regulatory body, as its name suggests. They did lack the right to modify the act or implement the regulations. It couldn't handle the LPG policy. The act needed to be repealed immediately, and a new one needed to be created that actually affected the economy and was taken seriously.

6. THE SEBI REGULATION, 2011

The listed companies must comply with this regulation when engaging in mergers, acquisitions, amalgamations, compromises, and other arrangements. It stipulates that an acquirer who obtains a significant offer or voting right (i.e., 25% or more) must make an open proposal to each and every open shareholder of the target organization. The acquirer should make an open proposal after gaining control of the target organization, regardless of the offers or voting rights obtained. Thus, it becomes crucial to fully comprehend the meaning of the word "control" and its connotations. However, there is a lack of a comprehensive definition of the word due to the conflicting interpretations of "control" given by Indian legislation and courts as well as the ambiguous understandings of the term. The Protections Trade Leading Body of India (Hereinafter "SEBI") sought to define "control" and launch a public discussion process after realizing how vague the term was and how it might affect financial backers in the Indian public sphere.

3.9 MERGER AND ACQUISITION STRATEGIES:

Merger and acquisition strategies are critical for maximizing the value of a merger or acquisition transaction. Making a decision regarding merger and acquisition strategies can be challenging, particularly for businesses that are entering into their first merger or acquisition agreement. They learn from previous mergers and acquisitions that occurred in the market among other businesses that were successful in this situation. It has been discovered through market research and market analysis of various mergers and acquisitions that there are some unbreakable rules that can be regarded as the Strategies for Successful Merger or Acquisition Deals.

The strategies are discussed below:

1) The market performance and market position of the target company must be carefully examined prior to entering into any merger or acquisition deal in order to select the best target company and close the deal at the appropriate price.

2) To determine a company's growth potential, it is crucial to identify potential future markets, current market trends, and how customers respond to its products.

3) Following the completion of the merger or acquisition transaction, the companies' integration process should begin on time. The management of both companies must start working on a proper integration strategy while negotiations are still ongoing prior to the deal's closing. This is to make sure that there are no unforeseen issues that may arise after the deal is closed.

4) To eliminate uncertainties, the company that plans to purchase the target company should announce and implement any restructuring plans during the acquisition period.

5) When developing Merger and Acquisition Strategies, it is also critical to consider the target company's workforce's working environment and culture, so that the target company's employees do not feel left out and become demotivated.

THE TOP MERGERS AND ACQUISITIONS MADE BY COMPANIES WORLD WIDE:

Acquirer	**Target Company**	**Deal value {Billion}**
ELON MUSK	TWITTER	$44
TATA GROUP	AIR INDIA	$1.5-1.8
ADANI GROUP	NDTV	$60.2
HDFC LIMITED	HDFC BANK	$40

ADANI GROUP	AMBUJA CEMENTS	$6.4
MICROSOFT ACTIVISION	BLIZZARD	$68.7
MOJ	MX TAKA TAK	$0.9
BROADCOM	VMWare	$61
ZOMATO	UBER EATS	$0.35

Table 3.1

MERGER IN CORPORATE SECTOR

Acquisitions and mergers (M&A) are circumstances that are frequently hidden from view and complication. Only a small portion of the information is made public, and most of the negotiations take place behind closed doors.

Because of this procedure, it may be challenging for the owners of each firm undergoing a merger or acquisition to understand what to anticipate and how the share prices of each company would be impacted.

But there are certain strategies for making investments in the area of mergers and earning from the ups and downs of the process.

A merger occurs when one firm decides it would be advantageous to combine its operations with those of another company in a way that would increase shareholder value. Because it resembles an acquisition in many aspects, the two operations are frequently combined under the umbrella term "mergers and acquisitions" (M&A).

Theoretically, a merger of equals occurs when two businesses exchange their individual shares for those of the merged entity. In actuality, however, two businesses will typically come to an agreement whereby one business will purchase the other business' common stock from the shareholders in exchange for its own common stock.

Cash or another kind of payment may occasionally be used to assist the transaction of equity. The most typical agreements are often stock-for-stock ones.

One share of Company A's stock normally won't exchange for one share of the combined firm because mergers rarely happen on a one-to-one basis. Similar to a split, a ratio is used to show how many shares of the new firm you would receive in return for your ownership of Company A. The actual ratio might be one for 2.25, meaning that 2.25 shares of Company A would be required to purchase one share of the new firm.

Fractional shares are handled in one of two ways: either the fraction is instantly cashed out and you receive a cheque for its market value, or the number of shares is rounded down.

CHAPTER 4
COMPANY PROFILE

INTRODUCTION

GlaxoSmithKline Consumer Healthcare Ltd (GSK India) made the decision to merge with Hindustan Unilever Limited (HUL) in December 2018. The equity merger agreement was signed in April 2020. GlaxoSmithKline (GSK), the parent firm of GSK India, made this choice after deciding to divest GSK India and sell its business to the established Indian companies. Businesses including Nestle, HUL, and Coca-Cola made offers to buy GSK India, and ultimately GSK accepted HUL's deal. Brands from GSKCH like Horlicks, Boost, and Malt ova will now come under the nutrition category of the company's food and beverage division. 3,500 workers will now be a part of the Indian division of the Anglo-Dutch multinational Unilever as a result of the merger. HUL will distribute GSK brands like Eno, Crocin, Sensodyne, and others in the country as part of the agreement.

Based on the negative impact that the COVID pandemic had on product production and consumption levels, HUL's decision to amalgamate was followed by a considerable increase in the base points (BPS) of its shares as well as its net profits. As a result, we will examine the merger of HUL and GSK in this project, determine the strategic motivations for the firms' adoption of this merger agreement, and examine the financial performance of the company before and after the merger.

4.1 About HUL and GSK India

Hindustan Unilever Limited (HUL)

Previously known as Hindustan Vanaspati Manufacturing Co., HUL was founded in 1931. In 1956, the several member groups merged, and Hindustan Lever Limited was born. In June 2007, the business was renamed once more to Hindustan Unilever Limited. Consumer goods manufacturer Hindustan Unilever Limited (HUL) is based in Mumbai. It belongs to the British business Unilever. Foods, drinks, cleaning supplies, toiletries, water purifiers, and other fast moving consumer goods are among its offerings. (FMCGs)

The Indian division of the United Kingdom-based Unilever Plc is called HUL. HUL, which is currently listed on the BSE and NSE, is owned by Unilever to the tune of 67.2%. HUL, a firm that has been in operation for more than 80 years, is well-known for its production, marketing, distribution, and selling of numerous products, as well as its huge customer base. HUL deals in the fast-moving consumer products industry. With more than 50 brands and 15 different categories such as fabric solutions, home and hygiene, life essentials, skin cleansing, skin care, hair care, color cosmetics, oral care, deodorants, tea, coffee, ice cream & frozen desserts, foods and health food drinks, the company is a part of the everyday life of millions of consumers across India. Its portfolio includes leading household brands such as Lux, Lifebuoy, Surf excels, Rin, Wheel, Glow & Lovely, Pond's, Vaseline, Lakme, Dove, Clinic Plus, Sun silk, Pepsodent, Closeup, Axe, Brooke Bond, Bru, Knorr, Kissin, Quality Wall's, Horlicks and Pure it. With sales in more than 190 countries, Unilever, one of the top suppliers of food, home care, personal care, and refreshment goods, owns HUL.

The corporate headquarters of Hindustan Unilever are in Mumbai's Andheri region. 12.5 acres of land make up the campus, which is home to 1,600 workers. A convenience shop, a food court, an occupational health center, a gym, a sports & entertainment center, and a daycare facility are a few of the services accessible to the staff. Kapadia Associates, a Mumbai-based architectural firm, created the Campus. HUL was ranked eighth globally by Forbes and as the most innovative company in India. HUL was named one of the greatest companies to work for by Aon Hewitt.

HISTORY

Unilever formed its first Indian subsidiary, Hindustan Vanaspati Manufacturing Company, in 1931, followed by Lever Brothers India Limited in 1933 and United Traders Limited in 1935. In November 1956, these three companies merged to form HUL, and HUL was the first foreign subsidiary to offer 10% of its equity to the Indian public.

HUL has strongly responded to the stimulus of growth in the economy since its beginnings. The expansion has been accompanied by careful diversification, always in compliance with Indian opinions and aspirations.

The rate of expansion for HUL and the Group clearly transformed after the liberalization of the Indian economy, which began in 1991. In the absence of any production capacity restrictions, the removal of the regulatory framework allowed the company to explore every single item and market segment. Deregulation made mergers, acquisitions, and alliances possible simultaneously.

HUL and Brooke Bond Lipton India Limited merged on January 1st, 1996. In 1998, Pond's (India) Limited (PIL) and HUL merged as a result of internal restructuring. A common distribution system for personal products has been used by the two businesses since 1993, and their businesses in personal products, chemical products, and exports all had significant interrelations. Moreover, the two shared a technology foundation and a management pool. The merger was executed in order to guarantee that the Group benefits from economies of scale in both domestic and export markets, as well as to fund investments required for actively building new categories.

A historic decision was made by the government in January 2000 to award 74% of Modern Foods' equity to HUL, starting the process of selling government ownership interests in PSUs to private sector partners. The company's entry into bread is a strategic extension of its wheat business. HUL acquired the government's remaining stake in Modern Foods in 2002.

HUL announced the acquisition of VWash, the market leader in female intimate hygiene, in 2020 in order to enter the currently underserved but rapidly growing market segment.

Horlicks and Boost will join Hindustan Unilever Limited's holdings of foods and refreshments in 2020 as a result of the merger of GSK Consumer Healthcare with HUL, making HUL the largest food and beverage company in India.

Rohit Jawa was appointed CEO and Managing Director of HUL on March 27, 2023, with effect from June 27, 2023.

RESEARCH FACILITIES

The Hindustan Unilever Research Centre (HURC) was set up in 1966 in Mumbai, and Unilever Research India in Bangalore in 1997. In 2006, the company's research facilities were brought together at a single site in Bangalore.

BRANDS & PRODUCTS

HUL is the market leader in Indian consumer products with presence in over 20 consumer categories such as soaps, tea, detergents and shampoos amongst others with over 700 million Indian consumers using its products. Sixteen of HUL's brands featured in the ACNielsen Brand Equity list of 100 Most Trusted Brands Annual Survey (2014), carried out by Brand Equity, a supplement of *The Economic Times*

Food

- Annapurna salt and Atta (formerly known as Kissan Annapurna)
- Bru coffee
- Brooke Bond (3 Roses, Taj Mahal, Taaza, Red Label) tea
- Kissan squashes, ketchups, juices and jams
- Lipton ice tea
- Knorr soups & meal makers and soupy noodles
- Kwality Wall's frozen dessert
- Hellmann's mayonnaise
- Magnum (ice cream)
- Cornetto Ice cream cone
- Horlicks (Health Drink)

Homecare

- Active Wheel detergent
- Cif Cream Cleaner
- Comfort fabric softeners
- Domex disinfectant/toilet cleaner
- Nature Protect disinfectant surface cleaner
- Rin detergents and bleach

- Sunlight detergent and color care
- Surf Excel detergent and gentle wash
- Vim dishwash
- Magic – Water Saver

Personal care

- Aviance Beauty Solutions
- Axe deodorant, aftershave lotion and soap
- LEVER Ayush Therapy ayurvedic health care and personal care products
- International breeze
- Brylcreem hair cream and hair gel
- Clear anti-dandruff hair products
- Clinic Plus shampoo and oil
- Close Up toothpaste
- Lakmé beauty products and salons
- Lifebuoy soaps and hand wash range
- Liril 2000 soap
- Lux soap, body wash and deodorant
- Pears soap, body wash
- Pepsodent toothpaste
- Pond's talcs and creams
- Rexona
- Sunsilk shampoo
- Sure anti-perspirant
- Vaseline petroleum jelly, skincare lotions
- Water purifier
- Pureit

MAJOR MERGERS & ACQUISITIONS DONE BY HUL COMPANY DURING PAST YEARS

NAME OF THE COMPANY	MERGER/ACQUISITION	YEAR
The Tata Oil Mills Company Limited	Merger	1993-1994
Brooke Bond Lipton India Limited	Merger	1996-1997
Pond’s (India) Limited	Merger	1998
Bon Limited	Merger	2009-2010
Aquagel Limited	Acquisition	2012-2013
Indulekha	Acquisition	2015-2016
Aditya Milk	Acquisition	2018-2019
VWash	Acquisition	2019-2020
GSK CH India Limited	Merger	2019-2020

Table 4.1

GLAXOSMITHKLINE CONSUMER HEALTHCARE LTD(INDIA)

A sibling firm of GSK, GSK India was founded in London, United Kingdom. Horlicks and Boost, two well-known energy beverages from GSK India, account for more than 40% of the market for energy milk powder. Sensodyne, Eno, Otrivin, and Crocin are some of GSK's other well-known trademarks. Just before the merger, GSK owned 72.5% of GSK India.

BUSINESS STRATEGY OF HUL

It is easy to assume that HUL is concentrating on expanding its market share in the food and refreshment sector given its plan to acquire GSK India. The profit margin would quickly increase after occupying goods like Horlicks and Boost. The share price of HUL could serve as a sign because it increased after the company announced its intention to absorb GSK India in December 2018 and following that the merger was complete in April 2020.

HUL's strong supply network will be extremely helpful in distributing the acquired goods in regions where they are either not consumed at all or in very small quantities. The business had also suggested expanding its market reach into rural areas in June 2020.

HUL bought GSK India's business in exchange for its successful brands, production facilities, and distribution networks. GSK also received payment in the name of Goodwill in return. The agreement between OTC/OH and GSK would benefit both parties because HUL would contribute their distribution networks and maintain their profit margins. As a result, GSK would continue to be in charge of demand generation, portfolio planning, R&D, and marketing for products like Crocin, Sensodyne, Eno, and others that are not handed to HUL. Unilever India Exports Limited (UIEL), a division of HUL, will oversee the export of GSK India products.

BUSINESS STRATEGY OF GSK

GSK made the decision to sell GSK India's energy drink goods in accordance with their business plan in order to raise money. Even after the acquisition was complete, GSK made it plain that they intended to sell the stock stake in HUL they had bought whenever they felt it was suitable and when the market conditions were good. These funds would also be put to use for the company's other strategic needs, including debt reduction. GSK combined its divestments in India, Bangladesh, and other countries; the business will earn a total consideration of almost £3.1 billion as a result.

HUL & GSKCH SYNERGY BENEFITS

25% of the country's population consumes products in the health food and beverage (HFD) category, although just 14% of rural residents do. We think HUL-GSKCH will be able to enter more deeply into rural markets and aim for double digit growth for Horlicks thanks to HUL's distribution reach of 7 million outlets and direct distribution of 3.5 million retail outlets compared to GSKCH's retail outlets of 0.8 million. HUL would be better positioned to promote GSK Consumer's products in rural regions with smaller boxes and sachets.

Due to synergy gains brought about by lower overhead costs, supply chain advantages, and lower staff costs, the management has forecast an increase in margins of 800-1000 bps for HUL. In the near future, HUL could expand the current cookies offering of HUL GSKCH and join the breakfast cereals segment (oats, muesli, etc.).

After the acquisition, HUL would be well-positioned to expand its food and beverage (F&R) portfolio thanks to Horlicks' market dominance in the HFD category. With the merger, HUL's F&R revenue would increase to ₹ 10,700 crore.

Horlicks and Boost, two brands owned by GSKCH, were well-known in the south and east but lagged in the north and west. With HUL's distribution network, future access to the north and west markets may be possible.

For the HFD category, HUL would also use premiumization and up trading tactics, reshaping its financials. Unilever Plc would get royalties from HUL for the Horlicks brand. Unfortunately, the administration has not provided any answers regarding the precise royalty payment percentage.

CHAPTER 5

DATA ANALYSIS AND INTERPRETATION

5.1 INTRODUCTION

The merger of GlaxoSmithKline Consumer Healthcare Ltd (GSKCH) and Hindustan Unilever Limited (HUL), India's largest fast-moving consumer goods company, has been successfully completed, HUL stated today. This merger was predicated on receiving the required clearances, which have already been obtained and was announced on December 3rd, 2018. One of the biggest deals in the FMCG industry in recent memory, it will generate a lot of value for all parties involved.

Also, the Board of Directors of HUL today gave its approval for HUL to exercise an option included in the original deal negotiated between Unilever and GSK by purchasing the Horlicks Brand for India from GSK for a price of Euro 375.6 million (INR 3045 Cr). HUL will be able to use its balance sheet cash in this way and benefit its shareholders. Additionally, it will make it possible for HUL to increase salience in a local setting. By virtue of the transaction, other names like Boost, Maltova, and Viva that were owned by GSKCH were added to HUL's brand portfolio.

Ratios were employed to compare HUL's financial performance. Many ratios were evaluated, and the means were computed. To determine the statistically significant change and the correlations between the variables (Ratios) of the consolidation of HUL with GSKCH, the means were compared.

The data is gathered for a total of six years, from 2016–17 to 2021–22. The base year for the comparison is the year in which HUL merged GSKCH INDIA. As a result, there are three years prior to and three years following the merger event. On the basis of profitability ratios, liquidity ratios, coverage ratios, per share ratios, and valuation ratios, the performance of HUL before and after the merger is examined.

5.2 RATIO ANALYSIS

Ratio analysis is a mathematical technique for analyzing a company's financial documents, such as the balance sheet and income statement, to gather knowledge about its liquidity, operational effectiveness, and profitability. Fundamental equity research is built on ratio analysis.

By carefully examining both historical and current financial statements, investors and analysts use ratio analysis to assess a company's financial health. Comparative data may show how a business is doing through time and be used to predict how it will likely do in the future. This information can be used to assess how a company compares to others in its industry and to benchmark its financial performance against industry averages. The financial statements of a company contain all the information needed to calculate the ratios, making it simple for investors to apply this method.

5.2.1 LIQUIDITY RATIO

Using the company's current or quick assets, liquidity ratios gauge a company's capacity to settle its short-term loans when they become due. The current ratio, quick ratio, and working capital ratio are all examples of liquidity ratios. The commonly used liquidity ratios are -:

1) CURRENT RATIO

A corporation would be able to fulfill its short-term obligations if its current ratio was higher, even if its current assets lost value. The quick ratio shows the acquisition company's liquidity condition as the ratio of quick assets to current liabilities.

$$\text{Current ratio} = \frac{\text{Current asset.}}{\text{Current liabilities}}$$

Comparing the mean ratio between the pre- and post-merger periods allows one to assess the impact of a company's merger actions on quick ratio and current ratio. The results of the comparative analysis are shown in Table.

Table 5.1 and 5.2 shows the liquidity ratios such as cash ratio and quick ratio of HUL for the year 2016-17 to 2021-22 as the analysis period since merger occurred in 2018-2019.It is also graphically presented.

Current ratio is the proportion of current asset to the current liability of the firm. Table 5.1 and Figure 5.1 depicts the current ratio of HUL from 2016 to 2022 financial years. The average ratio of pre-merger period and post-merger period is also tabulated.

Table 5.1 Current ratio

YEAR	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	PRE-MERGER AVERAGE 2016-2018	POST-MERGER AVERAGE 2019-2022
CURRENT RATIO	1.32	1.31	1.37	1.32	1.28	1.38	1.33	1.32

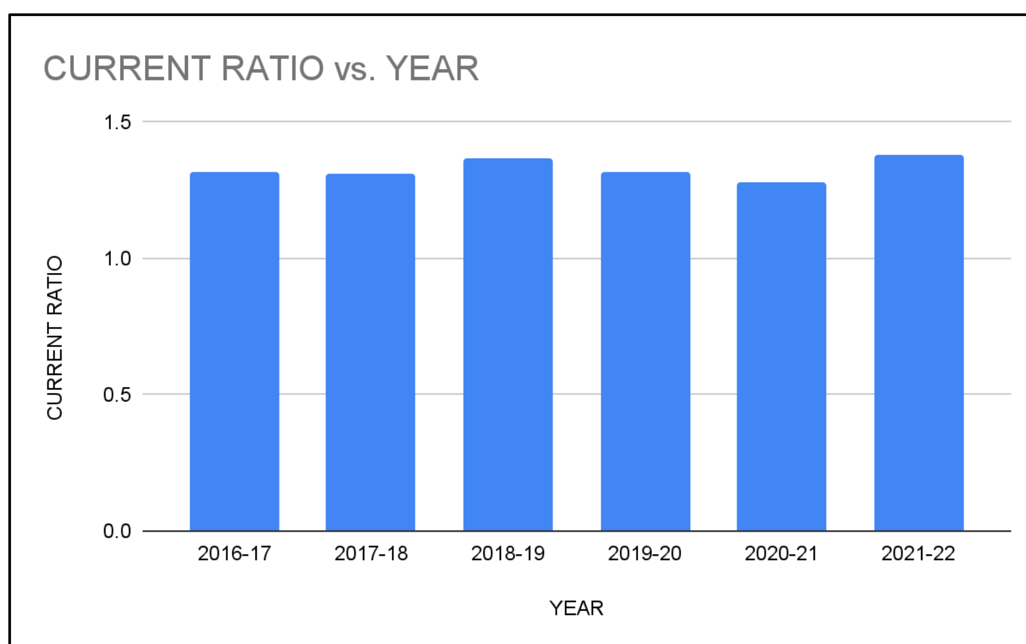

Figure 5.1

INTERPRETATION

It is evident from the above table 5.1 and figure 5.1 that over the pre-and post-merger period the current ratios have slightly increased. Over these selected periods HUL has the highest current ratio in 2021-22. During the pre-merger and post-merger period the Current Ratio had only a slight variation, moreover it stayed at the same position without much fluctuations. From the figure 5.1 it is clear that the current ratio of HUL had no such great impact from the merger. The merger didn’t have a negative impact on the current ratio of the company.

2) QUICK RATIO

The quick ratio assesses a company's capacity to satisfy its short-term obligations using its most liquid assets and serves as an indicator of its short-term liquidity position.
It is also known as the "acid test ratio" because it shows how quickly the corporation can use its near-cash assets (assets that can be swiftly converted to cash) to settle its present liabilities. A fast test intended to yield immediate findings is referred to as an "acid test" in slang.
The formula for calculating quick ratio: -

$$\text{Quick Ratio} = \frac{\text{Quick Assets.}}{\text{Current Liability}}$$

Where,
Quick Assets = Current assets - (Stock + Prepaid Expenses)

Table 5.2 and Figure 5.2 depicts the quick ratio of HUL from 2016 to 2022 financial years. The average ratio of pre-merger period and post-merger period is also tabulated.

Table 5.2 QUICK RATIO

YEAR	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	PRE-MERGER AVERAGE 2016-2018	POST-MERGER AVERAGE 2019-2022
QUICK RATIO	0.99	1.03	1.08	1.03	0.96	1.01	1.03	1

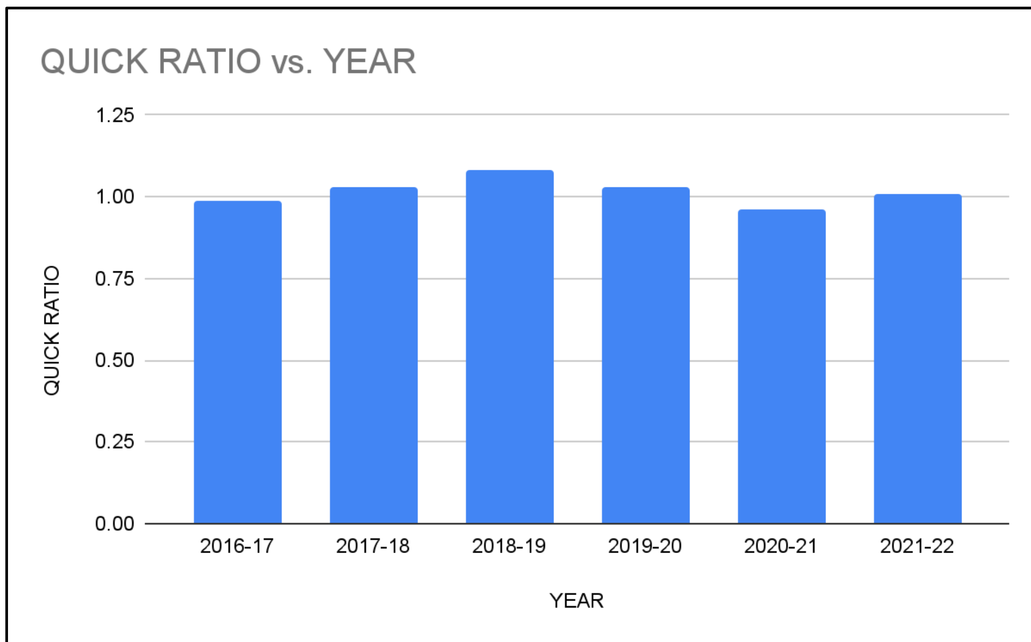

Figure 5.2

INTERPRETATIONS

In table 5.2 and figure 5.2 quick ratios have slightly decreased in post-merger period. Ratios over the periods show us a slight variation only. HUL had the highest quick ratio in 2018-19. In the year 2021-22 the quick ratios mark up a significant variation from the past year 2020-2021.

5.2.2. PROFITABILITY RATIOS

The ability of a business to create money (profit) in relation to sales, balance sheet assets, operating costs, and shareholders' equity over a given time period is measured and evaluated by analysts and investors using profitability ratios. They demonstrate how well a business uses its resources to generate profit and shareholder value.

Most businesses frequently aim for a larger ratio or value because doing so typically indicates that the company is operating profitably and creating cash flow. The ratios are most helpful when compared to other companies in a similar industry or to earlier time periods. The following analysis looks at the most popular profitability ratios.

1.OPERATING PROFIT RATIO

The amount of money a business makes from its operations is represented by the operating profit ratio. It illustrates the financial viability of a business's core operations before any negative financial or tax consequences. As a result, it is among the more accurate measures of a management team's effectiveness in running a business. How much profit a company makes every rupee of sales is determined by the operating margin ratio. Operating profit margin ratios that are higher are viewed favorably. because they show how well a business manages its operations and its ability to turn sales into profits. The formula for the operating profit margin is as follows –

$$\text{Operating Profit Ratio} = \frac{\text{Operating Profit}}{\text{Net Sales}}$$

Where,

Operating Income: The profit that remains after daily costs and the cost of products are subtracted from net sales is known as operating income. It removes any unnecessary variables and only takes into account variables that are pertinent to the company's operations.

Operational Expenses: These costs include rent, utilities, insurance, depreciation, consultancy fees, raw material costs, processing and manufacturing costs, administrative charges, advertising and marketing costs, etc. Those costs that are not directly connected to the company's primary business operations are excluded. Hence, costs like tax, loan interest, investment losses or gains, etc., are not factored into this calculation.

Revenue or Net Sales: Gross sales from the primary and secondary sources of income for the business are referred to as revenue or net sales. Analysts must subtract discounts and returns from gross sales to arrive at net sales.

Table 5.3 and Figure 5.3 depicts the operating profit ratio of HUL from 2016 to 2022 financial years. The average ratio of pre-merger period and post-merger period is also tabulated.

YEAR	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	PRE-MERGER AVERAGE 2016-2018	POST-MERGER AVERAGE 2019-2022
OPERATING PROFIT RATIO	19.70	20.73	22.07	23.23	22.66	22.77	20.83	22.88

Table 5.3 Operating profit ratio

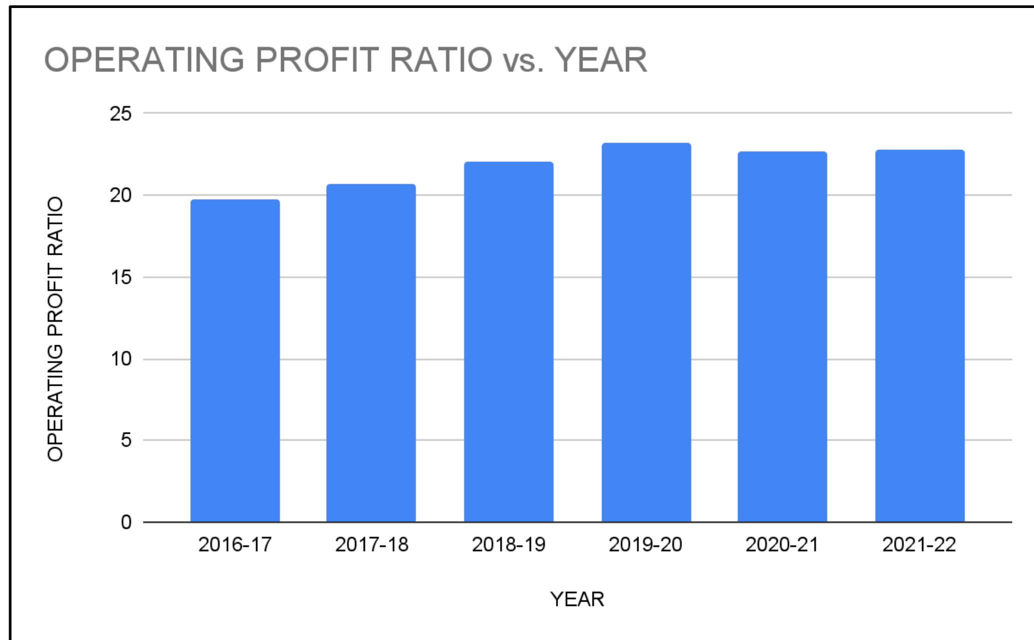

Figure 5.3

INTERPRETATION

The table 5.3 and the figure 5.3 shows us the operating profit ratio of HUL during the past 6 years. From which the company had the highest operating profit ratio during the year 2019-20. From 2016-17 to 2019-20 it is evident that the company's operating ratio was increasing. From 2019-20 it is slightly decreasing without showing much deviations.

2.NET PROFIT RATIO

A company's profitability after taxes is determined by its net profit ratio, sometimes referred to as net profit margin or net profitability ratio. It represents a portion of a company's profit for a specific time frame. By adding up the costs of the products' manufacture, distribution, and other charges, this can be accomplished.

Businesses can establish if their ongoing business activities are generating additional income relative to their manufacturing investment by calculating net profit ratios.

The net profit ratio can be either positive or negative depending on net income. Unprofitability is shown by a negative net margin, and vice versa. In addition to being a helpful indication for determining a company's current financial situation, the increase and fall in the net profit ratio can also help forecast its profits based upon revenues.

The net profit ratio formula is as below:

$$\text{Net profit ratio} = \frac{\text{Net Profit.}}{\text{Sales x 100}}$$

Where,

Net profit = Revenue – (Expenses + Operating and other expenses + Interest + Taxes)

Table 5.4 and Figure 5.4 depicts the net profit ratio of HUL from 2016 to 2022 financial years. The average ratio of pre-merger period and post-merger period is also tabulated.

YEAR	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	PRE-MERGER AVERAGE 2016-2018	POST-MERGER AVERAGE 2019-2022
NET PROFIT RATIO	13.53	14.70	15.41	16.98	17	16.95	14.54	16.97

Table 5.4

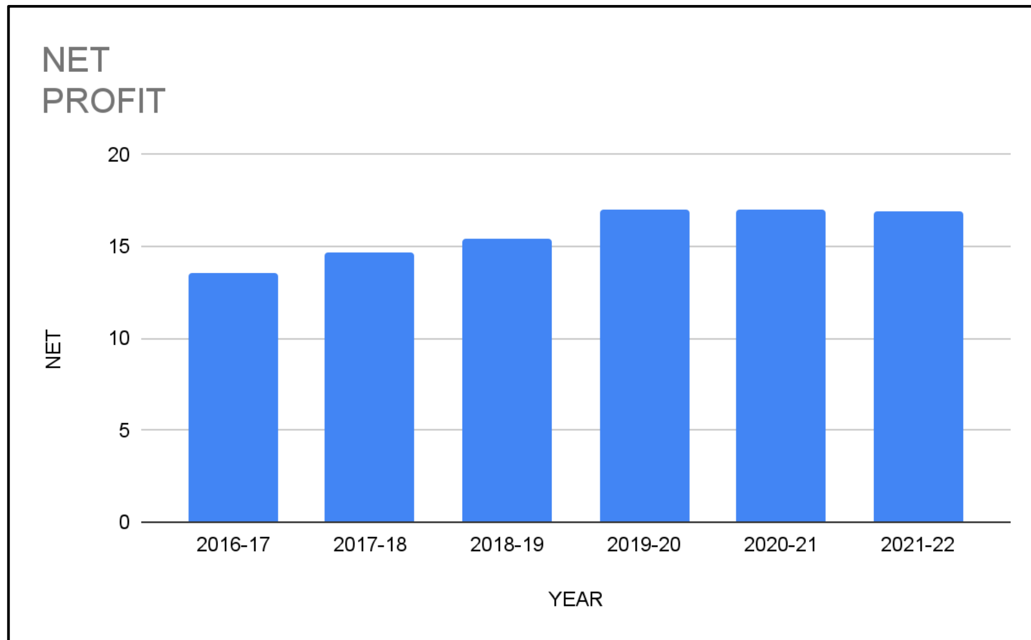

Figure 5.4

INTERPRETATION

From the above table 5.4 and figure 5.4, it is evident that the net profit ratio of the company is increasing over a certain period of time. After that there is very slight deviation on the net profit ratio. During the year 2019-20 the company had the highest net profit ratio. As compared with the pre-merger period the company had a positive impact on the net profit ratio during the post-merger period.

3.RETURN ON ASSETS

The return on assets ratio, also known as the return on total assets, is a profitability ratio that evaluates the profitability of an organization by comparing net income to the average total assets to determine the net income generated by total assets over a given period. In other words, a company's ability to effectively manage its assets to generate profits over the course of a time period is measured by the return on assets ratio, or ROA.

This ratio helps management and investors understand how well the company can turn its investments in assets into profits since the main objective of a company's assets is to generate revenues and earn profits. Since capital assets are frequently the biggest investment for most businesses, you might think of ROA as the company's return on investment. In this situation, the business makes an investment into capital assets and return is measured in profits.

The formula for the Return on Assets is:

$$\text{Return on Assets} = \frac{\text{Net profits}}{\text{Total Assets}}$$

Where,

Net Profits = Total Revenue – Cost of Goods Sold – Non-Operating Expense – Interest – Taxes

Total Assets = Current Assets + Non-Current Assets (Tangible Fixed Assets + Intangible Assets)

Table 5.5 and Figure 5.5 depicts the return on assets ratio of HUL from 2016 to 2022 financial years. The average ratio of pre-merger period and post-merger period is also tabulated.

YEAR	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	PRE-MERGER AVERAGE 2016-2018	POST-MERGER AVERAGE 2019-2022
RETURN ON ASSETS RATIO	28.49	29.19	32.49	33.48	11.62	12.59	30.05	19.23

Table 5.5

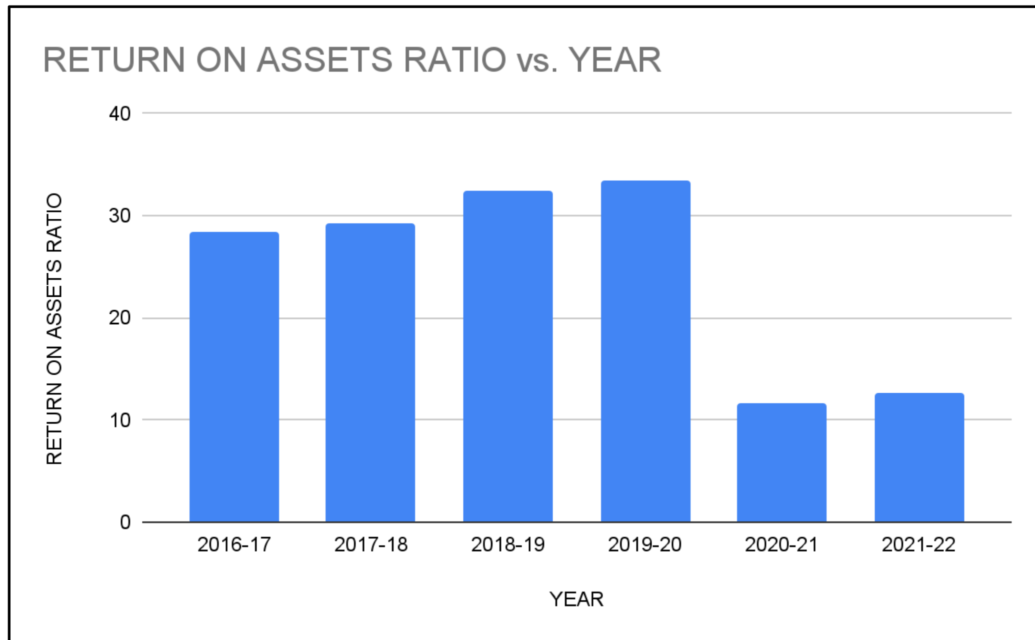

Figure 5.5

INTERPRETATION

From the above figure 5.5 and table 5.5, it is clear that the company's return on asset ratio had a steep decrease from the year 2020-21. For one year (2019-20) after the merger that ratio stood at its peak point. After that the ratio had a great fall from 33.48% (2019-20) to 11.62% (2020-21). But in the year 2021-22 the ratio is showing an upward growth.

4.RETURN ON EQUITY

Return on equity (ROE) is a statistic that tells investors how well a firm is using the capital that its shareholders have invested in it. More specifically, it tells investors how effectively the management team is using that capital. In other words, return on equity assesses a company's profitability in relation to the equity held by stockholders. The management of a firm is more effective at generating income and growth from its equity financing the higher the ROE.

ROE is frequently used to evaluate a business against its rivals and the market as a whole. The formula is especially helpful when comparing businesses in the same industry since it frequently provides accurate indicators of which businesses are functioning more efficiently financially and for the examination of practically any business with a focus on tangible rather than intangible assets.

The formula for the Return on Equity is-

$$\text{Return on Equity} = \frac{\text{Net profit}}{\text{Equity Shareholders Fund}}$$

Where,

Net Profits = Total Revenue – Cost of Goods Sold – Non-Operating Expense – Interest – Taxes

Equity Shareholders Fund = Equity Share Capital + Reserves & Surplus - Fictitious Assets

Table 5.6 and Figure 5.6 depicts the return on equity ratio of HUL from 2016 to 2022 financial years. The average ratio of pre-merger period and post-merger period is also tabulated.

YEAR	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	PRE-MERGER AVERAGE 2016-2018	POST-MERGER AVERAGE 2019-2022
RETURN ON EQUITY RATIO	66.37	71.61	76.95	82.00	16.77	18.09	71.64	38.95

Table 5.6

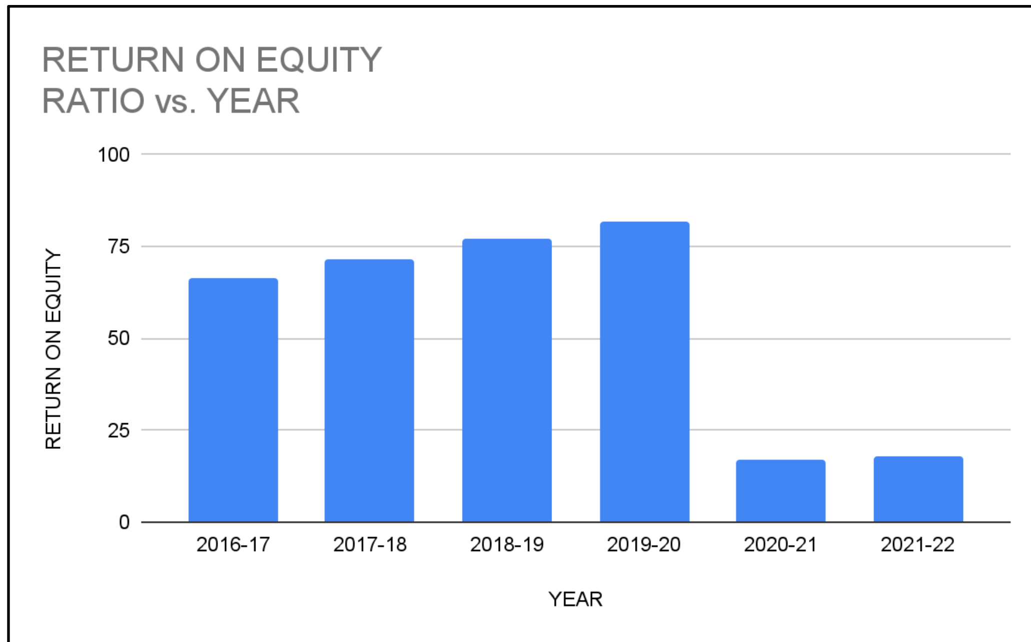

Figure 5.6

INTERPRETATIONS

From the above figure 5.6 and table 5.6, it is clear that the company's return on equity ratio had a steep decrease from the year 2020-21. In the year 2019-20 the return on equity ratio of the company is at its highest point. After that the ratio had a great fall from 82% (2019-20) to 16.77% (2020-21). But in the year 2021-22 the ratio is showing an upward growth.

5) RETURN ON CAPITAL EMPLOYED

Return on capital employed (ROCE) is a financial measure that may be used to evaluate the profitability and capital efficiency of an organization. In other words, this ratio may be used to determine how well a business is turning a profit from the capital it uses. When evaluating a firm for investment, financial managers, stakeholders, and potential investors may utilize a number of profitability ratios, including ROCE.

When evaluating the performance of businesses in capital-intensive industries like utilities and telecommunications, return on capital employed can be very helpful. This is so that ROCE may take into account both debt and equity, unlike other fundamentals like return on equity (ROE), which solely assesses profitability connected to a company's shareholders' equity. Financial performance analysis for businesses with high debt levels may be mitigated by doing this.

The formula for ROCE is as follows:

$$ROCE = \frac{EBIT}{\text{Capital Employed}}$$

Where:

EBIT = Earnings before interest and tax

Capital Employed = Total assets − Current liabilities

Table 5.7 and Figure 5.7 depicts the return on capital employed ratio of HUL from 2016 to 2022 financial years. The average ratio of pre-merger period and post-merger period is also tabulated.

YEAR	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	PRE-MERGER AVERAGE 2016-2018	POST-MERGER AVERAGE 2019-2022
RETURN ON CAPITAL EMPLOYED	78.54	82.03	88.98	87.58	19.01	20.29	83.18	42.29

Table 5.7

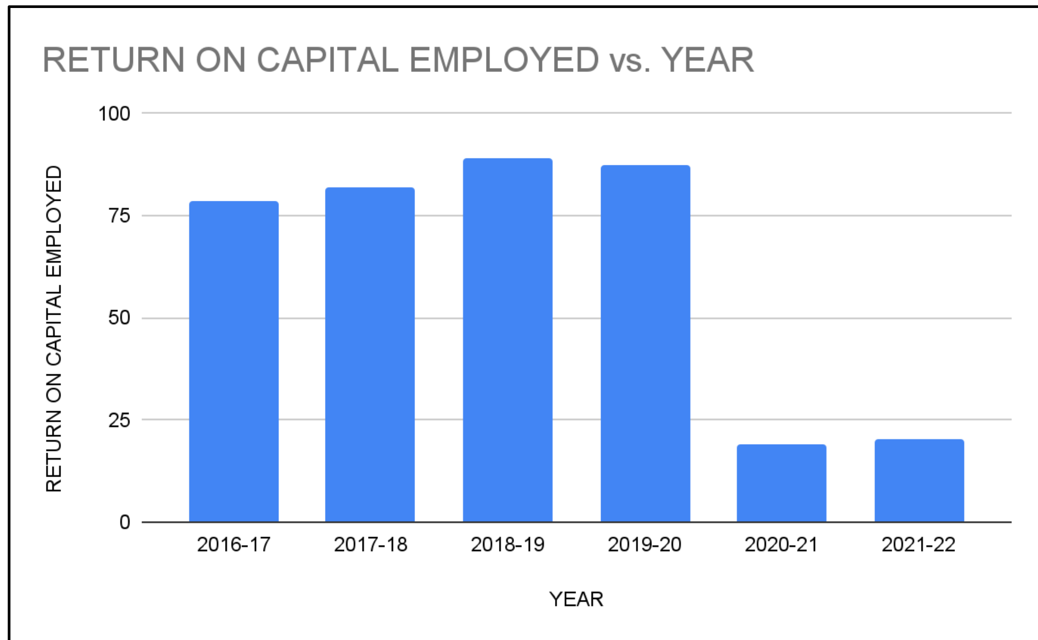

Figure 5.7

INTERPRETATION

From the above figure 5.7 and table 5.7, it is clear that the company's return on capital employed ratio had a steep decrease from the year 2020-21. In the year 2018-19 the return on capital employed ratio of the company is at its highest point. After that the ratio had a great fall. But in the year 2021-22 the ratio is showing an upward growth.

5.2.3 COVERAGE RATIO

A coverage ratio gauges a company's capacity to make on-time debt payments. For both their current clients and any new clients who apply for credit, creditors and lenders frequently use coverage ratios. The ratios can be utilized internally, but often only when a business is required by loan covenants to maintain a specific minimum ratio or risk having its loan canceled.

A coverage ratio can be used to analyze a loan's capacity to make both the interest and planned principal payments as well as only the interest payments (the interest coverage ratio) (the debt

service coverage ratio). The latter method of measuring is better since it offers the most thorough examination of whether a company can pay its debts.

There are various coverage ratio types, and each one tackles a unique facet of a borrower's capacity to repay debt.

The three are the asset coverage ratio, the debt service coverage ratio, and the interest coverage ratio.

1) Interest Coverage Ratio

A debt and profitability measure called the interest coverage ratio is used to assess how easily a business can pay the interest on its existing debt. Divided by interest expense during a specific time period, a company's earnings before interest and taxes (EBIT) yields the interest coverage ratio.

The times interest earned (TIE) ratio is another name for the interest coverage ratio. This method is frequently used by lenders, investors, and creditors to assess a company's riskiness in relation to its present debt or for potential future borrowing.

The formula for the Interest Coverage Ratio is-

$$\text{Interest Coverage Ratio} = \frac{\text{Earnings Before Interest and Tax}}{\text{Fixed Interest}}$$

Table 5.8 and Figure 5.8 depicts the interest coverage ratio of HUL from 2016 to 2022 financial years. The average ratio of pre-merger period and post-merger period is also tabulated.

YEAR	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	PRE-MERGER AVERAGE 2016-2018	POST-MERGER AVERAGE 2019-2022
INTEREST COVERAGE RATIO	179.34	283.19	268.64	80.43	93.69	123.73	243.72	99.28

Table 5.8

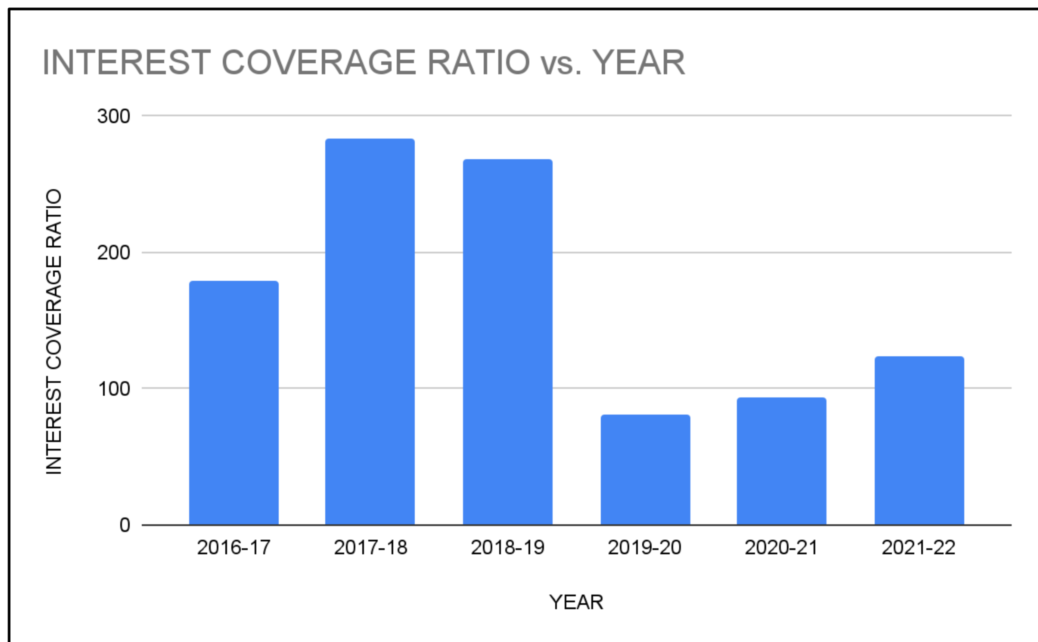

Figure 5.8

INTERPRETATIONS

From the above figure 5.8 and table 5.8, it is clear that the company's interest coverage ratio had a huge decrease from the year 2019-20. In the year 2018-19, the interest coverage ratio of the company is at its highest point. The ratio had a great fall towards 80.43% during the year 2019-20. But later in the years from 2020-22 the ratio is showing an upward growth.

5.2.4 EARNINGS PER SHARE

Earnings per share (EPS) is calculated by dividing a company's net profit by the total number of outstanding common shares. EPS, a popular statistic for determining corporate value, shows how much money a firm produces for each share of its stock. Because investors would pay more for a firm's shares if they believe the company has larger earnings relative to its share price, a higher EPS denotes more value. EPS can be calculated in a number of ways, such as on a diluted basis or without taking extraordinary items or discontinued activities into account. Earnings per share, like other financial indicators, is most valuable when compared to similar businesses, organizations in the same industry, or over time.

The formula for calculating EPS:

$$\text{Earnings Per Share} = \frac{\text{Earnings after Interest, Tax \& Dividend}}{\text{Number of Equity Shares}}$$

Table 5.9 and Figure 5.9 depicts the earning per share of HUL from 2016 to 2022 financial years. The average ratio of pre-merger period and post-merger period is also tabulated.

YEAR	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	PRE-MERGER AVERAGE 2016-2018	POST-MERGER AVERAGE 2019-2022
EPS(Rs)	20.68	24.09	27.97	31.17	34.03	37.79	24.24	34.33

Table 5.9

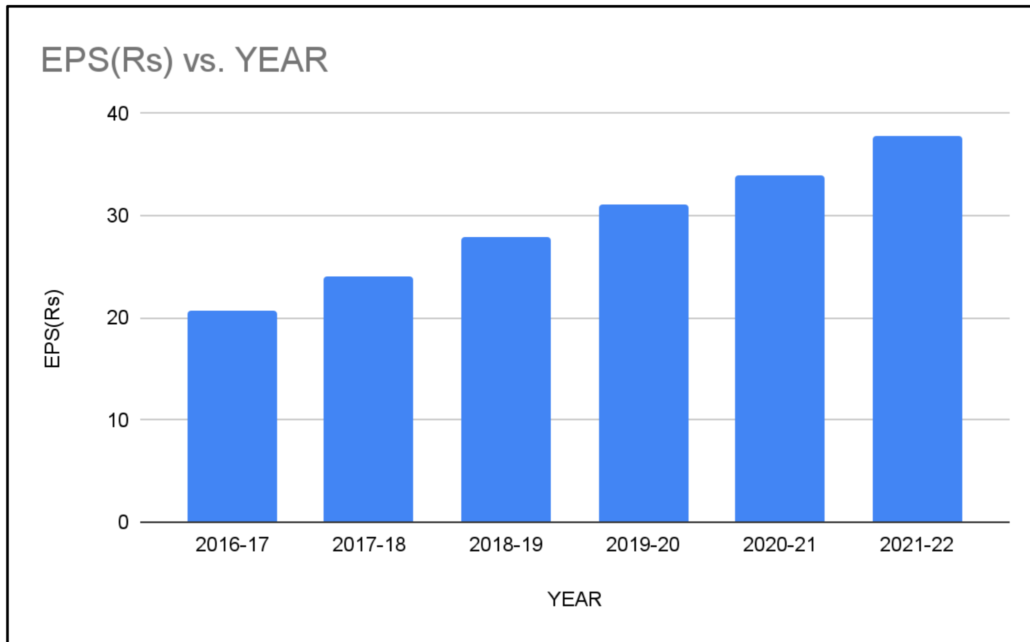

Figure 5.9

INTERPRETATION

From the above figure 5.9 and table 5.9, it is clear that the company's earnings per share had a steady upward growth from the year 2016 to 2022. From the latest data it is clear that the EPS of the company is at the peak point during the year 2021-22. The figure and table picturize us that the merger had a great positive impact on the earning per share of the company.

CHAPTER 6

FINDINGS, SUGGESTIONS AND CONCLUSION

INTRODUCTION

In a changing economic environment, mergers and acquisitions are a routine. Post-merger financial benefits are only achieved if the two companies are worth more together than individually. Our study had been conducted to analyze the financial performance of the acquirer company during the pre- and post-merger periods. It is equally important to analyze the pre- and post-merger period from the perspective of the acquirer and the target company. An attempt was therefore made to examine the financial performance of the acquiring company in the pre- and post-merger periods.

In December 2018, it was announced that GSK Consumer Healthcare will merge with HUL in an all-stock deal, valuing the Indian unit of GSK at Rs 31,700 crore. The merger will witness an expansion of HUL's portfolio, which included iconic brands such as Horlicks and Boost, into a new category catering to the nutritional needs of their consumers.

According to some estimates, the merger will boost HUL's revenues to around Rs 40,000 crore while catapulting its food & refreshment business to around Rs 10,700 crore, making it the largest in the category. It undoubtedly plays up HUL's food space, especially with the 140-year-old health drink Horlicks under its wing. Horlicks is the market leader in the Rs 7000 crore health food drinks category. As a result, HUL gets a direct entry into the category at the leadership position.

The merger will benefit both the companies in a big way as GSK's premium brands will get a taste of HUL's massive distribution & marketing muscle that will help it compete with brands like Cadbury Bournvita and Nestle's Milo, says B Krishna Rao, Senior Category Head, Parle. It will be a huge complimentary business for Levers as well.

FINDINGS

- 4.39 HUL shares are exchanged for every 1 share held by GSK CH India.
- The merger decreased the HUL's promoters holding by 5.28% in HUL and concurrently increased the shareholding of GSK to 5.7% under the public shareholding category.

- HUL is among the top 5 most valuable companies in India with a market cap of $51 billion.
- Merger didn't have a negative impact on both current and quick ratios. Current ratio stayed at the same position without much fluctuation. It shows an average of 1.32 in the post-merger period.
- Quick ratio shows slight variations only. It has changed from 1.03 to 1 in the post-merger period.
- Company's operating profit ratio shows slight variation in 2020-21. It is slightly decreasing from 23.23 to 22.66. Net profit ratio shows an average of 16.97 in the post-merger period.
- There was a rise of 5% in market share and 24% growth in net profits i.e., profit after tax of HUL.
- There is a steep decrease in the company's return on assets ratio (ROA). This shows that the company has not used its assets efficiently. Even though assets increased after merger, the return from such assets have been reduced.
- Return on equity ratio (ROE)had a great fall from 82% to 16.77% in the post-merger period. It shows that the company earns relatively little compared to its shareholder's equity.
- The rate on capital employed had shown a huge decline. It has declined from 87.58to 19.01 in the post-merger period. This indicates that the company is not using its capital efficiently and is not generating a high return on the investment.
- Company's interest coverage ratio had a huge decline towards 80.43% in the post-merger period. This means that there is a low number of profits available to meet the interest expense on the debt.
- The EPS of HUL shows growth in post-merger period. From 24.24 Rs it has shown an upward growth to 34.33rs. Therefore, the company is profitable enough to pay out more money to its shareholders.
- HUL share has increased by 24%, due to an increase in personal hygiene product demand due to Corona and after a successful deal with GSK.

- Some ratios show a declining trend. This is mainly due to Covid pandemic. It has affected the performance. The findings of the study confirms that there are not many benefits from the merger because of covid pandemic.
- During covid times, the company's revenue was down 9.4 per cent to Rs 9,011 crore, as against the Rs 10,103-crore.
- Post covid period shows growth in the performance of the company.

AFTERMATH OF COVID 19 ON HUL

Lifebuoy of HUL was recently met with huge demand due to the global pandemic and large-scale requirement of hand wash and sanitizers. The company also promoted Domex disinfectant. The company also offered a 15% reduction in the prices of essential commodities. The company has thus made every extreme effort in marketing their products while various other companies struggle to sustain their business.

This in turn improves consumer trust and builds confidence in the shareholders as well. Even during the period of economic downfall and financial crunch in almost every sector, the company has managed to increase its profit margin by 19% in the last quarter of 2020 as compared to the last quarter of 2019. Yet, the company has not performed well with brands like Kwality Walls, Cornetto, water purifier, etc. due to a sudden halt in the demand for these products. The company is however optimistic about their business performance for these products

SUGGESTIONS

- While examining the overall performance of HUL during the post-merger period, it does not show us satisfying positive results as compared to the projected results. One of the main reasons for this was the outrage of covid pandemic. This has resulted in general decrease in the level of business activities in market. Even though the company has gathered assets through mergers it may take more time to arrive at increased level of profits. The company can think of ways and means to improve the efficiency of its operations.

- Interpretation through the different ratios shows us the company's financial performance. We analyzed different ratios like current ratio, quick ratio, operating profit ratio, net profit ratio, return on asset, return on equity, return on capital employed ratio, interest coverage ratio and earning per share. The company can maintain the increase in current ratio through minimizing current liabilities and increasing current asset. This will in turn improve the liquid ratio as well.

- HUL can increase its return on asset and thereby its return on equity by increasing its profit margin or operating efficiency as measured by its asset turnover. Margins are improved by lowering the expenses relating to sales. Asset turnover can be improved by selling more goods with a given level of assets. In this case the return on assets and return on equity seems to be lesser after merger.

- India has potential to become a super power in the coming future. Moreover, the country has young population who will have demand for fast moving consumer goods. The company can think of new business models involving more online modes and thereby increasing the market share. The pandemic has not only improved the online sector in general but has also aided in making the customers habitual towards online market and home delivery of the products. This opportunity should be maximum made use of.

CONCLUSION

The study mainly concentrates on the analysis of financial performance and soundness of the company. It helps us to understand the total financial position of the company. The transparency of an MNC is truly portrayed. Comparison of the financial statement helped us to know the impact of various internal and external factors on the firm. There were instincts that held with and against the company. The company’s execution of ideas was in its right path which is clear cut in its financial positions. The study shows that the merger has started benefiting the company. Increase in profitability and growth of the company clearly says that it was a sound decision from the part of both HUL and GSK.

Hindustan Unilever also benefited from increased market penetration, and particularly in emerging channels and rural markets. A variety of products offered through Horlicks brand significantly helped the company in growing their Health Food Drinks (HFD) proceeds. The company in their investor presentation has also mentioned that the company would be focusing more on expanding their product availability in the rural areas. The company plans to utilize their channels and increase their rural area market for milk energy drinks. The acquisition has made the company stand in front of almost every sector of the FMCG industry. Products of HUL for skin cleansing, skincare, tea, household care, health food drinks, hair care and ketchup are foremost in the competition and customer preference.

The Hindustan Unilever GSK merger reveals just how significant acquisitions are to the marketing objectives of larger firms from the study of financial performance it can be concluded that Hindustan Unilever has a satisfactory position in terms of profitability. The acquisition of new product lines to expand the current portfolio, coupled with synergies from combined distribution, operational efficiencies, supply chains, and infrastructure – all add up to significant cost cuttings with increased market access. COVID-19 pandemic has affected the whole world During this period. Hindustan Unilever (HUL), the country's largest consumer goods company, reported a 7 per cent decline in volumes for the quarter ended March 31, 2020.Post covid period shows growth. The company's foresighted future plans, on successful execution can bring further growth and results which are expected. Therefore, it is concluded that there is positive impact post-merger on the financial performance of HUL.