Indian M&A Dynamics: Insights into Horizontal, Vertical, and Conglomerate Merger Strategies

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Abstract

Using a sample of 135 mergers between 2015 to 2023 , we investigate the announcements returns or short run performance of Indian acquiring companies based on type of mergers Viz. Horizontal, Vertical, and Conglomerate. The performance is analyzed using market model method. The results suggested that vertical mergers generate more returns than horizontal and conglomerate mergers. The announcement day CAR of vertical mergers (2.93%) is higher than the announcement day CAR of conglomerate (1.1%) and horizontal mergers (0.63%). The 41-day overall CAR of vertical mergers exceed horizontal and conglomerate mergers.

Key words : AAR, CAR, Mergers and Acquisitions (M&As),Method of Financing, Type of merger.

Introduction:

Mergers and acquisitions (M&As) have firmly established themselves as pivotal strategies in the corporate world, offering businesses opportunities to grow, adapt, and compete globally. In India, the M&A landscape has taken on a particularly dynamic character, reflecting the nation's rapid economic growth and its integration into global markets.

India has emerged as a leader in M&As, showcasing notable examples across various sectors. For instance, in February 2023, the Government of India acquired a significant 33.4% stake in Vodafone-Idea, signaling strategic intervention in the telecommunications sector. Similarly, Paytm's acquisition of Alibaba for $125 million (approximately ₹1,000 crores) underscores India's growing influence in the digital and e-commerce space.

The effects of mergers on stock performance are multifaceted and influenced by the industry, specific companies involved, and their strategic objectives. Horizontal mergers—where companies in the same industry join forces—and vertical mergers—where businesses at different production stages come together—have shown consistently positive impacts on stock performance. On the other hand, conglomerate mergers, which bring together unrelated businesses, yield mixed results, reflecting varying levels of market synergy and investor confidence.

Research has shed light on how merger announcements affect stock prices, particularly through the lens of payment methods. Cash offers tend to result in higher returns for both target shareholders and bidders compared to stock offers. The choice between cash and stock payment carries significant implications for the returns of the involved parties. Several theories delve into this effect. Cash offers often signal managerial confidence and projected profitability, while stock offers might suggest caution regarding future financial performance. Tax deferrals, asset revaluation for depreciation benefits, and the informational impact of stock versus cash payments further influence these outcomes.

Empirical studies, such as those by Mansor and Siew (2011) and Bhabra and Huang (2013), provide valuable insights. They highlight that bidding firms financing acquisitions partially with stock experience negative average abnormal returns (around -1.5%) over a three-day window, whereas firms avoiding equity financing achieve positive returns (0.4%).

Interestingly, target firms typically face negative abnormal returns during stock-financed acquisitions, while cash-financed acquisitions produce an average abnormal return (AAR) of -0.70% for both target and acquiring firms.

This nuanced understanding emphasizes the importance of strategic planning in M&As. By analyzing horizontal, vertical, and conglomerate mergers, and examining the role of payment methods, this study offers a comprehensive view of the impact on stock performance. India's corporate history serves as a rich canvas for observing these trends and formulating lessons for future mergers and acquisitions.

In this ever-evolving corporate arena, M&As continue to shape the business landscape, driving innovation and competition while offering valuable insights into the financial and strategic considerations that underpin such decisions.

Analysis of Data and Methodology:

This study considers 135 cases of acquiring firms announcing mergers in India for the period 2015 to 2023. These 135 cases are selected from CMIE Prowess data base. Due to lack of data regarding method of financing among the total samples selected, the study identified only 85 stock financed mergers and 41 cash financed mergers. In all, the study uses two sample sizes, 135 companies for analyzing acquiring firms stock price performance in general and 126 companies (85 stock financed and 41 cash financed mergers) to analyze the performance of acquiring companies based on method of payment in particular.

Method wise classification of Horizontal, Vertical and Conglomerate mergers:

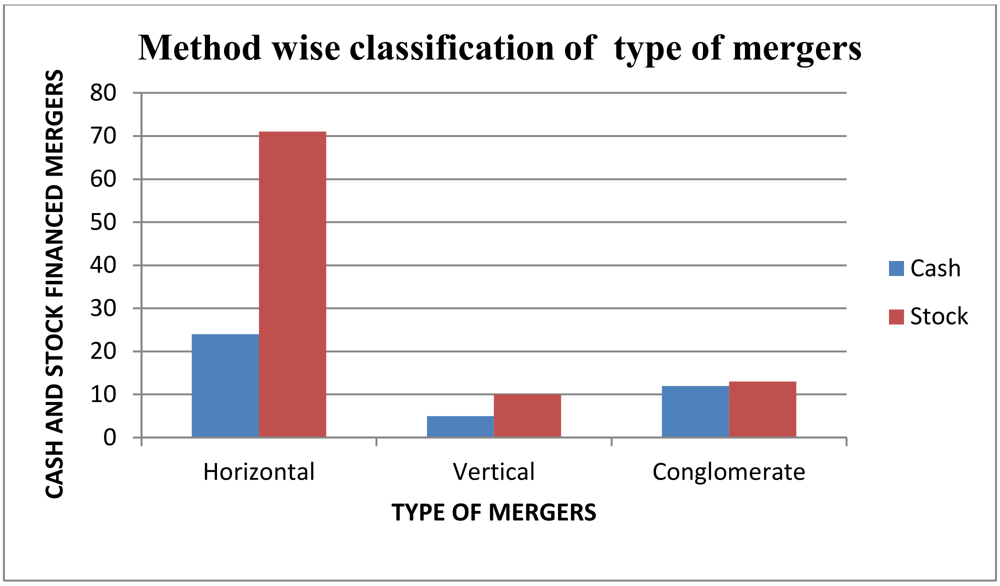
Table 1

Method wise classification of Horizontal, Vertical and Conglomerate merger

Sl No	Type of merger	Cash	Cash %	Stock	Stock %
1	Horizontal	24	58.54	71	75.53
2	Vertical	5	12.20	10	10.64
3	Conglomerate	12	29.27	13	13.83
	Total	**41**	**100.00**	**94**	**100.00**

Source: Compiled from CMIE Prowess Data Base

Table 1 depicts that horizontal mergers include more number of cash mergers of 24 (i.e. almost 59%) and also stock mergers of 71 (i.e. almost 76%) out of total cash and stock mergers. Conglomerate mergers records 29% of total cash financed mergers and 13% of total stock mergers. While vertical mergers account only 5 cash mergers and 10 stock mergers. Chart 4.4 shows the pictorial representation of method wise classification of the mergers based on type of mergers.



Methodology:

The study employs market model method to analyze the short run performance of acquiring companies. The Stock Exchange announcement or the high court approval whichever announcement first occurs is taken as the 'event date'. The daily adjusted closing prices of the stocks of selected acquiring companies are used for computing abnormal returns. The study employs 41-day and 3-day event windows. The benchmark is market Index data of BSE-500 index. The necessary data are collected form CMIE Prowess data base. A 41-day window is divided into 20 days before and 20 days after announcement which almost equal to two- month period.

The study uses event study methodology (as developed by Fama, Fisher, Jensen and Roll (1969) and Brown and Warner (1985)) to compute the abnormal returns. "Abnormal Return (AR) is the part of the return on a security on day 't' that is not predicted and therefore, is an estimate of the change in firms' share price on that day which is caused by the event"(Weston, 2007).

To calculate predicted /normal return, the market model method is used. It is computed as under

$$R_{it} = \propto_i + \beta_i R_{mt} + \varepsilon_{it}$$

Where:

$\alpha_i, \beta_i = the\ regression\ parameters;$

$R_{it} \quad = observed\ daily\ return\ on\ the\ equity\ share\ of\ firm\ iat\ day\ t;$

$R_{mt} \quad = observed\ daily\ return\ on\ the\ market;\ and$

$e_{it} \quad = random\ error\ term\ having\ the\ standard\ normality\ properties$

Need for the study:

This part of merger research has been extensively analyzed by various researchers. The main focus has been on the reasons and impacts of choice of method of financing. The factors influencing the choice of payment method have also been analyzed. The choice of payment almost always influences the market value of the firms. Theoretically speaking, cash payment receives favorable response and provides managerial confidence on future benefits. Existing empirical evidence shows that using cash as a means of payment can generate higher targets' and acquirers' returns than using stocks (Huang and Walking 1987; Travlos 1987; Servaes 1991; Sudarsanam and Mahate 2003). Andrade, Mitchelle, and Stafford (2001) with a sample updated to include M&As in the 1990s (sample period of 1973-1998), report that bidding firms that use at

least some stock to finance their acquisitions have negative 3-day average abnormal return of around -1.5% (statistically significant), while acquirers that abstain from equity financing have average abnormal returns of 0.4% (statistically insignificant). Yeh and Hoshino (2000) find for Taiwanese firms positive significant acquiring cumulated abnormal returns in a 9 day window period. However, Goergen and Renneboog (2004) using data for the period of 1993 to 2000 find shareholders of acquiring firms favor more equity offers (1%) than cash offers (0.4%) in the European region. Isfandiyar (2006) shows that target firms experience negative abnormal returns on announcement day for stock financed acquisitions. The AAR for cash financed acquisitions on announcement day is 6.59% for target firms and for acquiring firms it is -0.70%, while the AARs for stock acquisitions are +6.12% and-1.09% for target and acquiring firms respectively.

The empirical analysis by Mansor and Siew (2011) report that acquiring firms in cash acquisitions earn a positive return of 0.12% and share acquisitions earn a negative return of 0.6% over the period of day -1 to day 0.

Bhabra and Huang (2013) report that acquirers making cash purchases experience statistically significant positive CAARs for all the windows around the announcement date.

The CAARs for (-1 +1) and (-2 +2) event windows for cash acquisitions are 2.25% and 2.37% respectively and statistically significant.

Rani et al (2015) analyze 5504 M&A announcements during 2003 to 2008. The study finds a find significant AAR of 1.32% and CAR of 3.47% on the announcement day. The study finds a CAAR for 1.35%, 1.60%, 0.93%, for cash mergers and 0.53%, 0.69%,-1.80% for stock mergers for event windows of (0. +1), (0, 0) and (0, +5) respectively and concludes that market reaction is positive for cash financed M&A and negative for stock financed M&A.

The sample of the study includes three types of mergers, namely horizontal, vertical and conglomerate mergers. Announcement returns are also computed for horizontal, vertical and conglomerate mergers. Table 2 displays the abnormal returns on the basis of type of merger for 41-day event period.

Table 2

Announcement Returns of Horizontal Mergers, Vertical Mergers and Conglomerate Mergers

Event Day	Horizontal Mergers		Vertical Mergers		Conglomerate Mergers	
	AAR (%)	CAR (%)	AAR (%)	CAR (%)	AAR (%)	CAR (%)
-20	-0.09	-0.09	-0.20	-0.20	-0.12	-0.12
-19	0.16	0.07	0.05	-0.14	-0.51	-0.64
-18	0.12	0.19	0.15	0.01	-0.22	-0.85
-17	-0.17	0.03	0.60	0.61	0.02	-0.83
-16	-0.03	-0.01	0.13	0.74	0.30	-0.53
-15	0.01	0.00	1.04	1.78	-0.23	-0.77
-14	0.05	0.05	0.34	2.13	-0.28	-1.05
-13	0.19	0.24	0.20	2.32	0.00	-1.05
-12	-0.01	0.23	0.33	2.65	-0.05	-1.11
-11	0.04	0.27	-0.10	2.55	0.32	-0.79
-10	0.13	0.40	0.08	2.63	-0.27	-1.06
-9	0.03	0.43	-0.03	2.60	0.05	-1.00
-8	0.08	0.51	-0.24	2.35	0.21	-0.79
-7	-0.11	0.40	-0.07	2.29	0.23	-0.56
-6	0.06	0.46	-0.51	1.78	0.03	-0.54

-5	-0.12	0.33	0.36	2.13	0.14	-0.39
-4	0.10	0.43	0.17	2.30	-0.06	-0.45
-3	-0.03	0.41	-0.18	2.12	0.35	-0.10
-2	0.05	0.46	0.33	2.45	0.26	0.16
-1	-0.06	0.40	0.78	3.23	0.45	0.62
0	0.23	0.63	-0.30	2.93	0.48	1.10
1	-0.20	0.44	0.01	2.94	0.07	1.17
2	-0.05	0.39	-0.29	2.65	-0.09	1.08
3	-0.12	0.26	-0.43	2.22	-0.16	0.92
4	-0.20	0.06	0.22	2.44	-0.28	0.63
5	0.06	0.12	0.18	2.62	-0.04	0.59
6	-0.13	-0.01	-0.22	2.40	0.21	0.80
7	-0.03	-0.04	0.54	2.94	-0.08	0.72
8	0.08	0.04	-0.20	2.73	0.57	1.30
9	-0.03	0.01	0.03	2.77	0.23	1.52
10	-0.06	-0.05	-0.01	2.75	-0.16	1.36
11	-0.24	-0.29	-0.14	2.61	-0.41	0.96
12	0.23	-0.06	-0.05	2.56	-0.04	0.92
13	0.25	0.19	-0.41	2.16	-0.14	0.78
14	0.11	0.30	0.04	2.20	-0.28	0.50
15	0.15	0.45	-0.06	2.14	0.05	0.55
16	-0.11	0.34	-0.07	2.07	-0.15	0.40
17	0.02	0.36	-0.16	1.91	-0.28	0.12
18	-0.20	0.17	-0.32	1.60	0.05	0.17
19	0.04	0.21	-0.30	1.29	0.02	0.19
20	0.16	0.37	-0.27	1.02	0.37	0.57

Source: Computed from CMIE Prowess Database

The horizontal mergers are competitive mergers while vertical mergers are merger of firms situated at different stages. The conglomerate mergers are unrelated or diversified mergers. In general, vertical mergers should generate greater returns than horizontal and conglomerate mergers. The study finds results similar on these lines. The announcement day CAR of vertical mergers (2.93%) is higher than the announcement day CAR of conglomerate

(1.1%) and horizontal mergers (0.63%). The 41-day overall CAR of vertical mergers exceed horizontal and conglomerate mergers.

Figure 1: Movement of AAR of 135 acquiring companies

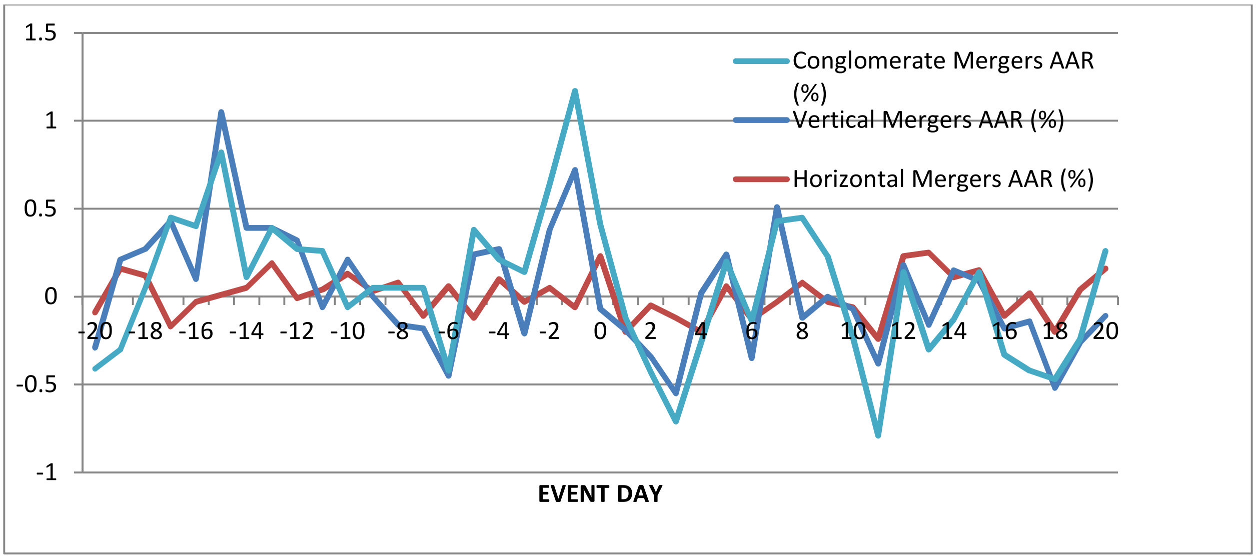
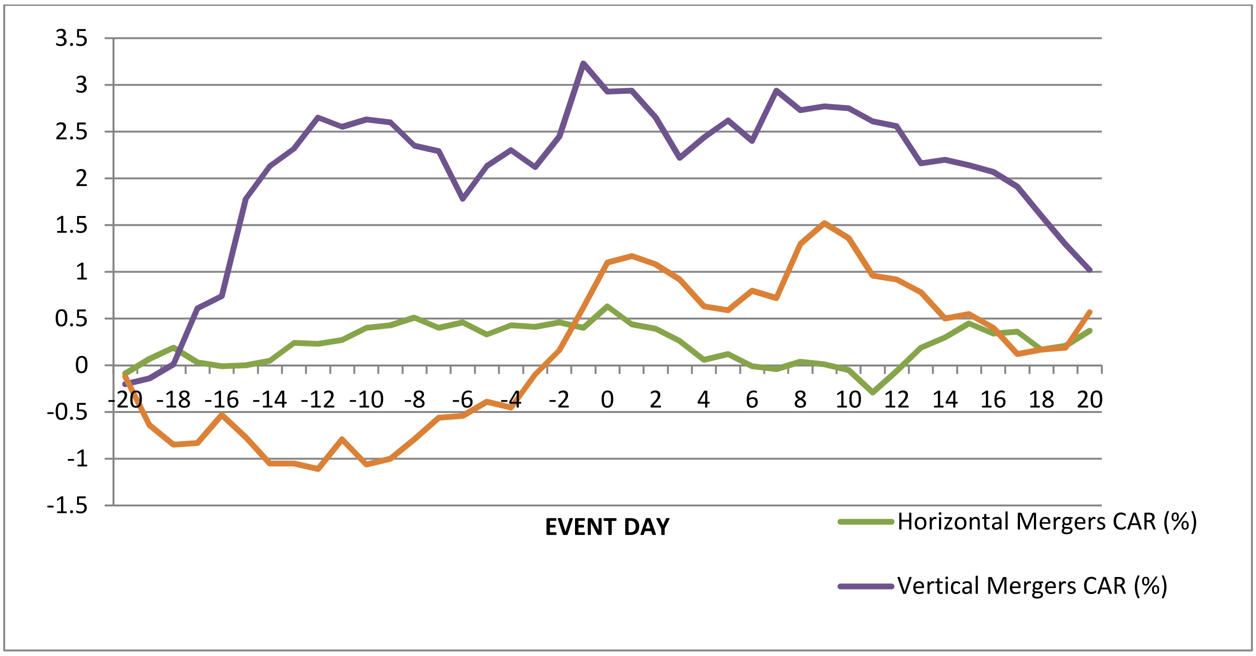


Figure 2: Movement of CAR of 135 acquiring companies



AAR & CAR of Horizontal Mergers and Method of Financing:

Table 2 provides the details relating to abnormal returns of horizontal mergers based on method of payment for 41 days.

Table 3

AAR and CAR of Horizontal Mergers Based on Method of Payment

Event Day	Stock (71)				Cash (24)			
	AAR	CAR	Z-value	% of COs +VE Returns	AAR	CAR	Z-value	% of COs +VE Returns
-20	-0.12	-0.12	-1.03	34.78	0.01	0.01	0.03	42.31
-19	0.16	0.04	1.36	55.07	0.03	0.03	0.68	34.62
-18	0.06	0.10	0.49	50.72	0.06	0.09	1.52	50.00
-17	-0.26	-0.16	-2.13**	28.99	0.01	0.10	0.38	53.85
-16	0.02	-0.14	0.19	39.13	-0.04	0.07	-0.95	34.62
-15	0.06	-0.08	0.49	46.38	-0.03	0.04	-0.68	42.31
-14	0.00	-0.08	0.01	50.72	0.04	0.08	1.00	42.31
-13	0.28	0.21	2.36**	55.07	-0.01	0.07	-0.34	46.15
-12	0.02	0.23	0.16	49.28	-0.02	0.05	-0.44	38.46
-11	0.01	0.23	0.05	53.62	0.02	0.08	0.66	42.31
-10	0.16	0.39	1.29	52.17	0.01	0.09	0.34	50.00
-9	-0.01	0.38	-0.06	46.38	0.03	0.11	0.69	57.69
-8	0.05	0.43	0.39	50.72	0.03	0.14	0.79	46.15
-7	-0.12	0.31	-0.99	44.93	-0.02	0.13	-0.45	38.46
-6	0.01	0.32	0.12	50.72	0.03	0.16	0.91	46.15

-5	-0.11	0.21	-0.93	42.03	-0.03	0.13	-0.82	34.62
-4	0.06	0.27	0.47	52.17	0.04	0.17	1.11	61.54
-3	-0.09	0.18	-0.76	44.93	0.03	0.20	0.76	46.15
-2	0.06	0.24	0.48	40.58	0.01	0.21	0.16	42.31
-1	-0.11	0.13	-0.88	39.13	0.01	0.22	0.35	61.54
0	0.21	0.34	1.78***	56.52	0.05	0.27	1.41	61.54
1	-0.02	0.32	-0.20	49.28	-0.13	0.15	-3.33	26.92
2	0.03	0.35	0.27	44.93	-0.05	0.10	-1.34	34.62
3	-0.16	0.19	-1.33	40.58	0.00	0.09	-0.12	38.46
4	-0.21	-0.02	-1.73***	42.03	-0.04	0.06	-0.98	42.31
5	0.13	0.11	1.05	40.58	-0.03	0.03	-0.66	42.31
6	-0.18	-0.07	-1.51	40.58	0.00	0.04	0.12	46.15
7	-0.06	-0.13	-0.48	37.68	0.01	0.05	0.26	53.85
8	0.03	-0.10	0.27	40.58	0.04	0.09	1.05	57.69
9	-0.02	-0.12	-0.20	47.83	-0.01	0.08	-0.27	42.31
10	-0.05	-0.18	-0.45	44.93	-0.02	0.06	-0.41	46.15
11	-0.26	-0.44	-2.16**	36.23	-0.04	0.02	-1.00	46.15
12	0.28	-0.15	2.36**	53.62	0.02	0.04	0.51	38.46
13	0.33	0.18	2.77*	56.52	0.00	0.05	0.12	42.31
14	0.16	0.34	1.31	50.72	0.00	0.05	-0.01	50.00
15	0.15	0.49	1.25	49.28	0.03	0.07	0.72	46.15

16	-0.06	0.43	-0.50	43.48	-0.05	0.02	-1.29	34.62
17	0.01	0.44	0.08	49.28	0.01	0.04	0.32	50.00
18	-0.18	0.26	-1.47	47.83	-0.05	-0.01	-1.25	42.31
19	0.04	0.30	0.34	59.42	0.01	0.00	0.25	46.15
20	0.20	0.50	1.64	50.72	0.01	0.01	0.38	50.00

***, **, ***, ****indicate significance at 1%, 5%, 10% and 0.1% levels respectively**

Source: Computed from CMIE Prowess Database

By theoretical explanation cash financed mergers should perform better than the stock financed mergers irrespective of type of mergers. However, the results of the study are in contrary to this explanation. The CAR on announcement day for stock financed horizontal mergers is 0.34% compared to 0.27% of cash-financed horizontal mergers. The 41-day CAR, too, of stock financed mergers is higher than the cash financed horizontal mergers.

AAR & CAR of Vertical Mergers Based on Method of Financing:

Table 4 gives the details relating to abnormal returns of Vertical mergers based on method of payment for 41 days.

Table 3 AAR and CAR of Vertical Mergers Based on Method of Payment

Event Day	STOCK (10)				CASH (5)			
	AAR	CAR	Z-value	% of COs +VE Returns	AAR	CAR	Z-value	% of COs+VE Returns
-20	0.14	0.14	0.45	50.00	-0.87	-0.87	-1.95***	0.00
-19	0.11	0.25	0.34	60.00	-0.05	-0.93	-0.12	40.00
-18	0.12	0.37	0.38	40.00	0.2	-0.72	0.46	60.00
-17	0.44	0.81	1.4	60.00	0.92	0.2	2.07**	60.00

-16	0.34	1.16	1.08	60.00	-0.29	-0.08	-0.64	40.00
-15	-0.5	0.65	-1.59	20.00	4.13	4.05	9.24****	80.00
-14	0.13	0.78	0.41	30.00	0.77	4.82	1.73***	40.00
-13	0.35	1.13	1.12	50.00	-0.12	4.7	-0.26	40.00
-12	0.19	1.33	0.62	60.00	0.59	5.29	1.31	60.00
-11	-0.14	1.19	-0.45	30.00	-0.03	5.26	-0.06	60.00
-10	0.3	1.49	0.95	30.00	-0.37	4.9	-0.82	20.00
-9	0.04	1.53	0.14	50.00	-0.17	4.73	-0.38	20.00
-8	-0.43	1.11	-1.35	40.00	0.12	4.85	0.27	20.00
-7	-0.11	1	-0.35	30.00	0.03	4.87	0.06	60.00
-6	-0.34	0.66	-1.06	40.00	-0.86	4.02	-1.92***	0.00
-5	0.25	0.91	0.81	60.00	0.56	4.58	1.25	80.00
-4	0.32	1.24	1.02	50.00	-0.14	4.43	-0.32	40.00
-3	-0.35	0.89	-1.1	40.00	0.15	4.58	0.33	40.00
-2	0.37	1.26	1.17	50.00	0.25	4.83	0.56	40.00
-1	0	1.26	-0.01	40.00	2.34	7.17	5.22****	80.00
0	-0.2	1.05	-0.64	20.00	-0.48	6.68	-1.08	40.00
1	0.02	1.07	0.06	50.00	0	6.69	0	60.00
2	-0.32	0.75	-1.02	60.00	-0.23	6.46	-0.51	60.00
3	-0.29	0.46	-0.93	20.00	-0.71	5.75	-1.58	20.00
4	0.01	0.47	0.04	50.00	0.62	6.37	1.39	60.00
5	0.25	0.72	0.79	50.00	0.04	6.41	0.1	60.00

6	0	0.72	0.01	60.00	-0.66	5.76	-1.47	0.00
7	0.62	1.35	1.97	50.00	0.37	6.12	0.82	80.00
8	0.02	1.36	0.05	50.00	-0.65	5.48	-1.44	60.00
9	0.07	1.43	0.22	50.00	-0.04	5.43	-0.09	40.00
10	0.09	1.52	0.28	50.00	-0.22	5.22	-0.48	40.00
11	-0.22	1.3	-0.7	10.00	0.03	5.25	0.06	40.00
12	-0.14	1.16	-0.43	30.00	0.12	5.36	0.27	40.00
13	-0.3	0.86	-0.95	20.00	-0.62	4.74	-1.39	0.00
14	0.13	1	0.42	50.00	-0.14	4.61	-0.3	20.00
15	-0.53	0.47	-1.68	10.00	0.88	5.49	1.98**	80.00
16	0.07	0.53	0.22	50.00	-0.35	5.14	-0.79	60.00
17	-0.37	0.17	-1.16	40.00	0.26	5.4	0.58	80.00
18	-0.37	-0.2	-1.17	40.00	-0.2	5.2	-0.45	60.00
19	-0.26	-0.47	-0.83	10.00	-0.39	4.81	-0.86	20.00
20	-0.31	-0.78	-0.98	30.00	-0.2	4.61	-0.44	20.00

***, **, ***, ****indicate significance at 1%, 5%, 10% and 0.1% levels respectively**

Source: Computed from CMIE Prowess Database

The vertical mergers are performing in accordance with the theoretical proposition. The cash financed vertical mergers outperform the stock financed vertical mergers both on the announcement day and for the overall period.

AAR & CAR of Conglomerate mergers based on method of financing:

Table 4 provides the details relating to abnormal returns of Conglomerate mergers based on method of payment for 41 days.

Table 4

AAR and CAR of Conglomerate Mergers Based on Method of Payment

Event Day	STOCK (13)				CASH (12)			
	AAR	CAR	Z-value	% of Cos +VE Returns	AAR	CAR	Z-value	% of Cos +VE Returns
-20	0.06	0.06	0.22	38.46	-0.32	-0.32	-1.12	25
-19	-0.35	-0.29	-1.25	23.08	-0.69	-1.02	-2.40**	41.67
-18	-0.43	-0.72	-1.55	23.08	0.02	-1	0.06	50
-17	0.17	-0.54	0.63	61.54	-0.15	-1.15	-0.51	50
-16	0.31	-0.24	1.1	69.23	0.29	-0.85	1.02	41.67
-15	-0.3	-0.53	-1.07	38.46	-0.16	-1.02	-0.57	25
-14	-0.45	-0.99	-1.63	38.46	-0.1	-1.12	-0.36	66.67
-13	0.26	-0.73	0.94	38.46	-0.29	-1.41	-0.99	33.33
-12	0.03	-0.69	0.11	53.85	-0.14	-1.55	-0.5	25
-11	0.24	-0.45	0.87	46.15	0.41	-1.15	1.4	50
-10	-0.39	-0.85	-1.42	30.77	-0.14	-1.28	-0.48	50
-9	0.37	-0.47	1.34	76.92	-0.3	-1.58	-1.02	41.67
-8	0.19	-0.29	0.67	53.85	0.24	-1.34	0.83	50
-7	0.14	-0.15	0.49	69.23	0.33	-1.01	1.15	41.67
-6	0.19	0.04	0.69	46.15	-0.16	-1.16	-0.54	41.67
-5	0.37	0.41	1.32	69.23	-0.1	-1.26	-0.33	41.67
-4	-0.33	0.07	-1.19	38.46	0.23	-1.03	0.81	41.67

-3	0.41	0.49	1.49	69.23	0.29	-0.74	1	41.67
-2	-0.13	0.36	-0.46	38.46	0.69	-0.05	2.38**	58.33
-1	-0.04	0.32	-0.15	38.46	0.99	0.94	3.42****	83.33
0	0.32	0.64	1.14	61.54	0.67	1.6	2.31**	58.33
1	-0.23	0.41	-0.83	38.46	0.4	2	1.38	58.33
2	0	0.41	0.02	38.46	-0.2	1.8	-0.7	33.33
3	-0.09	0.32	-0.33	46.15	-0.24	1.56	-0.82	41.67
4	-0.14	0.17	-0.52	46.15	-0.44	1.13	-1.51	33.33
5	0.36	0.54	1.3	69.23	-0.48	0.64	-1.67***	41.67
6	0.42	0.96	1.52	61.54	-0.02	0.63	-0.05	33.33
7	-0.21	0.75	-0.75	23.08	0.06	0.69	0.22	50
8	0.8	1.54	2.87*	53.85	0.33	1.03	1.16	41.67
9	0.09	1.63	0.31	30.77	0.38	1.41	1.31	58.33
10	-0.28	1.35	-1.01	38.46	-0.03	1.38	-0.09	41.67
11	-0.58	0.77	-2.10**	38.46	-0.22	1.16	-0.76	50
12	-0.06	0.71	-0.21	30.77	-0.01	1.15	-0.05	41.67
13	0.07	0.78	0.24	53.85	-0.36	0.78	-1.26	25
14	-0.59	0.19	-2.11**	15.38	0.05	0.84	0.18	41.67
15	0.22	0.41	0.78	46.15	-0.13	0.71	-0.44	33.33
16	-0.16	0.25	-0.58	30.77	-0.13	0.58	-0.46	41.67
17	-0.22	0.03	-0.78	46.15	-0.35	0.23	-1.21	33.33
18	-0.06	-0.03	-0.21	53.85	0.16	0.38	0.54	58.33

19	0.12	0.09	0.43	46.15	-0.08	0.3	-0.28	41.67
20	0.57	0.66	2.06**	46.15	0.16	0.46	0.56	50

***, **, ***, ****indicate significance at 1%, 5%, 10% and 0.1% levels respectively**

Source: Computed from CMIE Prowess Database

The AAR on the day '0' for stock financed conglomerate mergers is 0.32%, where as AAR for cash financed conglomerate mergers are 0.67%, whereas the AAR decreases to 0.57% for stock financed conglomerate mergers and 0.16% for cash financed conglomerate mergers on the 20th day. While the overall CAR for stock financed conglomerate mergers increases from 0.64% on the day '0'to 0.66% on the day '20'.But for cash financed conglomerate merger's CAR decreases from 1.6% on the day '0' to 0.46% on 20th day. From the scrutiny of the above table it can be concluded that among conglomerate mergers stock financed mergers perform better than cash financed mergers in the short-term.

Conclusion:

The present study attempts to assess the announcement returns for horizontal, vertical and conglomerate mergers based n method of financing. The study finds that vertical mergers gain more returns than horizontal and conglomerate mergers. The announcement day CAR of vertical mergers (2.93%) is higher than the announcement day CAR of conglomerate (1.1%) and horizontal mergers (0.63%). The 41-day overall CAR of vertical mergers (2.65%) exceed horizontal (0.39%) and conglomerate mergers (1.08%).In case of horizontal mergers, the analysis shows that stock financed mergers generate more returns than cash financed mergers. The CAR on announcement day for stock financed horizontal mergers is 0.34% compared to 0.27% of cash-financed horizontal mergers.

In case of vertical mergers, the 41-day CAR for cash mergers is 4.61% and for stock mergers is -0.78%. This shows that the cash financed vertical mergers outperform the stock financed vertical mergers both on the announcement day and for the overall period.

The AAR on the day '0' for stock financed conglomerate mergers is 0.32%, where as AAR for cash financed conglomerate mergers are 0.67% While the overall CAR for stock financed conglomerate mergers increases from 0.64% on the day '0'to 0.66% on the day '20'.But for cash financed conglomerate merger's CAR decreases from 1.6% on the day '0' to 0.46% on 20th day. This analysis concludes that that among conglomerate mergers stock financed mergers perform better than cash financed mergers in the short run.

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