

**MERGERS AND ACQUISITIONS IN INDIA AND THEIR IMPACT
ON THE OPERATING EFFICIENCY OF THE INDIAN
ACQUIRING COMPANY: A LEGAL AND EMPIRICAL
ASSESSMENT**

by

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ABSTRACT

Mergers and acquisitions (M&A) are often defended as instruments for improving an acquiring company's operating efficiency through economies of scale, complementary assets, stronger market access, technology transfer, and the redeployment of capital. Yet an increase in size, revenue, or market share does not necessarily demonstrate that the acquisition has made the acquirer more productive. This paper examines the relationship between M&A and the operating efficiency of Indian acquiring companies through doctrinal analysis, a review of empirical literature, and comparative case studies. It considers the statutory process under the Companies Act, 2013, competition review under the Competition Act, 2002, and related securities, tax, and sectoral constraints. The literature on Indian firms is mixed: some studies find improved profitability and cash-flow margins, while others show deterioration in raw post-merger metrics or no significant improvement after adjusting for the performance of comparable firms.¹ The paper analyses Tata Motors' acquisition of Jaguar Land Rover, Hindalco's acquisition of Novelis, Sun Pharmaceutical Industries' acquisition of Ranbaxy, and the merger of HDFC Limited into HDFC Bank. These examples show that operating results depend on the fit between strategic rationale and integration design, financing structure, regulatory compliance, organisational capability, and the time horizon used to assess performance. The paper argues that efficiency must be treated as a testable post-closing outcome rather than a presumption arising from deal completion. It recommends measurable synergy baselines, independent monitoring, transparent disclosure, competition-sensitive planning, and multi-year evaluation against industry and control-firm benchmarks.

¹ Arpita Mehrotra & Arunaditya Sahay, Systematic Review on Financial Performance of Mergers and Acquisitions in India, 22 Vision 211, 211–21 (2018), <https://doi.org/10.1177/0972262918766137>.

Keywords: mergers and acquisitions; operating efficiency; Indian companies; post-merger performance; corporate governance; competition law; integration synergies.

I. INTRODUCTION

A. Background and Significance

Mergers and acquisitions have become a central instrument of corporate restructuring in India following liberalisation and the progressive opening of domestic markets to competition, foreign investment, and cross-border capital. Indian companies use acquisitions to enter new product categories, obtain distribution networks, acquire intellectual property, secure raw materials, expand internationally, and consolidate fragmented industries. These are plausible routes to greater efficiency, but they are hypotheses that require verification after completion rather than automatic consequences of combination.²

The distinction between growth and efficiency is foundational. Growth measures may include revenue, assets, employees, branches, production capacity, or market share. Operating efficiency asks how productively those resources are used: whether the combined firm produces more output from a given input base, converts sales into operating cash, uses assets more intensively, reduces avoidable costs, and improves service or product quality. A legally valid and commercially large transaction may therefore remain an operationally unsuccessful one.

This question is especially important for Indian acquiring companies because transactions may span different accounting systems, regulatory regimes, currencies, labour markets, and stages of institutional development. The potential gain must be assessed alongside integration costs, debt service, working-capital needs, compliance liabilities, cultural friction, and the possibility that key employees or customers leave after closing.

B. Research Question, Scope, and Argument

The principal question is whether, and under what conditions, mergers and acquisitions improve the operating efficiency of Indian acquiring companies. The paper uses “acquirer” to include a company that purchases control of a target and a transferee company that absorbs another company through a statutory scheme, while recognising that the legal structures are not identical.

² Arpita Mehrotra & Arunaditya Sahay, Systematic Review on Financial Performance of Mergers and Acquisitions in India, 22 Vision 211, 211–21 (2018), <https://doi.org/10.1177/0972262918766137>.

Market reaction may reveal investor expectations, but it does not establish that the combined business ultimately achieves the promised operational gains.³

The paper advances three propositions. First, M&A is more likely to improve efficiency when there is an identifiable operational mechanism—such as shared procurement, technology transfer, better capacity utilisation, or complementary distribution—rather than an aspiration to become larger. Accordingly, neither a simple before-and-after ratio nor a management-announced synergy target is sufficient by itself.

C. Methodology and Limitations

The study follows a mixed doctrinal and analytical method. It examines the relevant Indian statutory framework, uses published empirical studies of Indian M&A performance, and compares four public transactions through company disclosures and regulator materials. The research is desk-based and does not estimate a new transaction-level regression or conduct interviews. Public disclosures are informative but not neutral evaluations; company reports commonly describe strategy and progress, whereas independent causal attribution requires counterfactual data.

The analysis therefore avoids claiming that a deal caused every subsequent change in operating results. Macroeconomic conditions, commodity cycles, exchange rates, new products, management changes, financing costs, regulatory action, and accounting policy can all affect post-deal metrics. A case study can demonstrate a plausible pathway, an observed challenge, or a measurement problem; it cannot by itself prove a universal rule. The findings are consequently framed as conditional conclusions suited to Indian corporate practice and legal policy.

II. THE INDIAN LEGAL AND REGULATORY FRAMEWORK

A. Schemes of Arrangement under the Companies Act, 2013

The Companies Act, 2013 provides the principal domestic statutory framework for compromises, arrangements, mergers, and amalgamations. Sections 230 and 232 address compromises or arrangements with creditors and members and schemes involving reconstruction, merger, or amalgamation. Section 233 creates a fast-track route for specified categories of companies,

³ Paul M. Healy, Krishna G. Palepu & Richard S. Ruback, Does Corporate Performance Improve After Mergers?, 31 J. Fin. Econ. 135, 135–75 (1992).

subject to statutory conditions and regulatory scrutiny, while section 234 addresses mergers or amalgamations involving foreign companies in permitted circumstances.⁴

The legal process matters to efficiency because the scheme sets the architecture of the combination. It can prescribe the appointed date, transfer of property and liabilities, treatment of employees, share-exchange ratio, accounting treatment, and continuation of contracts or proceedings. Legal diligence must therefore be integrated with operational diligence rather than conducted as a separate checklist at the end of negotiations.

In *Miheer H. Mafatlal v. Mafatlal Industries Ltd.*, the Supreme Court explained the supervisory nature of the court's role in considering a scheme approved by the requisite majorities. The judgment does not make efficiency a judicially guaranteed outcome; instead, it underscores that commercial wisdom remains with the company and its stakeholders, within the boundaries of law. Boards and advisers consequently retain responsibility for testing the operational assumptions behind the proposal.⁵

B. Competition Law and Merger Control

The Competition Act, 2002 regulates combinations that fall within section 5 and the applicable thresholds or other notification criteria. The Competition Commission of India (CCI) may approve a notified combination, approve it subject to modifications, or prohibit it where the statutory competition standard is met.^{6 7}

The Competition (Amendment) Act, 2023 introduced, among other reforms, a deal-value threshold and changes affecting the merger-review process. The Competition Commission of India (Combinations) Regulations, 2024 provide procedural detail, including requirements relevant to transaction value and substantial business operations in India. Because thresholds, exemptions, and notification rules are subject to amendment and notification, counsel must confirm the law as at signing and before closing instead of relying on a historic threshold table.⁸

⁴ The Companies Act, No. 18 of 2013, §§ 230–34 (India).

⁵ *Miheer H. Mafatlal v. Mafatlal Indus. Ltd.*, (1997) 1 S.C.C. 579 (India).

⁶ The Competition Act, No. 12 of 2003, §§ 5–6 (India), as amended by the Competition (Amendment) Act, No. 9 of 2023 (India).

⁷ Competition Comm'n of India, Regulation of Combinations (Section 5 & 6), <https://cci.gov.in/regulation-of-combination> (last visited Oct. 23, 2026).

⁸ Competition Comm'n of India, The Competition Commission of India (Combinations) Regulations, 2024 (Sept. 10, 2024), <https://www.cci.gov.in/combination/legal-framework/regulations/details/12/0>; Competition Commission of India (Criteria of Combination) Rules, 2024 (India).

Competition review has a direct relationship with operating efficiency. A transaction intended to eliminate duplicate distribution or combine production capacity may yield cost savings, but the same transaction can reduce customer choice or create the ability to raise prices. Commercial plans should identify which synergies are achievable without impairing competition and which depend on conduct, access, licensing, or divestiture commitments that may be conditioned by approval.

C. Securities Regulation, Disclosure, and Corporate Governance

Listed-company M&A may engage several SEBI instruments, including the Listing Obligations and Disclosure Requirements Regulations, 2015, the Substantial Acquisition of Shares and Takeovers Regulations, 2011, and the Prohibition of Insider Trading Regulations, 2015. Public-company boards must make timely and accurate disclosures, manage unpublished price-sensitive information, consider the interests of shareholders, and ensure that deal negotiations do not undermine market integrity.^{9 10}

Section 166 of the Companies Act requires directors to act in good faith to promote the objects of the company for the benefit of members as a whole and in the best interests of the company, employees, shareholders, community, and environment, within the statute's formulation. A strategic rationale should not be treated as a substitute for a documented process, especially where an acquisition is transformational or involves a related party.¹¹

D. Tax, Foreign Exchange, and Sectoral Constraints

Tax treatment can materially affect transaction economics. The Income-tax Act, 1961 defines amalgamation for tax purposes and provides, subject to statutory conditions, rules relevant to transfers and the carry-forward of accumulated losses and unabsorbed depreciation in specified amalgamations. Advisers should distinguish the book-accounting treatment from tax treatment and model the cash tax position, rather than assuming that consolidation automatically reduces tax leakage.¹²

⁹ Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (India); Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (India).

¹⁰ Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (India); Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (India).

¹¹ The Companies Act, No. 18 of 2013, §§ 166, 177, 178, 230–32 (India).

¹² Income-tax Act, No. 43 of 1961, §§ 2(1B), 47(vi), 72A (India).

Cross-border deals may also require compliance with the Foreign Exchange Management Act, foreign investment rules, the Reserve Bank of India's directions, and host-country merger, investment, and licensing laws. Sector-specific approvals may apply in banking, insurance, telecom, defence, media, pharmaceuticals, and other regulated sectors. Legal completion is only one stage in a chain of permissions and capabilities necessary for effective operation.

The Insolvency and Bankruptcy Code, 2016 may interact with distressed acquisitions, resolution plans, and business transfers. An acquisition through insolvency can offer a route to purchase assets or control at a different price, but the operational challenge may include old equipment, employee uncertainty, customer attrition, disputed claims, and investment needed to restart capacity. Due diligence should quantify both the purchase consideration and the capital expenditure, working capital, restructuring, remediation, and management attention needed after control changes.¹³

III. CONCEPTUALISING OPERATING EFFICIENCY AFTER M&A

A. What Counts as Operating Efficiency?

Operating efficiency is multidimensional. In a manufacturing company, it may be reflected in output per employee, capacity utilisation, scrap rates, energy intensity, inventory turnover, on-time delivery, unit cost, asset turnover, and operating cash flow relative to assets. For a bank or insurer, metrics must reflect the financial intermediary model and regulatory capital requirements; an industrial EBITDA-to-assets ratio cannot be carried over uncritically to a bank.

Accounting ratios are useful because they are accessible and comparable over time, but they are imperfect proxies. EBITDA margin can improve after a high-margin target is consolidated even if the acquirer's underlying operations do not become more productive. A lower cost-to-income ratio may reflect branch closures that sacrifice growth, while an initially higher ratio may reflect spending on integration or an expansion of distribution that creates value later.

B. Main Channels Through Which Efficiency May Improve

1. Economies of Scale and Scope

Scale economies arise when combining production, procurement, logistics, technology platforms, or support functions lowers average cost at a given output level. Scope economies arise when complementary products use the same brand, distribution network, customer relationship, data, or

¹³ Insolvency and Bankruptcy Code, No. 31 of 2016, §§ 30–31, 53 (India).

back-office infrastructure. They are weaker when the acquirer buys an unrelated business without a credible method of sharing resources, and they can be negative where greater complexity raises coordination costs or makes decision-making slower.

2. Revenue, Capability, and Market-Access Synergies

Revenue synergies may arise when an acquirer cross-sells products, enters new geographies, obtains a trusted brand, gains a patent portfolio, or combines customer segments. These gains are usually harder to verify than straightforward cost reductions because demand, competitive response, and product execution are uncertain. The relevant question is whether the acquirer can retain and deploy these capabilities, rather than whether it merely acquires ownership of them.

3. Capital Allocation and Asset Productivity

An acquisition may improve capital productivity where the buyer uses the target's assets more intensively, reallocates production to efficient facilities, retires obsolete plants, shares distribution channels, or improves procurement and working-capital discipline. The analysis must therefore assess operating returns alongside the capital invested to obtain them. Synergy is not simply the gross saving from shutting duplicate departments; it is the net, risk-adjusted benefit after integration costs and incremental capital needs.¹⁴

C. Measurement and Causal Inference

A reasonable measurement design begins with at least three years of pre-acquisition and post-acquisition data, subject to the availability of comparable financial statements and the materiality of cyclical factors. The purpose of matching is to distinguish deal effects from the wider business cycle or industry-wide changes.¹⁵

A before-and-after analysis is vulnerable to confounding. If the acquirer's margin increases following a merger during a commodity boom, the increase may have occurred without the deal. If margins decline during a recession, the decline cannot automatically be attributed to poor integration. The method must also account for survivorship bias: studies limited to firms that continue to report comparable data may overlook failed or restructured combinations.

¹⁴ Aswath Damodaran, *The Value of Synergy*, in *Investment Valuation: Tools and Techniques for Determining the Value of Any Asset* (3d ed. 2012).

¹⁵ Barber M. Barber & John D. Lyon, *Detecting Abnormal Operating Performance: The Empirical Power and Specification of Test Statistics*, 41 J. Fin. Econ. 359, 359–99 (1996).

Evaluation must separate four concepts: (i) shareholder value, (ii) financial performance, (iii) operating efficiency, and (iv) social or competition outcomes. A target premium can transfer expected gains to target shareholders and leave limited incremental value for the acquirer. Accounting earnings can improve while the acquirer destroys value through an excessive purchase price. A sound assessment therefore uses multiple indicators and explains the trade-offs instead of labelling the deal successful from a single ratio.

IV. EMPIRICAL LITERATURE ON INDIAN ACQUIRERS

A. Early Indian Evidence

Mantravadi and Reddy examined listed Indian mergers during the post-reform period from 1991 to 2003. Their study compared pre- and post-merger financial ratios across different types of mergers and reported only minor variations in operating performance by merger type. It also reflects the limits of ratio-based comparisons, which may not fully isolate macroeconomic changes or integrate the differences between sectors and deals.¹⁶

Ramakrishnan's study of Indian industry reached a more positive result, finding that merged firms performed better than both their own pre-merger position and industry comparators, with stronger long-term performance reported in certain unrelated-industry combinations and where corporate control transferred. At the same time, the study found that an acquired firm's distress could adversely affect long-term performance. A distressed target can provide an opportunity to improve assets, while also absorbing substantial time and capital.¹⁷

B. Studies Reporting Improvement

Rani, Yadav, and Jain used a Du Pont framework to study Indian acquiring firms and reported improvement in operating cash-flow ratios and long-term operating profit margins after M&A. However, the conclusion should be read in light of the sample and design: evidence of an average pre/post improvement does not necessarily establish that every transaction created efficiency, or that the improvement was caused exclusively by the deal.¹⁸

¹⁶ P. Mantravadi & A. Vidyadhar Reddy, Type of Merger and Impact on Operating Performance: The Indian Experience, 43 Econ. & Pol. Wkly. 66, 66–74 (2008).

¹⁷ K. Ramakrishnan, Mergers in Indian Industry: Performance and Impacting Factors, 11 Bus. Strategy Series 261, 261–68 (2010), <https://doi.org/10.1108/17515631011063794>.

¹⁸ Neelam Rani, Surendra Yadav & P. Jain, Post-M&A Operating Performance of Indian Acquiring Firms: A Du Pont Analysis, 5 Int'l J. Econ. & Fin. 65, 65–77 (2013), <https://doi.org/10.5539/ijef.v5n8p65>.

Aggarwal and Garg studied 68 Indian mergers completed between financial years 2007–08 and 2011–12, comparing accounting measures over both five-year and three-year pre- and post-merger windows. Their published abstract reports significant positive effects on profitability and liquidity over five years, but no significant impact on solvency. This sector difference is important: a service business may integrate distribution, information systems, or customer relationships differently from a capital-intensive manufacturer with long-lived assets and heavy fixed costs.¹⁹

A later empirical analysis of 54 Indian manufacturing acquirers, covering transactions during financial years 2006–07 to 2013–14, examined profitability, liquidity, solvency, and cost utilisation over a broad pre- and post-merger window. Its relevance, however, depends on whether performance is adjusted for industry changes and whether the deal sample adequately represents the broader population of acquirers.²⁰

C. Studies Reporting Deterioration or No Incremental Gain

Turamari and Hyderabad examined 84 Indian acquiring companies involved in M&A between 2000 and 2010 and assessed whether the payment method related to operating performance. The study suggests that financing choices can affect the amount of financial flexibility available for integration, although payment method is not randomly assigned and may reflect deal quality, leverage capacity, or management's private information.²¹

Dixit's difference-in-differences study is especially important because it explicitly considered comparable non-acquiring firms. It used four methods for selecting controls—size, size and industry, size and leverage, and size and book-to-market ratio—and measured return on assets using earnings before depreciation, interest, tax, and amortisation relative to total assets. This is a strong warning against treating a simple fall in profitability as proof that the merger failed, or a pre/post increase as proof of success.²²

¹⁹ Puja Aggarwal & Sonia Garg, Impact of Mergers and Acquisitions on Accounting-Based Performance of Acquiring Firms in India, 23 *Global Bus. Rev.* (2022), <https://doi.org/10.1177/0972150919852009>.

²⁰ Mergers, Acquisitions and the Financial Performance: An Empirical Analysis from Indian Manufacturing Sector, 17 *Management Insight* (2021), <https://doi.org/10.21844/mijia.17.1.9>.

²¹ Rashmi I. Turamari & R.L. Hyderabad, Method of Payment and Operating Performance of Acquiring Companies: A Study of Indian Mergers, 4 *J. Mgmt. in Practice* (Online Only) (2019).

²² Bipin Kumar Dixit, Operating Performance of Acquirers After Acquisition: Evidence from India, 12 *J. Indian Bus. Res.* 327, 327–41 (2020), <https://doi.org/10.1108/JIBR-08-2018-0204>.

Hyderabad's 2023 analysis of 16 Indian mergers reported that performance improved in the year of merger but fell in later years, including after control-firm and industry adjustment. The small sample was expressly constrained by data availability, so the result should not be universalised. Synergies should be measured over several years rather than solely in the announcement year or the first set of consolidated accounts.²³

D. Synthesis and Research Gaps

The studies collectively do not support a universal claim that M&A improves the operating efficiency of Indian acquirers. Results differ according to sample selection, sector, period, outcome variable, financing method, treatment of control firms, and time horizon. The empirical record is better described as conditional and method-sensitive than conclusively positive or negative.²⁴

Three limitations recur. First, Indian studies frequently rely on accounting ratios whose values are influenced by purchase-price accounting, goodwill, industry cycles, or financing decisions. Second, transaction samples are sometimes small or limited to listed firms for which financial statements are available. These limitations point to a research agenda using transaction-level datasets, matched controls, distinct sector models, post-closing synergy disclosures, and measures of non-financial operations such as quality, customer retention, employee turnover, and innovation.

V. CASE STUDIES OF INDIAN ACQUIRING COMPANIES

A. Tata Motors and Jaguar Land Rover: Strategic Assets and Brand Autonomy

1. Transaction and Strategic Rationale

Tata Motors completed its acquisition of the Jaguar Land Rover businesses from Ford Motor Company on 2 June 2008 for net cash consideration of US\$2.3 billion. The assets included the two established brands, intellectual property, manufacturing plants, design centres, and sales networks. The deal therefore sought access to globally recognised brands and engineering capabilities that would have taken considerable time to develop organically.²⁵

²³ Raju L. Hyderabad, Analysis of Post-Merger Operating Performance of Acquiring Firms in India, 10 MUDRA: J. Fin. & Acct. 76, 76–99 (2023), <https://doi.org/10.17492/jpi.mudra.v10i1.1012305>.

²⁴ Arpita Mehrotra & Arunaditya Sahay, Systematic Review on Financial Performance of Mergers and Acquisitions in India, 22 Vision 211, 211–21 (2018), <https://doi.org/10.1177/0972262918766137>.

²⁵ Tata Motors Ltd., Tata Motors Completes Acquisition of Jaguar Land Rover (June 2, 2008), <https://media.jlr.com/corporate/node/4917>.

The integration challenge was distinctive. Tata Motors acquired a foreign luxury-vehicle business with a customer base, product positioning, production footprint, and engineering culture that differed from its core Indian commercial-vehicle operations. The strategic logic accordingly depended on combining access to Tata's financial and industrial support with continued operating autonomy for Jaguar and Land Rover.

2. Operating Outcomes and Interpretation

JLR's later operating performance shows that the business became a substantial contributor to Tata Motors' global scale, but the results also demonstrate the need for year-specific analysis. The report attributed the FY2025 margin performance to the mix of sales and pricing, while revenue was broadly flat year-on-year. These figures are useful measures of operating health, but they are not a controlled experiment showing how JLR would have performed under Ford ownership.²⁶

The case supports a limited but important conclusion: an acquisition can build operational capacity by bringing a target with strong intangible assets into a group able to preserve its distinctive capabilities while providing capital and support. The appropriate test is whether the buyer's return on invested capital, productivity, and strategic access exceed the cost of acquisition and the alternative of organic development—not merely whether revenue expanded or a premium brand was added to the portfolio.

B. Hindalco and Novelis: Global Scale, Recycling, and Financing Risk

1. Transaction Structure and Industrial Logic

Hindalco Industries acquired Novelis in May 2007 through an all-cash transaction valued at approximately US\$6.0–6.2 billion including assumed debt. The acquisition combined Hindalco's position in primary aluminium and metals with Novelis' global downstream rolling business. Its rationale was vertical and geographic: the Indian acquirer could establish a large international presence in flat-rolled aluminium, gain customer access, and expand into markets for beverage cans, automotive sheet, and other value-added products.^{27 28}

²⁶ Tata Motors Ltd., Integrated Annual Report 2024–25, at 52 (2025), <https://www.tatamotors.com/wp-content/uploads/2024/05/tata-motor-IAR-2024-25.pdf>.

²⁷ Hindalco Indus. Ltd., Annual Report 2024–25 (2025); see also Novelis Inc., Hindalco Industries Completes Acquisition of Novelis Inc. (May 15, 2007), <https://investors.novelis.com/news-events/press-releases/detail/415/hindalco-industries-completes-acquisition-of-novelis-inc>.

²⁸ Novelis Inc., Annual Report (Form 10-K), at 2 (2008), <https://investors.novelis.com/sec-filings/all-sec-filings/content/0000950144-08-004924/g13816e10vk.htm>.

Vertical integration can improve operating efficiency by coordinating raw materials with processing, sharing research and commercial relationships, and optimising capacity across a broader production network. Downstream capabilities can also move the group towards value-added products rather than exposing it only to the price cycles of primary metal. The transaction thus had a clearer industrial logic than a purely financial roll-up: it combined different stages of a value chain and expanded geographic reach.

2. Costs, Cyclicity, and What the Case Establishes

The acquisition also illustrates how leverage and integration risks can compromise operational gains. Debt financing increases fixed claims on cash flow and can restrict investment in technology, maintenance, or expansion during downturns. The deal occurred shortly before the global financial crisis, when industrial demand and commodity markets weakened. In this setting, operating efficiency must be distinguished from balance-sheet resilience and from shareholder return.²⁹

The case should not be reduced to the proposition that the acquisition was either a success because Novelis became an integral global business or a failure because it added debt. The more useful lesson is that industrial logic and funding resilience must be tested together. Strategic scale can be valuable, but it cannot cancel out an unsustainable acquisition price or inadequate liquidity.

C. Sun Pharmaceutical Industries and Ranbaxy: Scale Under Compliance Pressure

1. Strategic Promise and Competition Conditions

Sun Pharmaceutical Industries announced in April 2014 that it would acquire Ranbaxy Laboratories in an all-stock transaction valued at approximately US\$4 billion. The announcement presented the deal as a route to greater global scale in specialty and generic pharmaceuticals and projected US\$250 million in revenue and operating synergies by the third year after closing. Its strategic logic included combining product portfolios, manufacturing capacity, research and development, global distribution, and access to regulated markets.³⁰

²⁹ Hindalco Indus. Ltd., Annual Report 2024–25 (2025); see also Novelis Inc., Hindalco Industries Completes Acquisition of Novelis Inc. (May 15, 2007), <https://investors.novelis.com/news-events/press-releases/detail/415/hindalco-industries-completes-acquisition-of-novelis-inc>.

³⁰ Sun Pharmaceutical Indus. Ltd. & Ranbaxy Laboratories Ltd., Sun Pharma to Acquire Ranbaxy in a US\$4 Billion Landmark Transaction (Apr. 6, 2014), <https://sunpharma.com/wp-content/uploads/2020/12/Press-Release-Sun-Pharma-to-acquire-Ranbaxy.pdf>.

The CCI approved the proposed merger subject to modification in December 2014. Among other requirements, the parties were directed to divest products in seven relevant formulation markets, and the combination was not to take effect before the specified divestitures were carried out. Where divestiture is a condition of approval, the acquirer should subtract the value of the businesses or products to be divested from synergy estimates and build legal completion milestones into the integration plan.³¹

2. Quality Systems as an Operating Variable

Pharmaceutical manufacturing makes the relationship between legal compliance and operating efficiency especially direct. Regulatory quality systems determine whether products can be manufactured, approved, and supplied to important markets. The existence of these records does not by itself measure the causal effect of the merger, but it demonstrates why inherited quality systems, inspection findings, data integrity, and remediation obligations must be treated as core operating liabilities rather than peripheral legal matters.³²

In such a deal, savings from procurement or overlapping facilities may be overwhelmed by the cost of quality remediation, production interruptions, delayed product approvals, and reputational damage. Integration must preserve the ability to produce compliant medicines; reducing the number of sites is not efficient if it overloads quality teams or disrupts validated processes. Compliance is a productive capability: it protects access to customers and preserves the ability to generate revenue.

D. HDFC Limited and HDFC Bank: Domestic Scale and Short-Term Integration Costs

1. Transaction Rationale

The merger of HDFC Limited into HDFC Bank became effective on 1 July 2023. The combination joined a major housing-finance institution with a large private-sector bank and gave the merged bank direct access to HDFC's home-loan franchise, customer relationships, and related financial-services ecosystem. These potential benefits depend on using the bank's deposits, distribution network, technology, and customer relationships to create a sustainable

³¹ Press Information Bureau, Gov't of India, CCI Approves the Proposed Merger Between Sun Pharma and Ranbaxy Subject to Modification (Dec. 8, 2014), <https://www.pib.gov.in/newsite/PrintRelease.aspx?lang=2®=48&relid=112854>.

³² U.S. Food & Drug Admin., Regulatory Actions Against Ranbaxy and Sun Pharma, <https://www.fda.gov/drugs/enforcement-activities-fda/regulatory-actions-against-ranbaxy-and-sun-pharma> (last visited Oct. 23, 2026).

mortgage franchise, while maintaining appropriate funding, liquidity, and credit-risk management.³³

Unlike a manufacturing merger, a bank's operating efficiency cannot be assessed primarily through EBITDA margin or physical output. Relevant indicators include net interest margin, cost-to-income ratio, operating expenses per unit of business, deposit mix, credit cost, non-performing assets, capital adequacy, customer acquisition and retention, and service quality. HDFC Bank itself cautioned that prior-period figures were not comparable because HDFC Limited merged into the bank with effect from July 2023.³⁴

2. Evidence of Synergies and Expenses

The bank's FY2024–25 report, the first full financial year after the merger, recorded operating non-interest expenses of approximately ₹68,174.9 crore, compared with ₹63,386.0 crore in the previous year. During the year it established 719 branches and 201 ATMs or cash-recycler machines. But it shows that scale does not mechanically reduce operating costs in the short run.³⁵

The appropriate performance question is whether the added cost base produces higher-quality, risk-adjusted and sustainable revenues over time. A wider deposit network may improve funding resilience, but new branches require time to mature. Integration may initially require parallel systems, data migration, reorganisation, and harmonisation of processes. Future evaluation should compare the merged bank's cost-to-income ratio, deposit acquisition, mortgage productivity, credit costs, service outcomes, and return on assets with a consistent post-merger baseline.

E. Comparative Lessons from the Case Studies

The four cases reveal different mechanisms and risk profiles. None proves that M&A is generally efficient or inefficient. Together, they show that the relevant unit of analysis is the business mechanism through which the combined company is expected to improve.

³³ HDFC Bank Ltd., Integrated Annual Report 2024–25, at 193, 209 (2025), https://www.hdfc.bank.in/content/dam/hdfcbankpws/in/en/pdf/annual-reports/2024-25/HDFC_Bank_Annual_Report_2024_25-310202.pdf.

³⁴ HDFC Bank Ltd., Key Parameters: Financial Results for the Quarter Ended March 31, 2025 (2025), <https://v.hdfc.bank.in/content/dam/hdfcbankpws/in/en/pdf/financial-results/2024-2025/quarter-4/key-parameters-financial-results-for-the-quarter-ended-march-31-2025.pdf>.

³⁵ HDFC Bank Ltd., Integrated Annual Report 2024–25, at 193, 209 (2025), https://www.hdfc.bank.in/content/dam/hdfcbankpws/in/en/pdf/annual-reports/2024-25/HDFC_Bank_Annual_Report_2024_25-310202.pdf.

A related caution is illustrated by Tata Steel's acquisition of Corus in 2007. Tata Steel's annual report described a net funding requirement of approximately ₹56,150 crore, equivalent at the time to about US\$12.9 billion, with a substantial financing package involving debt and equity. The lesson is not that cross-border M&A should be avoided; it is that operating gains must be stress-tested against the leverage and market risks required to obtain them.³⁶

VI. WHY M&A EFFICIENCY GAINS OFTEN FALL SHORT

A. Overpayment and the Winner's Curse

An acquirer may pay away most or all of the anticipated synergy in the purchase price. Bidders often value a target on optimistic forecasts and compete with other buyers who rely on similar assumptions. Boards should therefore distinguish gross synergy from synergy attributable to the buyer after purchase premium, transaction costs, financing, taxes, and integration expenditure.

B. Integration Failure and Human Capital Loss

Integration is an organisational process, not simply a legal transfer. Management must decide which functions to centralise, which capabilities to protect, what systems to migrate, which reporting lines to change, and how to retain talent. The right degree of integration is contingent on the strategic purpose. A manufacturing merger with extensive overlapping plants may require deep operational integration; a luxury brand or research-led acquisition may need more autonomy to retain talent and reputation.

Employee turnover is a leading indicator because knowledge, customer ties, regulatory expertise, and tacit routines often reside in individuals rather than formal documents. If the acquired company's engineers, salespeople, compliance officers, or plant managers leave, the buyer may lose assets for which it paid a premium. The acquirer should track voluntary attrition in critical roles, time to fill positions, employee engagement, operational incidents, and customer retention as part of the integration scorecard.

C. Financing, Leverage, and Capital Allocation

Cash-funded acquisitions may place immediate pressure on liquidity, while debt-funded deals may make the consolidated company more sensitive to interest rates and refinancing risk. Neither

³⁶ Tata Steel Ltd., Annual Report 2006–07, Management Discussion and Analysis (2007), <https://www.tatasteel.com/investors/annual-report-2006-07/html/discussion4.html>; Tata Steel Ltd., Annual Report 2007–08, Management Discussion and Analysis (2008), https://www.tatasteel.com/investors/annual-report-2007-08/html/management_emerging.html.

payment form is categorically superior. The choice should be based on valuation, available cash, cost of capital, tax effects, exchange-rate exposure, target cash-flow stability, and the risk that integration savings arrive later than forecast.³⁷

The relevant financial test is whether the combined enterprise can earn a return on the total invested capital greater than its risk-adjusted cost of capital through the cycle. A short-term improvement in operating margin is insufficient if capital employed rises even faster. Management should communicate the distinction between recurring operating improvements and non-recurring integration charges, while resisting the temptation to label every recurring cost as “one-time.”

D. Regulatory Delay, Competition Remedies, and Legacy Liabilities

Regulatory approvals affect timing, structure, and the ability to implement operational plans. Competition remedies may require divestment of products or assets; foreign-investment conditions may affect ownership or control; sectoral regulators may require approval of management, capital, or operating systems. A failure to identify these matters can turn a seemingly efficient acquisition into a remediation project.

The transaction team should maintain a consolidated regulatory obligations register with a named owner, deadline, evidence of completion, and post-closing audit. If a target’s regulatory permission is essential to the business, the acquisition model should test whether it remains valid after a change in control and whether the relevant authority can impose conditions or require fresh approval.

E. Accounting Comparability and Short-Termism

Acquisition accounting can make pre- and post-merger ratios difficult to compare. The consolidated group may record goodwill, customer relationships, brands, patents, deferred taxes, and fair-value adjustments that were absent or differently reflected in the target’s stand-alone accounts. These changes affect depreciation, amortisation, asset bases, and return ratios. Without this discipline, numerical precision may create an illusion of causal certainty.

Performance targets can themselves produce inefficient conduct. If management is rewarded for reducing costs immediately, it may defer maintenance, training, cybersecurity, or research that is

³⁷ Rashmi I. Turamari & R.L. Hyderabad, Method of Payment and Operating Performance of Acquiring Companies: A Study of Indian Mergers, 4 J. Mgmt. in Practice (Online Only) (2019).

necessary for longer-term performance. If targets focus on revenue and market share, the acquirer may expand low-margin sales or tolerate poor working-capital practices. Efficiency is sustainable only when cost reduction improves resource use without degrading the capabilities required to compete.

VII. A PRACTICAL FRAMEWORK FOR MORE EFFICIENT M&A

A. Before Signing: Establish a Verifiable Synergy Thesis

The board should require a transaction thesis that identifies the source, owner, timing, and measurable amount of each expected synergy. Cost synergies should be based on specified procurement categories, plants, logistics routes, systems, or duplicated functions. Revenue synergies should use cautious assumptions about conversion, customer adoption, churn, competitive response, and cross-selling. Scenarios should include delayed integration, lower-than-expected demand, higher financing costs, and the loss of key employees.³⁸

Due diligence should be cross-functional. Legal teams should review corporate authority, title, contracts, disputes, licences, competition law, employment, intellectual property, data, tax, and regulatory compliance. Finance teams should test cash conversion, normalised earnings, pension and contingent liabilities, and the quality of earnings. The output should not merely be a list of risks; it should quantify how each risk changes the value and integration plan.

B. At Approval and Closing: Integrate Regulatory and Governance Planning

The board should maintain a reasoned record of alternatives considered, valuation assumptions, conflicts, financial resilience, and expected stakeholder effects. Independent directors and committees should challenge the deal team's optimism bias, particularly for transformational acquisitions. Where a merger requires a scheme sanction, the scheme and implementation plan should align legal effectiveness with the practical transfer of assets, employees, systems, data, and licences.

A clean-team protocol can enable competition-sensitive information to be reviewed before closing without allowing the merging companies to coordinate competitively while they remain independent. Integration teams should not begin price alignment, customer allocation, or other conduct that may constitute premature implementation. At the same time, a pre-closing plan can

³⁸ Aswath Damodaran, *The Value of Synergy*, in *Investment Valuation: Tools and Techniques for Determining the Value of Any Asset* (3d ed. 2012).

map workstreams, designate post-close owners, prepare systems migration, and define public communication. Properly structured planning reduces execution delay without treating regulatory approval as a procedural formality.³⁹

C. First 100 Days and the First Three Years: Manage the Integration

The first 100 days should focus on continuity and control: preserve key employees and customers, maintain production and service, secure IT systems and data, confirm regulatory compliance, resolve urgent supply constraints, and establish governance. This is especially important because a procurement contract may have been signed without cash savings yet appearing, and a planned branch or plant closure may incur transition costs before any net benefit is realised.

For three to five years after closing, the acquiring company should conduct periodic post-merger reviews. A dashboard should compare actual performance against the pre-deal baseline, board-approved targets, the original business plan, and appropriate industry benchmarks. For financial services, metrics must be tailored to funding, credit risk, liquidity, and capital adequacy. Results should be presented to the board with explanations for variance and a decision on whether to accelerate integration, preserve autonomy, or divest a non-performing unit.

D. Disclosure, Accountability, and Independent Evaluation

Listed acquirers should provide transparent disclosures about material integration costs, changes to expected synergy targets, significant divestitures, and impairments, subject to applicable disclosure rules and legitimate confidentiality restrictions. This improves comparability and reduces the risk that headline synergy claims become untestable public-relations language. The audit committee can oversee the distinction between recurring savings and accounting adjustments, while the board can review whether management incentives reward sustainable performance.

Independent evaluation can be particularly useful for large or transformational deals. A post-deal review should be designed before closing to avoid selection of only favourable measures after outcomes become known. The purpose is not to punish every forecast variance; it is to learn whether the acquisition thesis was correct, whether implementation was effective, and whether future capital would be better allocated organically or through another transaction.

³⁹ Competition Comm'n of India, The Competition Commission of India (Combinations) Regulations, 2024, regs. 4–5 (Sept. 10, 2024).

E. Legal and Policy Recommendations

For lawmakers and regulators, the goal should not be to force companies to demonstrate a predetermined level of efficiency before approval. Merger control must remain focused on the statutory competition standard, while company law protects procedural fairness, stakeholder participation, and legality. Regulators and courts can scrutinise whether parties have given complete and accurate information, but should not replace legitimate business judgment with hindsight where a properly informed, lawful decision later disappoints.

For boards and practitioners, four disciplines are essential. First, valuation and synergy assumptions must be independently challenged and stressed against downside cases. Second, operational, legal, financial, and human-capital diligence must feed into one integration design. Fourth, transaction performance must be reviewed against external benchmarks and alternative strategies. These steps do not eliminate uncertainty, but they make the acquisition rationale falsifiable, increase accountability, and reduce the tendency to equate a larger enterprise with a more efficient one.

VIII. CONCLUSION

Mergers and acquisitions can improve the operating efficiency of Indian acquiring companies, but the evidence does not support a general presumption that they do. Economies of scale, market access, complementary assets, technology, stronger distribution, and operational restructuring provide credible routes to improvement. Whether an acquisition succeeds therefore depends on the mechanism for value creation and the acquirer's ability to implement it under real commercial and legal constraints.

Indian empirical studies reach different conclusions because they examine different sectors, periods, metrics, and samples, and because their methods vary in their ability to separate deal effects from wider economic conditions. The latter evidence reinforces a methodological principle: post-deal outcomes must be compared with a credible counterfactual, not just with the acquirer's prior year.⁴⁰

The case studies sharpen that principle. These cases should be assessed through multiple years of financial and operational evidence, with explicit acknowledgement of external influences.

⁴⁰ Arpita Mehrotra & Arunaditya Sahay, Systematic Review on Financial Performance of Mergers and Acquisitions in India, 22 Vision 211, 211–21 (2018), <https://doi.org/10.1177/0972262918766137>.

The final proposition is legal as well as managerial. Indian company and competition law provide the framework for a lawful, fair, and competition-sensitive transaction, but they do not guarantee operational success. That responsibility remains with the board, management, and transaction advisers. In India, M&A should be judged not by the announcement of scale but by sustained, benchmark-adjusted improvements in productivity, cash generation, resilience, service, and returns on the capital committed.

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