

**A STUDY ON THE SHARE PRICE MOVEMENTS OF DABUR INDIA LTD. – PRE AND POST MERGER**

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**ABSTRACT**

*Merger as a growth strategy is used by companies to expand their business, increase profitability and reduce competition in the market. The present study focuses on merger of Dabur India Limited which is the largest Ayurvedic Medicine Company in India with Fem Care Pharma Limited in the year 2009. The study focuses on the impact of merger on the share prices of Dabur India Limited. The study covers a period of 16 years and is based entirely on secondary data. The period of the study is effectively divided into 8 years each i.e. 2000-08 as pre-merger period and 2010-18 as post-merger period. To stabilize the stock prices from the news of the merger between Dabur India Limited and Fem Care Pharma Limited, the study has excluded two years of data i.e. one year pre-merger (2008-09) and one year post-merger (2009-10). To study the impact of merger on share prices paired sample t-test is used. The analysis shows significant impact of merger on the share prices of Dabur India Limited during the study period. The study also shows that there is positive impact of merger on share prices of Dabur India Limited, as mean value of shares of post-merger period is higher than that of pre-merger period.*

*Keywords: pre- merger, post- merger, strategy, stock prices.*

**I. INTRODUCTION**

The present day business is growing at a very high pace and is coupled with stiff and severe competition. In every industry various strategies are used for expansion and growth of business; one of the most common strategies being mergers and acquisitions. Mergers help to increase the market share of the business which directly affects the shareholders' wealth in the market. Mergers may either increase the market value of shares or it may decrease the value of shares of the acquiring company.

Dabur India Limited was promoted by S. K. Burman in 1884 at Kolkata. It is a 132 years old company based in India and is considered as one of the largest Ayurvedic Medicine Company with its presence across the globe. Dabur India Limited was initially a family owned and managed business but over a period of time it has developed to a professionally managed business. Fem Care Pharma Limited was established in 1986 as a public company. It produces and supplies a wide range of cosmetic and pharmaceutical products. Dabur India Limited acquired Fem Care Pharma Limited in the year 2009. Fem Care Pharma Limited merged with Dabur India Limited as the former was suffering heavy losses whereas Dabur India Limited found interest in the deal as they wanted to expand their business and also capture the market in which Fem Care Pharma Limited was having its strong position. It was the merger of companies which produces totally different products.

This research focuses on merger of Dabur India Ltd. and Fem Care Pharma Ltd. It examines the impact of merger on share prices of Dabur India Ltd. pre merger and post merger. The findings of the study will be beneficial for the new entity formed after the merger as well as prospective investors while making informed investment decisions.

**II. REVIEW OF LITERATURE**

S. Nagendra, Kumar Satish and Laxon (2018) aimed to study the impact of mergers on stock prices of selected industries. The research sample consisted of five industries including Banking industry, Pharmaceutical industry, Textile industry, Chemical industry and Plastic industry. The study covered a fifteen year period from January 2000 to December 2014 where the sample for the study was selected based on convenience of the researcher. The main focus of the research was to analyse and compare the impact of merger on share prices. The researchers concluded that the share prices of different industries under study indicated positive impact.

Neelam Rani, Surendra Yadav and P.K. Jain (2015) made an attempt to find out the impact of mergers on shareholder wealth in the short run. The main objective behind the research was to measure the effect of the announcement of mergers and acquisitions on stock returns of the acquiring firms. The period of research was from January 2003 to March 2008. The study revealed that mergers and acquisitions resulted in wealth creation for the shareholders.

A. Basihir, M.R. Sajid and S.F. Sheikh (2011) made an attempt to study the impact of merger and acquisition on shareholder wealth. The study was based on the performance record of forty five mergers and acquisitions.

Various sectors of Pakistan were analysed for the period 2004 to 2010 for the purpose of the study. The study concluded that there was no improvement in value of shareholders wealth post merger and acquisition.

Manoj Anand, Jagandeep Singh (2008) analyzed the impact of merger announcements on shareholders wealth. For the purpose of the study the researcher considered five merger announcements in private sector banks. The study was carried out for the period ranging from 1999 to 2005. Single factor model and two factor model were used in the study to understand the effects of merger on shareholders wealth. The study shows positive & significant increase in shareholder value.

Aristeidis G. Samitas and Dimitris F. Kenourgios (2007) analysed the impact of merger and acquisition on stock returns of tramp shipping firms. For the purpose of the study, research sample consisted of tramp shipping firms' members of NASDAQ and NYSE. The period of study was from 2000 to 2007. The purpose of the study was to analyse the impact of merger announcements and its impact on stock prices. The researchers used the event study analysis and bootstrap to analyse the data. The results reveal that the announcements of mergers and acquisitions positively impact the tramp shipping firms and also help the firms to face new challenges.

**III. OBJECTIVE OF THE STUDY**

1. To understand the merger deal of Dabur India Ltd. and Fem Care Pharma Ltd.
2. To study the impact of merger on share prices of Dabur India Ltd. pre & post-merger period.

**IV. HYPOTHESIS**

H0: There is no significant impact of merger on share prices of Dabur India Ltd.

H1: There is significant impact of merger on share prices of Dabur India Ltd.

**V. RESEARCH METHODOLOGY**

The present research is based on secondary data. The study considers data for the period beginning 1<sup>st</sup> April 2000 to 31<sup>st</sup> March 2018. To stabilize the stock prices from the news of merger between Dabur India Limited and Fem Care Pharma Limited, the study has excluded two years data i.e. one year pre-merger (2008-09) and one year post-merger (2009-10). The data was analyzed using Statistical Package for the Social Sciences (SPSS) Software.

**VI. DATA ANALYSIS**

**Table - 1: Paired Sample Statistics**

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Pre-Merger	(0.0033)	1994	0.02660	0.00060
	Post-Merger	(0.0007)	1994	0.01554	0.00035

Table 1 indicates that the mean values for pre-merger period is (0.0033) and standard deviation is 0.02660 which indicates that pre - merger stock prices are moving at an average of 0.02660. For the post-merger period mean value is (0.0007) and standard deviation is 0.01554 which indicates that post - merger stock prices are moving at an average of 0.01554. Mean values for both the periods i.e. pre - merger as well as post - merger are negative but post-merger period has a lesser negative value which indicates that there is improvement in stock price after the merger.

**Table 2: Paired Sample Correlations**

		N	Correlation	Sig.
Pair 1	Pre-Merger & Post-Merger	1994	(0.052)	0.021

Table 2 displays correlation values as (0.052) which indicates that there is a weak negative correlation between the sock prices of Dabur India Limited pre - merger and post - merger period.

**Table 3: Paired Sample Test**

		Paired Differences					t	Df	Sig. (2-tailed)
		Mean	Standard Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Pre-Merger - Post-Merger	(0.00257)	0.03149	0.00071	(0.00395)	(0.00119)	(3.647)	1993	0.001