



A Study on Post-Merger Restructuring of a Target Company

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ABSTRACT

Post-merger restructuring is a very crucial stage in the mergers and acquisitions (M&A) process and the main objective behind post-merger restructuring of target firm is to achieve competitive advantage over competitors and to enjoy the synergistic benefits. In the post-merger period acquirer firm begins the process of restructuring, which includes the following: financial restructuring, portfolio restructuring, Asset or Liabilities restructuring, Management restructuring, Asset sell off or spin off, split ups, divestiture, closure of existing business, dissolution without winding up etc. It includes redefining the target firm roles, responsibilities, process etc. Researcher undertaken study for the 3 consecutive years after the merger, in each case. Totally the sample size includes 85 merger cases, those are the pure Indian mergers. Researcher study is based on secondary data source and used case study method.

Introduction:

Post-merger restructuring of Target Company is the process, where acquirer firm restructure target firm within 5 years from the date of merger and acquisitions are considered. Restructuring is major strategic tool in the hands of acquirer firm; they do modify the target firm in different ways. Post-merger restructuring includes financial restructuring, portfolio restructuring, organisational restructuring, Board-room restructuring, management restructuring, technological restructuring, product restructuring, market



restructuring and manpower restructuring etc. Restructuring at target firms are undertaken to improve the target performance, to improve the productivity & to make target firm more efficient. Post-merger restructuring are the key-drivers in the post-merger success or failure. M&A are goal-oriented process, such as market expansion, cost efficiency, diversification, and competitive advantage, these benefits are unlocked upon deal completion. Instead, they depend significantly on the effectiveness of post-merger integration and restructuring activities (Cartwright & Schoenberg, 2006). According to Sudarsanam (2003), restructuring plays a crucial role in unlocking value from corporate combinations by improving efficiency and resource allocation. Similarly, Weston, Mitchell, and Mulherin (2004) emphasize that the success of M&A transactions is largely contingent upon effective post-merger restructuring and integration processes. Pablo (1994) argues that the degree of integration is a key determinant of acquisition success and influences the nature and extent of restructuring activities.

Review of literature

1. Arık and Kutan (2015) study highlights that restructuring is necessary for unlocking synergy gains and improving post-merger performance.
2. Bugeja (2015) and Lipeikyte (2015) found that target firms often experience improvements in productivity and operational efficiency after acquisition, mainly due to restructuring initiatives such as resource reallocation and process optimization.
3. Bommaraju et al. (2018) examine organizational restructuring and find that post-merger changes in sales force structure and management significantly impact target firm performance & found that human resource restructuring within target firms plays a crucial role in integration success.
4. Bonaimé, Gulen, and Ion (2018) They examine and found that target firms may undergo financial restructuring, including capital structure adjustments and asset reconfiguration, in response to uncertain economic environments.
5. Borodin et al. (2020) they conclude that restructuring activities, particularly in target firms, lead to improvements in financial indicators such as profitability and asset utilization. The study reinforces the importance of post-merger restructuring as a value-enhancing strategy.
6. Wangdi, Paul, and Roy (2024) suggests that post-acquisition restructuring significantly contributes to growth and improved financial performance, the authors emphasize that restructuring of target firms is essential for achieving long-term competitiveness.
7. Similarly, Dogan and Ugurlu (2024) found that target firms specifically and find that post-merger restructuring affects multiple dimensions, including liquidity, profitability, and leverage. Their study



shows that target companies adjust financial structures and operational strategies significantly after acquisition.

8. Flannery et al. (2023) found that target firms actively restructure their capital structure after acquisition by adjusting leverage ratios toward optimal levels, indicating deliberate financial restructuring strategies.
9. Meena (2025) highlights that corporate restructuring following mergers plays a vital role in enhancing competitiveness and organizational performance, with target firms undergoing structural and operational transformations.

Research Gap identified

1. There is less empirical evidence on the extent to which acquirers reconfigure their newly acquired assets or the direction of restructuring that follows a merger
2. It is identified that post-merger target restructuring studies are limited and in India, most of the studies are concentrated on post-merger performance not on restructuring.
3. It is also found that most of the post-merger integration related studies focused on the acquirer company not on the target firm restructuring.
4. Research studies are less on extent of restructuring and how often targets are restructured within a span of 5 years.

Objectives of the study

1. To know the different kinds of restructuring activities undertaken by the acquirer firm in the target.
2. To analyse how often target firms are restructured within 5 years from the date of merger event.
3. To understand the post M&A restructuring motives.

Data Description and Research Methodology

The study is based on secondary data, researcher collected necessary data from the CMIE Prowess database. The researcher also used Yahoo Finance and the NSE official websites to extract the necessary data, the respective companies' websites, annual reports, and management reports are also used. The sample data includes 5 selected Indian M&A cases that occurred between 2000-2020. which contained both stock- and cash-financed mergers and acquisitions. The sample companies are pure Indian mergers and the sample set excludes cross-border and financial companies & NBFCs, as the governing regulations for financing companies & NBFCs are different from company accounts; hence, a pure Indian



merger is considered. (Both acquirer and target firms are Indian firms). Researcher used a detailed case study technique to study each case.

Table 1 showing Sample Merger cases year wise and sector wise classification

Sl. no	Acquirer company	Target company	Merger announcement year	Deal completion	Company sector
1	Arati industries ltd	Anushakti chemicals and drug ltd	15.07.2012	16.05.2013	chemicals
2	Ashok Leyland Ltd.	Hinduja Foundries Ltd	11.11.2016	07.06.2017	Automobiles/Auto ancillary
3	Avadh Sugar & Energy Ltd.	Oudh Sugar Mills Ltd	15.03.2016	23.03.2017	Sugar/Agro-based
4	Balkrishna industries ltd	Balkrishna paper mills ltd	30.01.2014	10.02.2015	Tyres/Industrial Manufacturing
5	Bharat Petroleum Corporation. Ltd.	Bharat Oman Refineries Ltd	20.10.2016	01.07.2018	Oil & Gas

Source: Annual reports and NSE website.

Above table includes different merger cases across the different sectors and reveals at least 2 years to complete the merger deal. In the above table first 2 mergers namely Aarti industries and Ashok Leyland mergers are with independent companies and remaining 3 companies namely Avadh sugar & Energy ltd, Balkrishna industries ltd and Bharat petroleum corporation ltd mergers are with subsidiary company, for them post-merger period is immediately after announcement and for independent companies' post-merger period is merger deal completion (final approval order from NCLT).

Table 2 showing post-merger restructuring of target companies

Merger case	Kinds of post-merger restructuring activities
Arati industries ltd- Anushakti chemicals and drug ltd	In the post-merger period Anushakti Drugs and chemicals ltd manufacturing division is merged into Aarti industries and remaining company operated as associate co of Aarti industries ltd and new 94,71,614 new equity shares allotted to Anushakti shareholders.



Ashok Leyland Ltd- Hinduja Foundries Ltd	Hinduja foundries casting unit at Hyderabad was shut down and VRS offered and substantially accepted by all employees, New M.D appointed to Hinduja foundries (removal of existing), debt paid and reduced substantially.
Avadh Sugar & Energy Ltd- Oudh Sugar Mills Ltd	OSML's Bihar sugar mill part of Oudh sugar mills is listed as new entity and renamed as Magadh sugar &Energy ltd and company liquidated.
Balkrishna industries ltd- Balkrishna paper mills ltd	Non-core business of Balkrishna paper mills divested and paper manufacturing operations are closedown i.e. discontinued due to non-viability
Bharat Petroleum Corp. Ltd.- Bharat Oman Refineries Ltd	In the post-merger period BORL capacity expansion from 7.8MMTPA to 11MMTPA (strategic restructuring)

Source: Annual reports of respective companies.

In the post-merger period acquirer company drastically restructured target firms, above table reveals that post-merger restructuring is necessary to redraw the structure of target firms. Acquirer firm restructure target firms in the way that enhances the overall productivity, competitiveness, efficiency of target firm along with unlocking the synergistic benefits. Researcher found that target firms are often restructure (at least 2 or more within a span of 5 years) in the post-merger, according to the goals and objectives of acquirer firms and it is found that underperforming firms become takeover targets, and new owners improve them through restructuring. Merger and acquisition act as a disciplinary mechanism, a good and efficient acquirers redeploy resources better (Henry G. Manne, 1965)

Following are the post-merger restructuring motives;

- Synergistic benefits
- Competitive advantage
- Comparative advantage
- Tax benefits
- To make target firm more Efficient &Effective
- More productive



Findings of the study

1. It is found that acquirer restructure target firms in the first 5 year of merger, to unlock the hidden synergies.
2. Post-merger target restructuring are the key drivers and mechanisms to improve the overall target performance.
3. It is also found that efficient and good acquirer deploy the target resource better ((Henry G. Manne, 1965).
4. Reshaping, rebuilding a weak company into efficient one, in all the manner is the key motive behind the post-M&A restructuring.

Conclusion

The alignment of target company's post-merger reorganization with the acquiring firm's operational, financial, and strategic goals has been crucial. According to Donald DePamphilis's (2019) work, the restructuring process has helped to realize expected synergies by reducing organizational structures, optimizing resource allocation, and removing redundancies. To guarantee the creation of long-term value, it will be important to maintain a consistent emphasis on strategic alignment, performance monitoring, and organizational cohesion. It is concluded that post-merger restructuring is disciplinary mechanism and the key driver in the hands of acquirer company to rebuild the target firm.

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