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Article

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Cross-border mergers and acquisitions: Mature markets vs. emerging markets—with special reference to the USA and India

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Abstract: Due to the differences in the merger waves across markets, the market for cross-border mergers and acquisitions by Indian companies differs in context and situations from those of the mature markets. Post-acquisition performance is critical to the success of companies involved in overseas investments. This paper uses event study methodology to analyse the long-term performance of Indian-acquiring companies by undertaking 30 outward foreign direct investment (OFDI)-related deals, during 2000–2008 period. Further, it compares the empirical findings from India with the prior findings from the USA. It is evident from the empirical results that the stock markets reacted positively in the short run following the announcements of the OFDI-related mergers and acquisitions by Indian companies. The empirical findings also showed positive results in the post-acquisition period following the overseas deals.

Subjects: Business, Management and Accounting; Corporate Finance; International Business; Organizational Studies; Strategic Management

Keywords: cross-border mergers and acquisitions; emerging markets; mature markets; India; event study; internationalisation; post-acquisition performance

JEL classification: G34

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PUBLIC INTEREST STATEMENT

The phenomenon of cross-border mergers and acquisitions has been significant in the USA since 1950. Emerging markets vary widely in terms of how developed their economies and capital markets are. In the case of India, overseas acquisitions by Indian companies have been evident since 2000. This paper discusses the reasons for the variations in the outcomes of cross-border deals based on empirical findings from the USA and India. The findings of this study would provide significant insight into various elements of the deal mechanism including asset exploitation, mode of settlement, ownership control and regulatory issues. This could assist emerging-market investment bankers and corporate executives to design appropriate strategies for lasting shareholders value creation.

1. Introduction

During the last two decades, businesses have become increasingly global. The quest to gain competitive leverage has led companies to look at opportunities globally. Multinational corporations have played a major role in this process of globalisation (Das, 1997; Pandya & Rao, 1998). The globalisation of business has initiated a search for worldwide competitive advantage through economies of scale and scope. The growth in foreign direct investment (FDI) has been particularly marked since the mid-1980s, with the world economy witnessing a surge due to which FDI has become the most common means of gaining competitive advantage, particularly after the raising participation by firms from emerging economies (Amighini, Cozza, Giuliani, Rabellotti, & Scalera, 2015). Thus, FDI can take a variety of forms including the establishment of "green-field" sites and joint ventures. However, the most prevalent form of FDI is via cross-border mergers and acquisitions (Gregory & McCorriston, 2005; UNCTAD, 2013).

Following the liberalisation of the policy regime by the Indian Government beginning in the early 1990s, the country experienced a rapid growth in outward FDIs, particularly between 2000 and 2007. Encouraged by the financial reforms unleashed by the Indian Government, an increase in large-scale mergers and acquisitions (M&A) by Indian companies occurred. This was primarily because the shackles that prevented Indian firms from acquiring firms abroad were removed. The socialist dogma of quixotic self-reliance was cast aside and Indian firms were given the freedom to grow and fulfil their international aspirations (e.g. Ahluwalia, 2002; Dongre, 2012). This enabled Indian companies to pursue cross-border acquisitions in order to become globally competitive. Unfortunately, the economic effects of these overseas ventures have received little evaluation by academic researchers so far. The Indian companies' acquisitions were large-scale ventures involving billions of dollars of investment in a bid to gain a global presence and achieve competitiveness.

Recently, cross-border acquisitions by Indian companies has been aimed at accessing high-growth markets, buying prestigious brands, acquiring advanced technology, processes, management expertise, marketing and distribution networks, as well as consolidating existing markets while seeking new ones (Bhagat, Malhotra, & Zhu, 2011; Kohli & Mann, 2012; Nagano & Yuan, 2013). Building scale to enhance global competitiveness has been the mantra followed by many Indian firms. They seem to have concluded that overseas expansion is the panacea for the stifling competition that they face in the domestic market. Their outward push has been facilitated by prudent and timely policy reforms by the Indian Government that has taken a much more positive attitude towards this internationalisation trend. The liberalised foreign exchange policies, increase in foreign ownership ceilings, access to international capital markets and other changes in rules and regulations—all of these have been undertaken with the aim of facilitating outward investments by Indian companies. The first wave of Indian outward FDI in the pre-liberalisation period by firms was concentrated largely in Asian and African developing countries. However, the second wave of outward FDI by Indian corporates, especially since 2000, has been focused on developed countries, primarily in the form of CB-M&A, as opposed to greenfield ventures (Rajan, 2009).

1.1. Indian Government policy relating to outward foreign direct investment

The new economic policy adopted by the government of India in mid-1991, after a severe economic crisis, was based on the twin principles: first, deregulation of the government's economic interventionist functions and second, encouraging competition (Das, 1997). The main thrust of this policy was to ensure free flow of investment, products, technology and managerial personnel across national borders, leading to greater integration of the Indian economy with the rest of the world. Various Indian regulations have already been changed extensively to facilitate liberalisation and deregulation of key sectors. The areas in which change has been made effective include industrial licensing, monopoly and restrictive trade practices, foreign exchange regulations, import and export rules, capital markets, external commercial borrowing, the Companies Act and convertibility of rupee in current accounts.

The most recent phase (2000–2008) of fast economic growth saw an expansion of Indian enterprises in domestic and international markets while competing with the global brands and multinational enterprises. In the years 2000 and 2002, the upper limit for automatic overseas investment approval was raised to US$100 million. The requirement to obtain prior approval from the Reserve Bank of India (RBI) was dispensed with and firms were allowed to obtain the remittances through any authorised foreign exchange dealer. In 2005, banks were permitted to lend money to Indian companies for acquisitions of equity in overseas joint ventures or other overseas companies as strategic investment. The limit of overseas investment of Indian companies was increased to 300% of net worth in June 2007, and further raised to 400% in September 2007. The policy changes with regard to Indian overseas investment from the year 2004 onwards have been described as liberal (Nayyar, 2008).

1.2. Global expansion by Indian corporates

Encouraged by the financial and structural reforms, an increase in large-scale M&A by Indian corporations occurred. Owing to the changes in the global investment landscape and the deregulatory FDI policy of the government of India, the Indian companies had to position themselves to face the challenges on the domestic as well as the international fronts (Kohli & Mann, 2012; Nicholson & Salaber, 2013). The majority of the Indian companies that were hitherto protected and limited to their domestic environment were now exposed to the vagaries of the international markets. The key issue to examine is whether the changes in approach of Indian companies are likely to create value for the shareholders of the acquiring firm by enhancing the stock price in the long run.

Motivated by these factors, this paper aims to examine long-term consequences of the cross-border acquisitions by Indian companies. It also analyses whether the experiences of the Indian-acquiring companies involved in cross-border mergers are in any way different from those of the mature markets because of the changes in the time period and regulatory environment in the post-acquisition period. The findings of this paper eventually contribute to the growing literature on emerging market firm strategies in international business.

The remaining paper is organised as follows. Section 2 presents an overview of findings reported in previous studies, Section 3 depicts the methodology, Section 4 discusses the findings and Section 5 concludes.

2. Related literature

There is extensive literature on CB-M&A that has studied both mature and emerging markets' deals. For example, a number of recent studies in emerging markets have focused on the motives and determinants of cross-border mergers and acquisitions (CB-M&A), performance of acquiring firms, corporate governance and overall experience of acquisitions (e.g. Anderson, Sutherland, & Severe, 2015; Aybar & Thanakijsombat, 2015; Bhagat et al., 2011; Buckley, Elia, & Kafouros,2014; Chittoor, Aulakh, & Ray, 2015; Deng & Yang, 2015; Du & Boateng, 2012; Kim & Lu, 2013; Lebedev, Peng, Xie, & Stevens, in press; Malatesta, 1983; Nagano & Yuan, 2013; Rani, Yadav, & Jain, 2015; Reddy, 2015; Sinkovics, Sinkovics, Lew, Jedin, & Zagelmeyer, 2015).

In terms of the experiences of mature markets, for instance, Langetieg (1978) re-examined the pre-merger and post-merger stock performance from the perspective of a three-factor performance index. The sample was drawn from NYSE for a period of 72 days before the event and 72 days following the mergers during 1929 and 1969. The study concluded that the post-merger excess returns are found not to be significantly different from zero, thus providing no support for merger benefits. Malatesta (1983) examined the net effects of the long-run sequence of events leading to merger, and of merger per se, on shareholder wealth. The period of study was from 1969 to 1974. The sample size comprised 256 acquiring firms and 85 acquired firms. The evidence also revealed that measured abnormal rates of return to acquiring firms are sensitive to a slight variation in model specification and dependent on firm size, with smaller firms earning significantly negative post-merger returns. Weidenbaum and Sheldon (1987) concluded, based on an analysis of 10 studies, that the historical

data revealed that negative returns to shareholders for acquisitions are more prevalent. Singh and Montgomery (1987) investigated the conceptual argument that acquisitions, which are related in product/market or technological terms, create higher value than unrelated acquisitions. Related acquisitions are found to have greater total dollar gains for acquired firms than those in unrelated acquisitions. These findings indicate that related target firms benefit more from acquisitions than unrelated target firms do.

In case of emerging markets experience, according to Makino, Lau, and Yeh (2002), the asset exploration perspective of outward foreign direct investment (OFDI) is viewed as a means to acquire strategic assets (i.e. technology, marketing and management expertise) available in a host country. The asset exploitation perspective of FDI is viewed as the transfer of a firm's proprietary assets across borders. The asset exploitation perspective of FDI commonly posits that firms that possess firm-specific advantages utilise these advantages to operate abroad in order to seek markets or low-cost natural resources or labour force. In a similar study, Rasiah, Gammeltoft, and Jiang (2010) mention that the main drivers of OFDI include market seeking, labour seeking, natural resource seeking, value chain control seeking, financial incentive seeking and technology seeking. More specifically, Contractor (2013) reports various possible location-specific competencies of firms in emerging markets, which include the mindset of top management (e.g. long-term orientation and tolerance of ambiguity), home-country cultural traits (e.g. family ownership and private equity control), technically talented pool, cheap labour and the common language.

In the recent past, for 698 deals made by emerging market firms during 1991–2008, Bhagat et al. (2011) report that acquiring firms obtained a positive mean market return of about 1.09% on the announcement day. These returns may explain the better corporate governance mechanisms in the given target nation. In case of Indian acquirers, Kohli and Mann (2012) examine 202 overseas deals and find that cross-border acquisitions produce superior wealth gains compared to domestic deals. In a cross-country study, Nicholson and Salaber (2013) conduct an empirical survey on 203 Indian and 63 Chinese cross-border deals during 2000–2010, and report that location is one of the key factors affecting acquirers' performance. For example, Indian-acquiring firms have benefited from deals in proximate, culturally similar countries. In addition, acquiring firms enjoy higher shareholder returns when the deal occurs in mature markets. In case of inward cross-border acquisitions, Nagano and Yuan (2013) discover that both Chinese and Indian firms are being targeted because of their higher cash-reserve ratio, and further suggest that overseas acquisitions produce higher shareholders' returns compared to domestic deals. This result is similar to Kohli and Mann (2012). In a few recent studies, for example, Buckley et al. (2014) test the framework describing resource and context specificity of prior experience in acquisitions by emerging market firms and its impact on the performance of target firms. They find mixed results on resource and investment experiences. In case of overseas acquisitions by Indian firms, Chittoor et al. (2015) analyse the impact of ownership characteristics on the propensity of firms to make outbound deals for a sample of BSE-500 list during 2002–2011 period, using behavioural risk-taking approach. They suggest that promoter shareholding pattern, international experience of CEO and ownership share of foreign institutional investors positively influence the propensity of firms making acquisitions in overseas markets, and it will be stronger for stand-alone ones than that of firms affiliated to business groups. In case of comparative studies, for instance, Deng and Yang (2015) examine foreign acquisitions by firms from nine emerging markets for the period 2000–2012, testing the resource dependence theory. They report differences in the factors affecting CB-M&A by emerging market firms in developed and developing countries. Hence, institutional environment of host country plays a vital role in acquisitions marked by Chinese firms, which is different from other emerging countries.

The above studies seem to indicate that emerging market firms participate in cross-border acquisitions for two important reasons: resource advantage (e.g. financial, technological, managerial and ownership) and fast entry into global market (e.g. geographical diversification and international competitive share). On the other hand, it is also important to note that there is a great deal of academic interest shown in this area with reference to emerging markets such as India since the recent

global financial crisis (Reddy, Nangia, & Agrawal, 2014). Therefore, this paper aims to shed light on comparative empirical findings of Indian and USA enterprises following CB-M&A.

3. Research method and data

The present study compares the empirical findings of Indian companies following CB-M&A with the prior findings of USA companies. This paper explains the reasons for differing outcomes of the findings of USA and Indian companies. A number of comparisons are being exhibited between mature and emerging markets, but not a probable group between mature market parent and mature market target due to limited sample. The study also examines internationalisation theories and other relevant prior findings (Reddy, in press).

The present study measures the short-run performance of 30 OFDI-related M&A by Indian companies. The study considers a three-day short-event window surrounding the acquisition announcement period. It includes a day prior to the announcement, the event day (announcement day) and a day following the announcement. The study concentrates only on a short-run event study method, restricting analysis to a short-event window (closely surrounding the announcement day). The event date for the study is set to be the date of announcement of the respective M&A event. This provides the best comparison of the various methods because the shorter the event window, the more precise the tests. The coefficients of the market model (MM) are estimated using the data for 100 days of stock return data on each security in the sample firms involving in acquisitions from the BSE Index (Bombay Stock Exchange).

It also measures the long-run performance of Indian companies involved in OFDI-related M&A. The study considers a maximum of 36 months following the acquisition event month. The period of the study signifies acquisition activity and covers selected Indian firms involved in OFDI-related M&A during the 2000–2008 period. The coefficients of the MM are estimated using 24 months prior to the acquisition event month. The monthly stock return data for each security in the sample and the monthly market returns from the BSE Index are used to estimate the expected returns. The α_i and β_i are the OLS parameter estimates obtained by regressing the firm returns with the market returns. Returns are calculated as the difference in natural logarithm of two consecutive monthly stock prices. It estimates each security's systematic risk relative to the market portfolio. It controls for market-wide variations through the independent variable R_{mt}. Any variation that is due to factors not present in the market portfolio will be captured in the disturbance term ε_{it}. The event period is 36 months following the acquisition month. The excess of firm returns over the estimated returns is abnormal returns. The study tests the null hypothesis relating to the long-term performance of CB-M&A by Indian M&A firms:

Ho: There are no long-run abnormal returns to the Indian acquiring firms following acquisition activity.

3.1. Market model

The abnormal return using the MM is

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

where α_i and β_i are MM parameter estimates obtained by regressing monthly returns for security "*i*" on the equally weighted market returns over the estimation period.

3.2. Cumulative abnormal returns

The monthly abnormal returns are summed up over the event period to derive the cumulative abnormal returns (CAR)

$$\mathrm{CAR}_{it} = \sum_{t=1}^{n} \mathrm{AR}_{it}$$

4. Empirical findings and discussion

From the short-term perspective, this paper presents the empirical findings of the stock market reactions in terms of returns following the announcements of cross-border mergers and acquisitions by Indian companies. From the long-term perspective, this paper presents the empirical findings relating to the stock market performance of the Indian corporates involved in cross-border mergers and acquisitions in the post-acquisition period. The sample considered is 30 CB-M&A by Indian-acquiring firms.

The CAR and standard cumulative abnormal returns (SCAR) over the event window (−1, 0, +1) are statistically significant at 1% level. The results support the rejection of the null hypothesis at 1% level of significance. The empirical results provide good evidence of value addition to the stockholders of the bidding firms following the announcements of cross-border mergers and acquisitions by the Indian corporations. The results indicate that the stockholders remained positive to the announcements relating to cross-border mergers and acquisitions by Indian companies. It is evident from Table 1 that cross-border mergers and acquisitions' announcements had a positive effect on the Indian stock market.

The empirical findings presented in Table 2 show that the parametric and non-parametric test results are significant at 1% level of significance. The results indicate positive wealth effects to the stockholders of the Indian-acquiring companies involved in CB-M&A in the post-acquisition period. The empirical results therefore support the rejection of the null hypothesis at 1% level of significance.

4.1. Comparison of empirical findings with prior findings from mature markets

It is evident from the empirical findings presented in Tables 1 and 2 that the present study has shown positive and significant long-term stock price performance of Indian-acquiring companies involved in CB-M&A. In contrast, the prior findings from the mature markets show negative wealth effects to the stockholders of the acquiring firms. The global landscape changed over the period, the phenomenon identified in mature markets relating to the short term, and long-term performance following M&A activity differs from the Indian context. The following comparison is undertaken to show how the context, situation and environment in which the CB-M&A by Indian corporates differ from those of the mature markets. Hence, there are possibilities of variations in the findings.

Table 1. Cumulative abnormal returns (CAR) and standard cumulative abnormal returns (SCAR)

Event window (−1, 0, +1)		
CAR	0.0147	0.01*
SCAR	0.6982	0.01*

*Significant at 1% level.

Table 2. Parametric and non-parametric tests

	CAR-market model			
Parametric tests	***t*-Value**	***P*-value**	***F*-value**	***P*-value**
	2.22	0.02	4.96	0.029
t-Test: *P*-value				
ANOVA *F*-test: *P*-value		2.03		
Non-parametric tests	Value		Probability	
Wilcoxon/Mann–Whitney	2.03		0.0421	

4.2. Ownership structure

The institutional environment in Asian countries is different from the USA; various researchers have suggested that agency problems may be less severe in Asian countries, partly because they have a more concentrated ownership structure (i.e. wealth controlled by a few family groups or by the federal government). Some studies also suggested that agency theory and other management theories are not suitable to explain M&A activities in Asian emerging markets because of the differences in ownership structures and institutional causes between developed and developing countries (e.g. Reddy, 2015). For instance, in case of India, the majority of companies that have opted for overseas investments have been family owned.

There are two differences in M&A deals documented in the literature between the USA and other developed countries with M&A deals of Asian emerging economies. First, the USA has a well-developed legal and regulatory system to protect the interests of shareholders and the welfare of consumers that differs from that of many emerging economies that suffer from a poor legal and regulatory environment as well as weak enforcement of existing laws (La Porta, Lopez-De-Silanes, & Shleifer, 1999). Second, the cultural and governance differences between developing and developed markets lead to differences in the organisational structure of firms (Dennis & McConnell, 1986).

Regarding conglomerate mergers, it is evident from the literature that conglomerate mergers were central from the period of 1960 onwards. The distinguishing feature of the mergers occurring in the 1960s was to diversify or extend the acquiring companies' product mix (Mueller, 1977). Unlike the above, in case of India, all the cross-border mergers and acquisitions by Indian corporates belong to the same sector and fall in the category of non-diversifying M&A. This difference could add to the variations in the results.

4.3. Mode of settlement

Most of the research focuses on whether cash offers or equity offers are value maximising from the perspective of shareholders. There is reasonably consistent evidence that cash bids are associated with better performance in both the short run (Dong, Hirshleifer, Richardson, & Teoh, 2005) and the long run. The prior findings provide evidence that stock-based deals are associated with significantly negative returns at deal announcements, whereas cash deals are zero or slightly positive (Asquith, 1983).

One reason for these results may be that acquirers decide on their payment method, depending on whether they expect higher or lower performance in the forthcoming periods. Hence, acquirers will pay in cash if they believe their shares are undervalued, and they will choose equity if they think their shares are overvalued. Cash payments might serve as a signal to the market that acquiring firm management expects an increase in firm value over the post-acquisition period. Transactions paid with equity will result in a dilution of the share price, as the number of outstanding shares increases, while the value of the firm remains the same until expected synergies take effect.

As documented in the literature, the mode of settlement for majority of the companies involved in M&A activity in the mature markets was equity settlement. On the contrary, it is evident from Table 2 that all Indian companies involved in 30 OFDI-related M&A settled their M&A transactions in cash.

4.4. Regulatory issues

Empirical findings from the USA suggest that M&A regulation is costly to investors. Weir (1983) finds evidence suggesting that Federal Trade Commission antitrust actions benefit competitive rivals of both the buyer and the target. Jarrell and Bradley (1980) and Asquith (1983) find that returns to merging firms were significantly higher before than after implementation of the Williams Act in October 1969. Likewise, Schipper and Thompson (1983) consider four regulatory changes between 1968 and 1970 and found wealth-reducing effects associated with increased regulation.

More recently, the rules and regulations governing the international firms have been dramatically altered to facilitate operations of the foreign firms (UNCTAD, 2008, 2013). Opening up of capital markets has been made easier than before for emerging multinational enterprises from developing countries to raise equity capital and debt besides facilitating their listing of shares on foreign stock exchanges. These firms have been encouraged by emerging developing countries as well as they (home countries) have made suitable policy changes to enable their firms raise equity capital and debt from foreign markets (Ramamurti, 2008; RBI, 2009). However, in some of the cross-border deals, the Indian Government failed to offer policy recommendations relating to dual listing norms (e.g. the proposed Bharti Airtel—MTN telecom deal had broken up in 2008).

4.5. Asset exploitation

It is evident from the literature that firms are driven by asset exploitation perspective when they possess firm-specific advantages. They tend to expand, internationalise and use their scale of operations to a fuller extent. These corporates are those which possess firm-specific advantages (FSAs) in the form of superior technology, brands and extensive networks of channels of distributions in the mature markets and they try to expand the horizons of their markets. This is relevant to the mature markets. According to Mathews (2006), asset exploitation is not appropriate to companies from emerging markets because they often seek to invest abroad to secure a competitive advantage they do not possess at home. It is true in the Indian context and evident from acquisitions by Tata Steel and Hindalco. By combining their firm-specific skills with the competitive skills acquired through cross-border mergers and acquisitions, Indian companies are able to compete in the international markets. They also draw synergies through complementary fit occurring due to the de-integrated model of operations subsequent to the acquisitions.

For instance, from the Indian context, the case of Tata-Corus steel is the good example of Indian companies with asset exploitation perspective. For instance, by acquiring Corus, Tata Steel gained access to an established and well-recognised brand name, superior technology and an extensive distribution network in the Western markets. The empirical findings showing positive stock price performance in the post-acquisition period indicate that Tata-Corus obtained the expected synergies by making primary metal in markets close to raw materials (India) and establishing finishing (value-adding) facilities in the end-user markets (Athukorala, 2009). In other words, the acquisition of Corus enabled Tata Steel to link their FSA-like labour-intensive production, access to raw materials, accumulated managerial skills with the advantages of access to the high-margin markets and high technology in the West through Corus. It could therefore leverage in the Western markets the cost advantage of operating from India and product differentiation based on better technology from Corus in Asian markets. This acquisition enabled Tata Steel to acquire a competitive advantage in terms of local presence in high-growth markets. It was able to compete with the international players with the synergies drawn from cost-efficiency due to the de-integrated operations. It was also able to leverage the cost advantages in the mature markets. In the emerging markets, it had the advantage of product differentiation occurring due to superior technology.

It is understood from the above case that asset-exploitation to the Indian companies is possible only through acquiring firms in the mature markets, unlike the firms from mature markets which is not necessarily because they have the firm-specific advantages in terms of established brands and technology.

The asset exploration perspective of outward FDIs is appropriate to the emerging markets because they try to expand into the high-growth markets by acquiring strategic assets (i.e. technology, marketing and management expertise), which are available in the mature markets. The companies from mature markets are not driven by asset exploration perspective because they already possess the required infrastructure for innovation and further development of new products. This perspective has more relevance to the companies from emerging economies. For instance, the case of Dr. Reddy's Laboratories (DRL) is a good example of Indian companies with asset exploration perspective. Indian firms are moving up the value chain by acquiring specific skills and technologies in advanced markets.

Table 3. Comparison between mature market and emerging market studies

Details	Mature market studies	Indian studies
Settlement of M&A transaction	Equity settlements	Cash settlements
Asset exploitation	Corporates are driven by asset exploitation because they possess firm-specific advantages which enables them to compete in international markets	Asset exploitation is possible only when the corporates acquire the competitive advantages and combine them to their firm-specific advantages so that they can compete in the global markets
Motive	Asset exploitation	Asset exploration and asset exploitation
Performance of bidding and target firm	Acquiring firm's Tobin's Q > target firm's Tobin's Q	Acquiring firm's Tobin's Q < target firm's Tobin's Q
Agency problems	More severe because of the diffused ownership structures	Less severe because the ownership structures are concentrated and majority of them are either family owned or government owned
Regulations	Increased regulations	Liberalised/unregulated
Legal systems	Well developed	Not well developed
Diversification	Conglomerate mergers	Non-diversifying acquisitions
Acquired and target group—Geography	Developed to developed countries	Emerging to developed countries

In the high-volume low-cost active pharmaceutical ingredient market, Indian firms are now facing competition from Chinese firms, which can manufacture bulk drugs at a cheaper cost than Indian firms. Indian firms are using access to technology as a differentiating factor, where competition based on cost has limitations (Kale, 2007). DRL's acquisition of Trigeneis shows Indian firm's efforts to move up the value chain by augmenting existing capabilities through acquisition. DRL's acquisition of Trigeneis gives the company access to certain products and proprietary drug delivery technology platforms to develop a pipeline of drugs in the dermatology segment. One of Trigeneis's proprietary technologies takes care of major challenges faced in the formulation and delivery of drugs in the areas of oral, injectables, inhaled and topical deliveries. The above empirical findings show the motive of asset exploration by the Indian pharmaceutical companies.

Table 3 presents the possibilities for differences in the outcomes of the studies from mature markets and Indian context due to underlying differences behind initiating the M&A transaction. Therefore, it is evident from above that the context and the situation in which the CB-M&A were initiated by mature markets differ from that of the emerging market and in specific from the Indian context. This explains the differing outcomes.

5. Concluding remarks

The motive for mergers and acquisitions and the market's perception of these deals has received attention from researchers in the Western countries. However, the motives and market reaction to the announcements of OFDI by companies in mature markets have not been contrasted with those in emerging markets until now.

Contrary to the findings of studies, using USA data that have showed negative wealth effects to shareholders in the short as well as long term, this study indicates that the Indian stock market reacted positively in the short term following the announcement of OFDI by Indian companies. This indicates that Indian corporations should consider OFDI as a viable means of creating lasting value for their shareholders. The findings of this study will not only benefit the managers participating in overseas deals, but will also benefit the government in emerging markets in formulating policy with

regard to the OFDI limit and tax provisions. The variation in the market reaction to the OFDI announcements in the USA and India could be due to the differences in the motives as well as market characteristics.

Extending this study to other emerging markets would shed further light on this issue and provide guidance to senior executives of companies in emerging markets in their quest to become globally competitive and create lasting value for their shareholders. Yet, this paper is restricted to the sample of Indian multinational firms and comparison with domestic firms. Indeed, comparative analysis of cross-border acquirer performance following the acquisitions in developed and developing markets, post-merger integration issues facing by emerging market acquirers and institutional issues in deal mechanism deserve future research. In particular, critical research on probable groups in cross-border acquisitions such as emerging market parent/mature market target, emerging market parent/emerging market target, mature market parent/emerging market target and mature market parent/mature market target would enhance the understanding of institutional settings.

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