



MERGER AND ACQUISITION: STRATEGIES, SYNERGIES AND VALUATION ANALYSIS

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Abstract

Mergers and Acquisitions (M&A) have become a key strategy for corporate growth and expansion in today's competitive business environment. Organizations adopt M&A to achieve rapid growth, enhance market share, and improve overall efficiency compared to internal expansion methods. A merger involves the combination of two companies into a single entity, while an acquisition refers to one company taking control of another. These strategies help firms enter new markets, access advanced technology, and reduce competition. M&A also enable companies to achieve synergies, where combined operations result in greater value than individual performance. Additionally, businesses benefit from improved resource utilization, skilled workforce, and stronger brand presence. Proper valuation techniques and strategic planning are essential for successful M&A deals. Overall, mergers and acquisitions play a vital role in strengthening competitive advantage and ensuring long-term business sustainability.

Keywords: Mergers, Acquisitions, Synergy, Valuation, Corporate Strategy

Introduction

Introduction to Merger and Acquisition (M&A):

In today's dynamic and highly competitive business environment, companies constantly seek growth, expansion, and sustainability. One of the most effective strategies used to achieve these objectives is **Merger and Acquisition (M&A)**. It has become a widely adopted corporate strategy in both domestic and global markets, significantly influencing industry structure and competition.

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A **merger** refers to the combination of two or more companies into a single entity with mutual consent, aiming to achieve strategic objectives such as growth and efficiency. An **acquisition**, on the other hand, occurs when one company purchases another and gains control over its operations. While both terms are often used interchangeably, they differ mainly in ownership and control.



M&A provides a faster route to expansion compared to internal growth. Companies use it to enter new markets, acquire advanced technology, diversify risks, and enhance shareholder value. It also helps organizations gain access to skilled manpower, brand reputation, and distribution networks.

History of Merger and acquisition:

The development of mergers and acquisitions (M&A) has taken place in several distinct waves, each influenced by changes in economic conditions, technological progress, and government regulations.

The **First Merger Wave (1890s–1900s)** was primarily focused on horizontal mergers, where companies in the same industry combined to reduce competition and create monopolies. Large industrial consolidations in sectors like oil and steel emerged during this period. However, the rise of monopolistic practices led governments to introduce regulations such as the Sherman Antitrust Act (1890) to ensure fair competition.

The **Second Merger Wave (1916–1929)** shifted towards vertical mergers, where companies integrated different stages of production and distribution to improve efficiency and control supply chains. This wave came to an end due to the economic collapse caused by the Great Depression in 1929.

The **Third Merger Wave (1950s–1970s)** was dominated by conglomerate mergers, where firms from unrelated industries combined to achieve diversification and reduce business risk. However, this strategy later declined due to inefficiencies and economic slowdown.

The **Fourth Merger Wave (1980s)** was characterized by hostile takeovers and leveraged buyouts (LBOs), driven by financial innovation and deregulation. Although this period saw aggressive expansion, many companies faced failures due to excessive debt burdens.

Finally, the **Fifth Merger Wave (1990s–early 2000s)** was driven by globalization and rapid technological advancements. Companies increasingly engaged in cross-border mergers and

large-scale deals to achieve synergy and economies of scale. This wave ended with the collapse of the dot-com bubble, which slowed down M&A activities significantly.

Research Methodology

The present study is based on both **primary and secondary data**. Primary data was collected directly from respondents to understand their views and perceptions regarding mergers and acquisitions.

The primary data was collected using a **Google Form questionnaire**. A total of **20 respondents** participated in the survey. The respondents included students, investors, and individuals having basic knowledge of financial markets. The questionnaire consisted of simple multiple-choice questions related to M&A strategies, benefits, and impact.

The present study is mainly based on **secondary data**. Information has been collected from reliable and published sources to ensure accuracy and authenticity of the research.

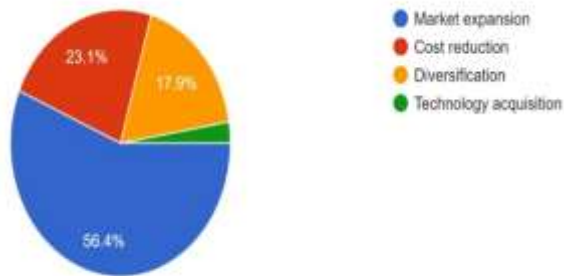
The data sources include **annual reports of companies, financial statements, research journals, and books related to corporate finance and mergers & acquisitions**. These sources provide detailed insights into company performance and M&A activities.

In addition, data has also been collected from **official reports of SEBI, RBI, stock exchanges, business news websites, and company portals**. This helps in understanding market trends, regulatory aspects, and overall investment environment.

Results and Discussion

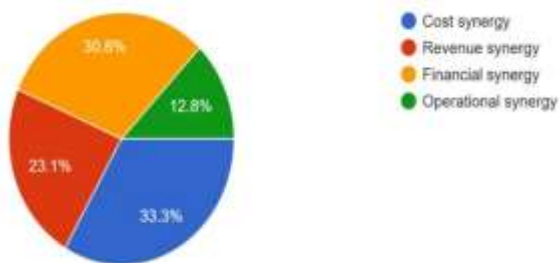
The results show that the main objective of M&A is market expansion (56.4%), followed by cost reduction and diversification. Horizontal mergers are the most commonly used strategy (51.3%), indicating that companies prefer merging within the same industry. Synergies play a very important role in M&A decisions, but their achievement is not always guaranteed, as many respondents said it happens only sometimes. In valuation, DCF (35.9%) and Comparable Company Analysis (33.3%) are most widely used, and most respondents agreed that accurate valuation is highly critical for M&A success. Overall, the findings indicate that M&A is mainly used for growth and expansion, but its success depends on proper valuation and effective integration.

About the M&A with objectives:



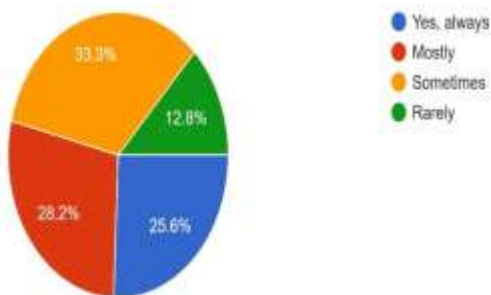
Most respondents believe the main objective of M&A is market expansion (56.4%), followed by cost reduction (23.1%) and diversification (17.9%), while technology acquisition is the least common objective (2.6%).

Type of Synergy:



Cost synergy (33.3%) is seen as the most important benefit of M&A, followed by financial synergy (30.8%) and revenue synergy (23.1%), while operational synergy (12.8%) is the least important. Overall, companies mainly focus on cost savings and financial gains from M&A.

Successful achievement:



Most respondents believe M&A synergies are achieved only sometimes (33.3%), followed by mostly (28.2%) and always (25.6%), while 12.8% say rarely. Overall, synergy achievement depends on proper planning and execution.

The study finds that M&A activities generally lead to positive stock market reactions for target companies, while acquiring firms show mixed responses depending on expected value creation. Post-merger performance often shows growth in revenue, assets, and market share, but profitability improvement may be delayed due to integration and restructuring costs. Synergies—especially cost and financial synergies—are a key driver of M&A success, though their realization depends heavily on effective post-merger integration. The study also highlights that valuation accuracy, due diligence, and regulatory compliance are critical for reducing risks and ensuring successful outcomes. Overall, M&A can create long-term value, but success is not guaranteed and depends on strategic planning and execution.

Conclusion

Merger and acquisition is an important corporate strategy used for rapid growth, expansion, and competitive advantage. It helps companies enter new markets, increase market share, achieve economies of scale, and gain access to new technology. However, the success of M&A depends on proper valuation, strong due diligence, and effective integration of operations and cultures. While M&A has strong potential to create synergy and shareholder value, many deals fail due to overvaluation, poor integration, and cultural differences. Therefore, M&A should be carefully planned and aligned with long-term business objectives to ensure sustainable growth and profitability.

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