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Case Study

Which Merger Created the Greatest Value in India?

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ABSTRACT

The case discusses five companies from the technology, entertainment, banking and aviation industry in a comparative context, emphasising mergers and acquisitions. It teaches students to consider not only the short-term financial consequences of a transaction, but also its long-term implications and, in particular, its synergies, market expansion and value creation. Set in a postgraduate management classroom, the case has teams examine various M&A deals and recognise that M&A isn't just about short-term numbers. It offers strategic motivations for each of the transactions, avoids a one-size-fits-all solution and is relevant for the courses in Corporate Finance and Strategic Management and therefore not standardised.

KEYWORDS: Mergers and Acquisitions (M&A), Market Expansion, Banking, Aviation, Corporate Finance,

The Post Graduate Diploma in Management (PGDM) students of Jaipuria Institute of Management, Indore (India) had just completed a module on mergers and acquisitions. Instead of assigning a conventional case on a single company, two finance professors designed a capstone classroom exercise that required students to evaluate five of India's largest recent mergers and acquisitions. Five student teams were each assigned one of India's largest recent

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mergers and acquisitions spanning technology, banking, entertainment and aviation. Each team was tasked with evaluating whether the merger generated value.

The class discussion revealed a contentious debate, with teams asserting that their companies had the most successful transactions. Some focused on profitability, others on strategic positioning, while a few stressed the importance of long-term value creation over immediate financial results. Before concluding, the professors asked the class to recommend the most successful merger and justify their choice- which would it be—and why?

THE ASSIGNMENT

The Professors assigned each group

- To analyse the financial performance surrounding the merger;
- Identify its strategic objectives;
- Evaluate the creation of shareholder value;
- Pinpoint major risks;
- Recommend the overall success of the merger.

Each team received the same financial exhibits but formed varied strategic viewpoints. Some mergers seemed financially viable, while others offered competitive benefits despite initial financial strain. Professors urged students to assess both strategic reasoning and financial results before making judgments.

Table 1: Overview of the Corporate Consolidation Cases

Company	Industry	Transaction	Year
Zomato–Blinkit	Technology	Acquisition	2022
PVR–INOX	Entertainment	Merger	2023
IDFC Bank–Capital First	Banking	Merger	2018
HDFC Bank–HDFC Ltd.	Banking	Merger	2023
Tata Group–Air India	Aviation	Acquisition	2022

Source: The data are compiled by the authors from publicly available sources.

COMPANY A: ZOMATO-BLINKIT (ACQUISITION)

Zomato was on a rapid expansion before it acquired Blinkit, but at the cost of massive losses. The company was seeing revenue growth as its meal delivery platform gained popularity, but was also spending heavily on expansion, marketing and technology. Zomato booked a net loss of around ₹1,200 crores in FY22. In August 2022, Zomato acquired Grofers, which is now called Blinkit, for ₹4,447 crores, stepping into the rapid commerce space focused on delivering groceries and essentials in minutes. Exhibit 1 presents the financial ratios of Eternal Ltd. (previously Zomato Ltd.), both prior to and following its acquisition of Blinkit.

Exhibit 1: Performance of Zomato and Blinkit

Ratio	FY2021	FY2022	FY2023	FY2024	FY2025
Net Profit Margin (%)	-40.77	-28.83	-13.72	2.90	2.60
Operating Profit Margin (%)	-23.43	-44.15	-17.11	0.35	3.20
Return on Equity (%)	-10.63	-7.32	-4.99	1.72	1.74
Return on Assets (%)	-9.34	-6.98	-4.50	1.50	1.48
Debt-to-Equity Ratio	0.07	0.00	0.03	0.04	0.07
Interest Expense to Sales (%)	0.51	0.29	0.69	0.59	0.76
Other Income to Sales (%)	-10.04	18.91	9.63	6.98	5.27
EPS (₹)	N/A	-1.54	-1.14	0.40	0.55

Source: The data are compiled by the authors from publicly available sources.

COMPANY B: PVR-INOX (MERGER)

The Indian multiplex industry faced significant challenges due to the COVID-19 pandemic, including prolonged cinema closures and shifts in consumer preference towards OTT platforms, which impacted revenues. PVR and INOX, notably strained financially, merged in 2023 through a share-swap arrangement to become the largest multiplex chain in India. Exhibit 2 presents the financial performance of PVR and Inox.

Exhibit 2: Performance of PVR and Inox

Financial Ratio	FY2022 (pre-merger)	FY2023 (Merger Year)	FY2024 (post-merger)	FY2025 (post-merger)
Operating Profit Margin (%)	7.93	27.93	29.64	26.68

Net Profit Margin (%)	-36.73	-8.93	-0.52	-4.84
Return on Equity (%)	-35.63	-4.57	-0.44	-3.97
Return on Assets (%)	-6.67	-2.03	-0.19	-1.72
Debt-to-Equity Ratio (times)	3.79	1.10	1.13	1.10
Asset Turnover Ratio (times)	0.18	0.23	0.36	0.36
Interest Coverage Ratio (times)	-1.02	0.51	0.75	0.32

Source: The data are compiled by the authors from publicly available sources.

COMPANY C: IDFC BANK-CAPITAL FIRST (MERGER)

IDFC Bank, an infrastructure financing and wholesale banking institution, merged with Capital First in December 2018. The objective was to transform the combined entity into a retail-focused bank. Exhibit 3 presents the performance of IDFC Bank and Capital First.

Exhibit 3: Performance of IDFC Bank & Capital First

Ratio	FY2021	FY2022	FY2023	FY2024	FY2025
Net Profit Margin (%)	3.03	0.77	10.93	9.70	4.08
Operating Profit Margin (%)	45.31	28.24	41.31	40.98	35.43
Return on Equity (%)	2.70	0.63	9.61	9.12	3.91
Return on Assets (%)	0.30	0.07	1.04	0.99	0.43
Debt-to-Equity Ratio	7.50	7.52	7.80	7.79	7.63
Interest Expense to Sales (%)	53.76	43.47	44.40	45.74	47.14
Other Income to Sales (%)	13.85	18.47	19.66	19.56	19.11
EPS (₹)	0.85	0.21	3.75	4.16	2.04

Source: The data are compiled by the authors from publicly available sources.

COMPANY D: HDFC BANK-HDFC LTD (MERGER)

HDFC Ltd. merged with HDFC Bank on 1st July 2023, one of the biggest mergers in the Indian Banking Industry. The merger aimed to integrate housing finance and commercial banking. Exhibit 4 presents selected financial ratios of HDFC Bank and HDFC Ltd.

Exhibit 4: HDFC Bank AND HDFC Ltd.

Ratio	FY2021 (pre-merger)	FY2022 (pre-merger)	FY2023 (Merger Year)	FY2024 (post-merger)	FY2025 (post-merger)
Net Profit Margin (%)	24.76	27.99	26.94	22.58	21.05
Operating Profit Margin (%)	59.19	58.39	63.08	38.59	44.41
Return on Equity (%)	15.17	15.39	15.89	14.04	13.57
Return on Assets (%)	1.77	1.79	1.82	1.59	1.61
Debt-to-Equity Ratio	7.20	7.22	7.39	6.81	6.41
Interest Expense to Sales (%)	46.09	43.10	45.55	54.34	54.67
Other Income to Sales (%)	21.26	23.36	19.86	43.84	40.00
EPS (₹)	28.87	34.31	41.22	42.16	46.26

Source: The data are compiled by the authors from publicly available sources.

COMPANY E: TATA GROUP- AIR INDIA (ACQUISITION)

The Tata Group took over the airline in 2022 when Air India was loss-making and had many issues. J.R.D. Tata founded Air India in 1932, but the Government of India nationalised the airline in 1953. Over time, Air India began incurring significant financial losses and mounting debt due to high costs and intense competition from other airlines. As of August 2021, the total debt of the airline was around ₹61,562 crore. The government decided to privatise Air India to tackle this challenge. In October 2021, Tata Group won the bid to acquire Air India, and the ownership was transferred on 27 January 2022.The acquisition aimed to rejuvenate Air India through operational restructuring. Exhibit 5 presents financial performance of Air India and Tata Group

Exhibit 5: Performance of Air India and Tata Group

Financial Ratio	FY2021 (pre-acquisition)	FY2022 (Acquisition Year)	FY2023 (post-acquisition)	FY2024 (post-acquisition)
Operating Profit Margin (%)	0.33	-14.82	-0.67	-0.76
Net Profit Margin (%)	-67.84	-56.89	-36.29	-11.45
Return on Assets (%)	-9.97	-17.76	-20.91	-5.48
Current Ratio (times)	0.30	0.31	0.52	0.65
Interest Coverage Ratio (times)	-1.02	-1.79	-1.46	-1.17

Source: The data are compiled by the authors from publicly available sources.

After reviewing five transactions and discussing, the students realised that financial performance might not alone fully capture merger success. Some companies quickly improved profitability while others set market position despite weaker short-term financial results.

There was no agreement among the student teams on the mergers; each group of students defended a different proposal for merging, according to different criteria.

Towards the end of the discussion, the faculty members asked the students for their comments on the following question:

"Which merger would you point to as the most successful and why, as an investment analyst advising on long-term investments?"

DISCUSSION QUESTIONS

1. Which is the most value-creating merger?
2. Which merger created the greatest strategic advantage?
3. Which business has shown to have the most complex integration problem?
4. Are short-term profits the key to a merger's success?
5. Rank the five mergers in order, from most successful to least.

TEACHING NOTE

Learning Objectives

After completing the case, the students should be able to

- Evaluate M&A performance;
- Analyze financial ratios;
- Distinguish accounting success from strategic success;
- Compare mergers across industries;
- Recommend investment decisions.

Target Courses and Intended Audience

This case is designed for postgraduate and executive-level management programs, including MBA and advanced undergraduate courses, particularly in Corporate Finance, Mergers and Acquisitions, and Strategic Management. It is best used after covering financial statement and ratio analysis, enabling students to compare five major corporate transactions across industries. The case is suitable for individual assignments, group presentations, or in-class discussions, ideally within a 90-minute session, where students assess financial performance, strategic objectives, and merger motives to recommend the transaction that maximises long-term value.

Assignment Questions

The discussion questions are designed to guide classroom analysis and facilitate comparison of five mergers and acquisitions. Instructors can assign them for individual preparation, group discussion, or classroom presentation.

1. Which is the most value-creating merger?
2. Which merger created the greatest strategic advantage?
3. Which business has shown to have the most complex integration problem?
4. Are short-term profits the key to a merger's success?
5. Rank the five mergers in order, from most successful to least.

Teaching Plan (90 Minutes)

The case is designed for a 90-minute classroom session. Students are expected to read the case and analyse the financial exhibits before class. The instructor may divide the class into five groups, each assigned to analyse one merger or acquisition in detail.

Time	Activity	Instructor's Role
0–10 minutes	Introduction of the case	The instructor should introduce the session objectives, explain the assignment details, and instruct each group to summarise the strategic rationale for their assigned merger or acquisition.
10–30 minutes	Group presentations	• Each group analyses a designated company. • Focus areas include financial performance, strategic objectives, and major challenges. • Groups are encouraged to ask questions and compare their observations.
30–50 minutes	Comparative financial analysis	While comparing the five transactions, focus on profitability, operating performance, returns, leverage, and efficiency to identify trends and disparities in their post-merger financial performance.
50–70 minutes	Strategic evaluation	Students are to analyse the strategic goals of five types of transactions: - Diversification - Industry consolidation - Retail transformation - Strategic integration - Corporate turnaround The instructor may prompt students to evaluate whether financial performance is the appropriate measure of merger success.
70–85 minutes	Integration of theory	Students should connect the case discussion with various theories. The theories include: - Synergy Theory - Market Power Theory - Resource Based View (RBV) - Post-Merger Integration - Financial Ratio Analysis
85–90 minutes	Wrap-up the discussion	Students should be facilitated to justify their ranking

White Board Plan

Using a board plan, the instructor should use the class discussion to explore five mergers and acquisitions, including their strategic objectives, financial outcomes, and integration challenges. The table below can be discussed:

Company	Strategic Objective	Financial Performance	Integration	Overall
Zomato	Diversify	Boost	Moderate	High
PVR				
IDFC				
HDFC				
Air India				

The instructor may use the Zomato pattern for the remaining companies to comment on the box by the students. The instructor may also include a table for the ranking, which is an important part of this discussion.

Ranking

Rank	Company	Reason
1		
2		
3		
4		
5		

SUGGESTED ANSWERS TO ASSIGNMENT QUESTIONS

Question 1: Which is the most value-creating merger?

There is no one-size-fits-all answer to how value is created, and it arises through both financial and strategic means. The Blinkit deal marks a financial success for Zomato, as the company will become more profitable and efficient. Despite the pressures of the merger, HDFC Bank posted strong earnings. The Tata Group's acquisition of Air India and the merger between HDFC Bank and HDFC Ltd are significant strategic routes to long-term growth. It is an important step for instructors to guide students in distinguishing between two types of value: short-term financial value and long-term strategic value, and to use evidence from financial exhibits to support their conclusions.

Question 2: Which merger created the greatest strategic advantage?

The merger between HDFC Bank and HDFC Ltd. brought strategic benefits by combining two businesses – housing finance and commercial banking – enabling cross-selling and product diversification and positioning the combined entity as one of the biggest financial services companies in India. Zomato's acquisition of Blinkit helped it enter the quick commerce market, and Tata Group's acquisition of Air India enhanced its aviation ecosystem. Here, strategic advantage is defined by profitability, competitive positioning, market access, diversification and long-term growth potential.

Question 3: Which business has shown to have the most complex integration problem?

The Tata Group's acquisition of Air India offers a significant example of a public sector company with heavy losses and debt, requiring restructuring as part of the post-merger integration challenge. Some of the major problems to be tackled include operational inefficiency, organisational restructuring, and cultural change. The complexities of Air India's turnaround include employee and system integration, fleet modernisation, service quality, and operational processes.

Question 4: Are short-term profits the key to a merger's success?

The instructor may add that short-term profitability is important but is not a reliable indicator of merger success due to potential operational disruption and integration costs. Strategic considerations such as diversification and turnaround should be emphasised. A sound analysis needs to consider both financial and qualitative measures, including operational synergies, competitive positioning, market expansion, customer successes, and long-term value creation for shareholders.

Question 5: Rank the five mergers in order, from most successful to least.

The ranking depends on the ranking criteria and may vary as per the discussion level in the class. All five mergers and acquisitions are some of the suggested combinations based on financial performance, strategic goals and long-term value creation. The instructor can suggest an alternative ranking order, such as strategic turnaround instead of profitability. In the end, the most significant aspect of the justification is its quality, more so than the ranking, so this needs to be taken care of during the discussion.

Comparative Analysis Table to Be Used in Class

Company	Strategic Objective	Financial Performance	Strategic Outcome	Integration Complexity	Overall Assessment
Zomato–Blinkit					
PVR–INOX					
IDFC Bank–Capital First					
HDFC Bank–HDFC Ltd.					
Tata Group–Air India					

Five mergers and acquisitions can be compared and contrasted to show how their strategic goals and outcomes differ. Zomato had a profitable quick commerce segment with Blinkit and had a good presence in the market, which is why it went for quick commerce diversification. PVR's acquisition of INOX was a success as it targeted industry consolidation and helped to improve the operations, but with a problem of being unprofitable. IDFC Bank's acquisition of Capital First was a success despite a short-term dip in performance and is now a retail bank. The merger of HDFC Bank with HDFC Ltd. brought housing finance into the banking fold and eased off the pressure on profitability, but the earnings growth remained unaffected and is considered a strong strategic move. Amongst the highlights of the offer made by Tata Group for Air India was the ability of the Tata Group to make a corporate turnaround through an undertaking of the privatisation of Air India, which would bring about substantial reduction of losses, but is still in the process of being turned around.

INSTRUCTOR TAKEAWAYS

- There isn't a merger that's good at everything,
- Evaluation criteria are guided by strategic objectives,
- Financial ratios are not a complete measure of performance,
- Quality of integration is key to long-term success, and
- Students are required to provide quantitative and qualitative evidence to support conclusions.

SUGGESTED READINGS

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