

**Effect of Merger & Acquisition on share
holder's wealth: A case of Cement Industry of
Pakistan**



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Abstract:

The business environment for the corporations have changed due to globalization, every company's ultimate objective is to increase/maximize their share holder's wealth. In order to do so, the companies need to grow. Growth can be obtained internally and externally. Internal growth can be achieved by increasing the product lines which can be done by manufacture new products and external growth can be achieved by Mergers and Acquisitions. In Pakistan the technique of Mergers and Acquisitions are very widely used in the cement sector of Pakistan so therefore the aim of the research is to evaluate the effect of Merger & Acquisition on share holder's wealth of Cement Industry of Pakistan. Five cement companies which have been taken as a sample are from 2007 to 2013 in which three were Merger deals and two were Acquisition deals. The Accounting and financial data was taken from SECP, KSE, CCP and SBP. Different financial ratios like Profitability, Leverage and Liquidity are used to measure the share holder's wealth and with the help of Pre and Post ratio comparison, one year before M&A and one year after M&A and keeping the deal years as a base year. The results show that there is positive effect of M&A on the share holder's wealth of cement companies listed on SECP and the share holder's wealth has increased after M&A.

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