

ABSTRACT

In this study, we test the free cash flow using a sample of Indian bidder firms. In a sample of successful tender offers during 2003-2009, bidder returns are significantly negatively related to cash flow for low MBVR bidders but not for high MBVR bidders. Further the relation between cash flow and bidder returns differs significantly for low MBVR and high MBVR bidders firms. This result holds for several cash flow measures suggested in the literature and also in multivariate regressions controlling for bidder characteristics.