Amalgamation of Dena Bank, Vijaya Bank and Bank of Baroda

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Amalgamation of Dena Bank, Vijaya Bank and Bank of Baroda

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Certificate

This is to certify that the project entitled "**Amalgamation of Dena bank, Vijaya Bank and Bank of Baroda**' has been successfully completed by Rashmi Kumari -2K17/EMBA/536.

This is further certified that this project work is a record of bonafide work done by him
Under my guidance. The matter embodied in this report has not been submitted for award of any degree.

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EXECUTIVE SUMMARY

Union in the Banking division is significant as far as mergers and acquisitions for the developing Indian Banking Industry. This can be accomplished through Cost Reduction and Increasing Revenue. The significant part here is that for what reason do we need union in Indian Banking and what is the Challenges Ahead. The job of the Central government is additionally important to be investigated in the whole procedure as they assume an essential job in the approach arrangement required for the development of Indian Banking.

An examination of the Indian financial industry demonstrates that because of elements like solidness, come back to investors, holding fast to administrative standards, and so on make M&A as an objective. Additionally M&A offers a chance to these Indian banks of making an all inclusive bank. Additionally mergers can be utilized as a key instrument and furthermore there is a probability of key speculations where customary M&A are unrealistic. In the changing monetary and business condition portrayed by speed, adaptability and responsiveness to clients, 'measure' has a ton to add to remaining ahead in the challenge. It is in this setting mergers and acquisitions (M&A's) as an instrument to increase aggressive quality comes into the front line with 'Collaborating for intensity's being a perceived vital contention for the equivalent.

Additionally deregulation assumes a significant job in the whole economy if it will opened to remote players. A cautious report should be done before the outside players are permitted to go into the market and precedents from various economies over the globe must be considered.

Likewise there should be an appropriate thought of the human asset for example the representatives' advantage must not be influenced due a specific merger. Additionally the different dangers should be considered.

INTRODUCTION

Merger

Merger could be a combination of 2 or a lot of corporations into one company. In India, we have a tendency to decision mergers as amalgamations, in legal formulation. The deed company, (also mentioned because the amalgamated company or the integrated company) acquires the assets and therefore the liabilities of the takeover target (or amalgamating company). Typically, shareholders of the amalgamating company get shares of the amalgamated company in exchange for his or her existing shares within the takeover target. Merger might involve absorption or consolidation.

Takeover

Takeover are often outlined because the acquisition of interest during a company by another company. It doesn't cause the dissolution of the corporate whose shares square measure being non heritable. It merely suggests that a amendment within the interest during a company through the acquisition of its share by another cluster.

Horizontal merger

A horizontal merger involves merger of 2 companies in operation and competitive within the same quite commercial activity. Forming a bigger firm might have the good thing about economies of scale. however the argument that horizontal mergers occur to understand economies of scale don't seem to be true horizontal mergers is regulated for his or her potential negative impact on expectation. several as probably making monopoly power on the a part of the combined firm enabling it to interact in anticompetitive practices additionally believe horizontal mergers.

Vertical mergers

Vertical mergers happen between firms in various phases of generation activity. In oil industry, for instance, refinements are made among investigation, and generation, refining and advertising to extreme client. The productivity and confirmed method of reasoning of vertical mix rests essentially in the expense of market trade and contracting.

Conglomerate mergers

Conglomerate mergers involve firms engaged in unrelated business activates. Among conglomerate mergers, three types have been distinguished:

- Product-extension merger broaden the product lines of the firms. These are the mergers between the firms in related businesses and may also be called as concentric mergers.
- A geographic market extension merger involves two firms whose operations have been conducted in non-overlapping geographic areas.
- Finally, the other conglomerate mergers, which are often referred to as pure conglomerate mergers involve, unrelated business activities. These would not qualify as either as product-extension or market-extension.

Two important characteristics that define a conglomerate firm are

- First, a conglomerate firm controls a range of activities in various industries that require different skills in specific managerial functions of research, applied engineering, production, marketing and so on.
- Second, mainly external acquisitions and mergers achieve the diversification, not by internal development.
- To Utilize under-utilized market power
- As a response to shrinking growth and / or profit opportunities in one's own industry
- A desire to diversify.
- Economics of scale; a firm can increase its income with less than proportionate investment
- Establishing a transnational bridgehead without excessive startup costs to gain access to a foreign market.
- A desire to utilize fully the particular resources or personnel that are controlled by the firm, particularly in context of managerial skills.
- A desire to displace existing management.
- To circumvent government regulations.
- An individual owing or controlling a firm may be motivated for merger with a desire to create an image of aggressiveness and strategic opportunism, empire building and to amass vast economic power of the company.

Economic motives	Personal motives	Strategic motives
Marketing economies of scale	Increase sales pursuit of man power	Increase profitability
Risk spreading	Managerial challenge	Acquisition of a competitor
Increase profitability	Respond to market failures	Acquisition of inefficient management
Cost reduction	Enchancemanageriall prestige	Defence mechanism
Acquisition of raw material		Create shareholder value
Technical economies of scale		
Different valuation of target		

Operating economies

At the point when two associations join, them might be able to stay away from or lessen covering capacities and offices. The joined firm empowers to unite various administrative Functions, for example, buying, creation, showcasing, R&D and so on the rationale of working economies lies in the idea of cooperative energy.

Diversification

Diversification generally means expansion of operation through the merger of firms in unrelated lines of business. Such mergers are called conglomerate mergers.

Growth

Development suggests extension of an association's activity as far as deals , benefit and resources At the point when an organization is unfit to develop inside in view of asset and the executives limitations, it can develop very by assuming control over tasks of another organization . Obtaining may yield the craving of development quicker , simpler and less expensive than the interior development.

Limit competition and exploiting factor markets

Merger can give imposing business model capacity to the consolidated substance. Consequently by restricting challenge, it can gain very typical benefits.

Financing

In some cases inside development may not be conceivable because of budgetary imperative. Monetary an outside development turns out to be simple if tasks of other organization can be obtained through the trading of offers.

Taxation

The inclination to limit charge risk, especially when the administrative assessment rate is high, may likewise cause merger of two organizations. The convey forward of a duty misfortune is one more purpose behind a portion of the merger.

Personal reasons

There might be various individual inspirations, with or without financial substance, for merger action. For instance, proprietors of a firmly held firm may jump at the chance to be gained by a generally held organization whose offers are all around appropriated and very much exchanged the financial exchange . This empowers them to differentiate their portfolio and improve attractiveness and liquidity of their property.

Mergers and Acquisitions in India

Mergers and acquisitions aim towards Business Restructuring and increasing competitiveness and shareholder value Via increased efficiency. In the market place it is the survival of the fittest.

India has witnessed a storm of mergers in recent years.The Finance Act,1999 clarified many issues relating to Business Reorganizations there by facilitating and making business-

restructuring tax neutral. As per Finance Minister this has been done to accelerate internal liberalization and to release productive energies and creativity of Indian businesses.
The year 1999-2000 has notched-up deals over Rs.21000 crore which is over 1% of India's GDP. This level of activity was never Mergers and acquisitions point towards Business Restructuring and expanding intensity and investor esteem Via expanded effectiveness. In the commercial center it is the survival of the fittest.

India has seen a tempest of mergers in late years.The Finance Act,1999 explained numerous issues identifying with Business Reorganizations there by encouraging and making business-rebuilding charge impartial. According to Finance Minister this has been done to quicken inside progression and to discharge profitable energies and imagination of Indian organizations.

The year 1999-2000 has indented up arrangements over Rs.21000 crore which is over 1% of India's GDP. This dimension of movement was never found in Indian corporate division. InfoTech, Banking , media , pharma, concrete , power are the parts, which are progressively dynamic in mergers and acquisitions. seen in Indian corporate sector. InfoTech, Banking , media , pharma, cement , power are the sectors, which are more active in mergers and acquisitions.

Consolidation of Banking Industry-an Overview

HDFC Bank and Times Bank tied the merger tie in year 1999. The meeting up of two likeminded private banks for shared advantage was a land mark occasion ever of banking.

Numerous investigation saw this activity as opening of the conduit of a spate of mergers and combinations among the banks, yet this was not to be, it took almost a year for another merger. The procedure of union is a moderate and difficult procedure. Be that as it may, the pause and watch game played by the banks appears to have reached an end. With rivalry setting in and fixing of the prudential standards by the zenith bank the players in the business is by all accounts alternating to combine.

It was the turn Bank Of Madura to incorporate with ICICI Bank. This merger is astounding unique in relation to the previous ones. It is a merger between banks of two distinct ages. It denotes the start of the acknowledgment of merger with old age banks, which appeared to be strange with various implanted issues..

The business sectors appear to be agreeable to bank solidification. As on account of HDFC Bank and Times Bank, this time additionally market respected the merger of ICICI Bank and Bank of Madura.Each time a merger is reported it appears to set out a sign in the business of further union. The offers of the bank achieved new statures. This time it was not just the turn of the new private area banks, yet in addition the offers of old age private banks and even open segment banks encountered a purchasing premium. Are these merger moves a finish of the union in the business? Will any bank be immaculate and which will be forgotten?

To address this inquiry let us first look through the business and see where the various players are set. The Indian financial industry is comprises of four classifications open segment banks, new private division banks and remote banks. The open segment banks control a noteworthy offer of the financial activities. These incorporate probably the greatest names in the business like Stare Bank of India and its partner banks, Bank of Baroda, Corporation bank and so on their quality lies in their span and conveyance arrange. Their issues rage from high NPA's to over business. The administration controls these banks. The greater part of these banks are endeavoring to change the discernment. The administration controls these banks. The vast majority of these banks are attempting to change the observation. The ongoing push on decrease of government stake, VRS and NPA settlement are ventures toward this path. Notwithstanding, genuine solidification can occur if government lessens its stake and changes its recognition on the need of merger. The administration's stand has dependably been that combination ought to happen to spare a bank from crumbling. The old private part banks are the banks, which were set up earlier the Banking

Nationalization Act, however couldn't be nationalized on account of their little size. This portion incorporates the Bank Of Madura, United Western Bank, Jammu and Kashmir bank; and so on banks' identity confronting rivalry from private banks and remote banks. They are attempting to improve their edges. In spite of the fact that a portion of the banks in this classification are doing incredibly well, the financial specialists and the business sectors appear not to remunerate them satisfactorily. These banks are unfit to disengage themselves successfully from the more established tag. The new private banks appeared with the alteration of Banking Regulation Act in 1993, Which allowed the passage of new private segment banks. Of the over the spotlight is on the old age private banks .the OGPBs can turn out to be simple takeover focuses on .the sizable arrangement of advances and stores go about as a motivator. Added to this these banks have an expanded investor base, which hinders them from propelling a viable fight against the potential acquirers. The successful shield against takeovers for these banks could be to get into key partnerships like the Vysya bank model, which has bank Brussels Lambert of the Dutch ING Group as a vital speculator. Joined Western Bank and Lord Krishna Bank are as of now on a post for vital accomplices. Be that as it may, the issues go past the shareholding design and are far established .the prudential standards like the expanding CAR and the base total assets prerequisites are making the very presence of these banks troublesome. They are thinking that its troublesome. They are discovering hard to raise capital and stay aware of the regularly fixing standards .one of the survival courses fore these banks is to converge with another bank.

Mergers: Making Sense of it All

During the time spent merger banks should give due significance to cooperative energies and complimentary grips. The merger must bode well and reflect in expanding the investor esteem. It should help increment the bank's total assets and its capital sufficiency. A merger ought to grow business open door for the two banks. The other basic and aggressive edge for survival is the expense of assets, which means stable stores and hazard enhancement. System size is significant in this viewpoint since one can't develop remaining in one spot in light of the fact that the benefit advertise in each spot is constrained. Except if one readies the structure hinders for development by looking outside one's territory he either sells out or gets procured. The highlights, which a bank looks in its objective is by all accounts the circulation arrange (number of branches and topographical dissemination), number of customers and budgetary parameters like expense of assets, capital ampleness proportion, NPA and arrangement spread.

The merger of solid substances ought to be supported. The purpose behind the merger ought not be to spare a bank from elimination rather the thought process must be to go join for the inaccessible points of interest of both consolidating banks towards a common advantage. PS Shenoy, executive and overseeing chief, Bank of Baroda said," today open part bank can converge with another bank just through ban course." That implies you can takeover just a dead and you kick the bucket yourself and permit to be converged with a solid bank. Lamentably this isn't the soul behind the merger and procurement.

Time for Strategic Alliance

It isn't significant for banks to converge with banks yet additionally elements in the different business exercises. Vital organization could turn into the inthing. Vital mergers between banks for utilizing each other's foundation empowering settlement of assets to different focuses among the key accomplice banks can give the record holder the adaptability of buying a draft payable at focuses where the key tie-up exists. The key tie-up could likewise incorporate a manage an account with another specific speculation bank to offer some incentive included administrations. Tie-ups could likewise be between a bank and innovation firm to give propelled administrations. It is theseStrategic tie-ups that are set to increment in future. These alongside giving vale-included advantages, additionally help in structure positive recognitions in the market.

In a large scale point of view mergers and securing can demonstrate viable on reinforcing the Indian budgetary part . Today, while Indian banks have made huge walks in broadening the range locally , universally the Indian framework is prominent by its nonappearance . The are not many providing food generally to India related business . Therefore India does not have a nearness in global monetary markets. In the event that India needs to develop as a universal financial focus the nearness of huge manages an account with outside nearness is basic. With globalization and key collusions Indian banks would develop initially. The future enormous keeps money with worldwide nearness .Globally the financial business is uniting through cross-outskirt mergers. India is by all accounts a long ways behind. The law does not permit the remote saves money with branch system to procure Indian banks. Be that as it may, who knows with weights of globalization the rule that everyone must follow could be revised clearing route for a cross fringe bargain.

While the private division banks are on the limit of progress, the open part banks (PSB"s) are gradually examining robotization to quicken and make the lost progress. To fight with new difficulties presented by the private part banks, PSB"s are siphoning gigantic adds up to refresh their it yet at the same time, it would appear that, open division banks need to change the gears, quicken their developments, in the correct bearing via computerization their branches and giving, Internet banking administrations. Private area banks, so as to rival enormous and entrenched open division banks, are foraying into IT, yet in addition shaking hands with friend banks to build up themselves in the market. While one of the main activities was taken in November 1999, when Deepak Prakesh of HDFC and S.M.Datta of Times bank shook hands, made history. It is the principal merger in the Indian banking, flagging that Indian financial area joined the mergers and acquisitions fleeting trend. Preceding this private bank merger, there have been many endeavors made by the administration to safeguard frail banks and synergize the activities to accomplish scale economies however lamentably they were all pointless. By and by 'measure' of the bank is perceived as one of the real qualities in the business. Furthermore, mergers among solid banks can both a way to reinforce the base, and obviously, to confront the relentless challenge.

The hunger for mergers is making a returned among the open area banking industry. The senses are broadcast straightforwardly at different gatherings and meetings. The bank business analyst meeting maybe set the ball moving after the unique secretary for banking Devi Dayal focused on the significance of the size as a factor. He called attention to the solidification through merger and obtaining was turning into a pattern in the worldwide financial situation needed the Indian partners to think on similar lines. There is additionally an inclination risk there are very numerous banks. PS Shenoy, executive and overseeing chief of Bank of Baroda, stated, "There are an excessive number of banks to deal with the measure of business." The pace of mergers will rush. As the time runs out and the decision of target saves money with complimentary organizations gets decreased there would be a very late hurry to secure the rest of the banks, which will rush the procedure of solidification.

Recommendations of Narasimham Committee on Banking Sector Reforms

The Narasimham Committee on banking sector reforms suggested that 'merger should not be viewed as a means of bailing out weak banks. They could be a solution to the problem of weak banks but only after cleaning up their balance sheet.' The government has tried to find a solution on similar lines, and passed an ordinance on September 4, 1993, and took the initiative to merger New Bank of India (NBI) with Punjab National Bank (PNB). Ultimately, this turned out to be an unhappy event. Following this, there was a long silence in the market till HDFC Bank successfully took over Times Bank. Market gained confidence, and subsequently, there were two more mega mergers. The merger on Bank Of Madura with ICICI Bank, and of Global Trust Bank with UTI Bank, emerging as a new bank, UTI Bank, emerging as a new bank, UTI-Global Bank.

The following are the recommendations of the committee

- Globally, the banking and financial systems have adopted information and communications technology. This phenomenon has largely bypassed the Indian banking system, and the committee feels that requisite success needs to be achieved in the following areas:

1. Bank automation
2. Planning, standardization of electronic payment systems
3. Telecom infrastructure
4. Data warehousing network

- Mergers between banks and DFIs and NBFCs need to be based on synergies and should make a sound commercial sense. Committee also opines that mergers between strong banks/FIs would make for grater economic and commercial sense and would be a case where the whole is greater than the sum of its parts and have a "force multiplier effect". It is also opined that mergers should not be seen as a means of bailing out weak banks.
- A weak bank could be nurtured into healthy units. Merger could also be a solution to a weak bank, but the committee suggests it only after cleaning up their balance sheets. It also says, if there is no voluntary response to a takeover of there banks a restructuring, merger amalgamation, or if not closure.
- The committee also opines that, licensing new private sector banks, the initial capital requirements need to be reviewed. It also emphasized on a transparent mechanism for deciding the ability of promoters to professionally manage the banks. The committee also

feels that a minimum threshold capital for old private banks also deserves attention and mergers could be one of the options available for reaching the required threshold capitals. The committee also opined that a promoter group couldn't hold more than 40% of the equity of a bank.

The Indian banking and financial sector-a wealth creator or a wealth destroyer?

The Indian banking and money related area (BFS) crushed 22 paise of market esteem included (MVA) for each rupee put resources into it, which is extremely poor contrasted with the BFS division in the U.S, which has made 92 pennies of MVA per unit of contributed capital. Fortunately the presentation of the riches making Indian banks has been exceptional than that of the affluent making US banks.But the pitiful part is that the banks, which h obliterate 59 paise of riches for each rupee contributed, expend about 88% of complete capital put resources into out BFS area. As a benchmark, the US economy puts 83% of its capital in riches makers.

In the banking and money related part as well. The victors on the MVA-scale are not quite the same as those on conventional Size-based estimates, for example, complete resources, incomes, and benefit after duty and market estimation of value. In fact, the keeps money with most resources, for example, State Bank Of India and Industrial Development Bank Of India are among the greatest riches destroyers. SBI best on size-based estimates like incomes, PAT, all out resources, showcase estimation of value, however shows up among the base positions for riches creation. Then again, HDFC and HDFC Bank top the MVA rankings despite the fact that they don't show up in the main 10 positioning dependent on all out resources or incomes.

PROBLEM BACKGROUND

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PROBLEM DEFINITON

What is shareholder value?

Value is a very subjective term. There are many factors, which influence a person to invest in a particular company. For some it may be capital appreciation, for some it may be consistency in the earnings of the company, for some it may be the dividends that the company pays or it may be the reputation of the company. But normally the market price of the shares is prime motivation factor behind an investment by an investor.

Hence we can say that a company has created wealth has created wealth when there is an increase in the market price of the shares. Theoretically also, the financial goal of a company is to maximize the the owner's economic welfare. Owner's economic welfare can be maximized when shareholders wealth is maximized which is reflected in the increased market value of the shares.

COMPANY PROFILE

Vijaya Bank, was founded on 23rd October 1931 by late Shri A.B.Shetty and other enterprising farmers in Mangaluru, Karnataka. The objective of the founders was essentially to promote banking habit, thrift and entrepreneurship among the farming community of Dakshina Kannada district in Karnataka State. The bank became a scheduled bank in 1958. Vijaya Bank steadily grew into a large. The bank has built a network of 2031 branches, 13 Extension Counters and 2001 ATMs as on 31.03.2017, that span all States and Union Territories in the country. The bank had a capital adequacy ratio of 13.9% as on March 31,2018. The bank's equity shares are listed on the Stock ratio Exchange at Mumbai and Chennai and National Stock Exchange in India.

Dena Bank was founded on 26th May, 1938 by the family of Devkaran Nanjee under the name Devkaran Nanjee Banking Company Ltd. It became a Public Ltd. Company in December 1939 and later the name was changed to Dena Bank Ltd. In July 1969 Dena Bank Ltd. along with 13 other major banks was nationalized and is now a Public Sector Bank constituted under the Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970. Under the provisions of the Banking Regulations Act 1949, in addition to the business of banking, the Bank can undertake other business as specified in Section 6 of the Banking Regulations Act, 1949. The bank had a capital adequacy ratio of 11.09% as on March 31,2018. The bank's equity shares are listed on the Stock ratio Exchange at Mumbai and Chennai and National Stock Exchange in India.

Bank of Baroda (BoB) is an Indian multinational, public sector banking and financial services company. It is owned by Government of India and headquartered in Vadodara, Gujarat. It has a corporate office in Mumbai, Maharashtra.
Based on 2017 data, it is ranked 1145 on Forbes Global 2000 list. BoB has total assets in excess of ₹ 3.58 trillion, a network of 9583 branches in India and abroad, and 10441 ATMs as of July, 2017.
BoB had total assets of $100 billion and cash deposits ratio of 3.81 as on March 31, 2018. The bank's capital adequacy ratio stood at 12.13% as on March 31, 2018.

The equity shares of the bank are listed on the Stock Exchange at Mumbai, Calcutta , Delhi, Chennai, Vadodara and National Stock Exchange in India.

BOB Capital Markets (BOBCAPS) is a SEBI-registered investment banking company based in Mumbai, Maharashtra. It is a wholly owned subsidiary of Bank of Baroda. Its financial services portfolio includes initial public offerings, private placement of debts, corporate restructuring, business valuation, mergers and acquisition, project appraisal, loan syndication, institutional equity research, and brokerage.

Bobcards Ltd is a credit card company, 100% subsidiary of Bank of Baroda. The company is in the business of Credit cards, Acquiring Business & back end support for Debit cards operations to Bank of Baroda. Bank of Baroda had introduced its first charged card named BOBCARD in the year 1984. The whole operation of this plastic card was managed by Credit card division of Bank of Baroda. It established a wholly owned subsidiary, Bobcards Limited in the year 1994 to cater to the need of rapidly growing credit card industry in a focused manner. BOBCARDS Ltd is the first Non-banking company in India issuing credit cards

BoB established its first branch in Ahmedabad. The bank grew domestically until after World War II. Then in 1953 it crossed the Indian Ocean to serve the communities of Indians in Kenya and Indians in Uganda by establishing a branch each in Mombasa and Kampala. In 1957 BoB took a giant step abroad by establishing a branch in London. London was the center of the British Commonwealth and the most important international banking center. In 1958 BoB acquired Hind Bank (Calcutta; est. 1943), which became BoB's first domestic acquisition.

In 1961, BoB acquired New Citizen Bank of India. This merger helped it increase its branch network in Maharashtra. BoB also opened a branch in Fiji. The next year it opened a branch in Mauritius.

In 1963, BoB acquired Surat Banking Corporation in Surat, Gujarat. The next year BoB acquired two banks: Umbergaon People's Bank in southern Gujarat and Tamil Nadu Central Bank in Tamil Nadu state.

In 1965, BoB opened a branch in Guyana. That same year BoB lost its branch in Narayanganj (East Pakistan) due to the Indo-Pakistani War of 1965. It is unclear when BoB had opened the branch. In 1967 it suffered a second loss of branches when the Tanzanian government nationalised BoB's three branches there at (Dar es Salaam, Mwanga, and Moshi), and transferred their operations to the Tanzanian government-owned National Banking Corporation.

In 1969, the Indian government nationalised 14 top banks including BoB. BoB incorporated its operations in Uganda as a 51% subsidiary, with the government owning the rest.

In 1972, BoB acquired Bank of India's operations in Uganda. Two years later, BoB opened a branch each in Dubai and Abu Dhabi.

Back in India, in 1975, BoB acquired the majority shareholding and management control of Bareilly Corporation Bank and Nainital Bank, both in Uttar Pradesh. Since then, Nainital Bank has expanded to Uttarakhand state.

International expansion continued in 1976 with the opening of a branch in Oman and another in Brussels. The Brussels branch was aimed at Indian firms from Mumbai (Bombay) engaged in diamond cutting and jewellery having business in Antwerp, a major center for diamond cutting.

Two years later, BoB opened a branch in New York and another in the Seychelles. Then in 1979, BoB opened a branch in Nassau, the Bahamas.

In 1980, BoB opened a branch in Bahrain and a representative office in Sydney, Australia. BoB, Union Bank of India and Indian Bank established IUB International Finance, a licensed deposit taker, in Hong Kong. Each of the three banks took an equal share. .

A second consortium or joint-ventrue bank followed in 1985. BoB (20%), Bank of India (20%), Central Bank of India (20%) and ZIMCO (Zambian government; 40%) established Indo-Zambia Bank in Lusaka. That same year BoB also opened an Offshore Banking Unit (OBU) in Bahrain.

Back in India, in 1988, BoB acquired Traders Bank, which had a network of 34 branches in Delhi.

In 1992, BoB opened an OBU in Mauritius, but closed its representative office in Sydney. The next year BoB took over the London branches of Union Bank of India and Punjab & Sind Bank (P&S). P&S's branch had been established before 1970 and Union Bank's after 1980. The Reserve Bank of India ordered the takeover of the two following the banks' involvement in the Sethia fraud in 1987 and subsequent losses.

Then in 1992 BoB incorporated its operations in Kenya into a local subsidiary. The next year, BoB closed its OBU in Bahrain.

In 1996, BoB Bank entered the capital market in December with an Initial Public Offering (IPO). The Government of India is still the largest shareholder, owning 66% of the bank's equity.

In 1997, BoB opened a branch in Durban. The next year BoB bought out its partners in IUB International Finance in Hong Kong. Apparently this was a response to regulatory changes following Hong Kong's reversion to the People's Republic of China. The now wholly owned subsidiary became Bank of Baroda (Hong Kong), a restricted license bank. BoB also acquired Punjab Cooperative Bank in a rescue. BoB incorporate a wholly–owned subsidiary, BOB Capital Markets, for broking business.

In 1999, BoB merged in Bareilly Corporation Bank in another rescue. At the time, Bareilly had 64 branches, including four in Delhi. In Guyana, BoB incorporated its branch as a subsidiary, Bank of Baroda Guyana. BoB added a branch in Mauritius and closed its Harrow Branch in London.

In 2000 BoB established Bank of Baroda (Botswana). The bank has three banking offices, two in Gaborone and one in Francistown. In 2002, BoB converted its subsidiary in Hong Kong from deposit taking company to a Restricted License Bank.

In 2002 BoB acquired Benares State Bank (BSB) at the Reserve Bank of India's request. BSB had been established in 1946 but traced its origins back to 1871 and its function as the treasury office of the Benares state. In 1964 BSB had acquired Bareilly Bank (est. 1934), with seven branches in western districts of Uttar Pradesh; BSB also had taken over Lucknow Bank in 1968. The acquisition of BSB brought BoB 105 new branches. Lucknow Bank, a unit bank with its only office in Aminabad, had been established in 1913. Also in 2002, BoB listed Bank of Baroda (Uganda) on the Uganda Securities Exchange (USE). The next year BoB opened an OBU in Mumbai.

In 2004 BoB acquired the failed south Gujarat Local Area Bank. BoB also returned to Tanzania by establishing a subsidiary in Dar-es-Salaam. BoB also opened a representative office each in Kuala Lumpur, Malaysia, and Guangdong, China.

In 2005 BoB built a Global Data Centre (DC) in Mumbai for running its centralised banking solution (CBS) and other applications in more than 1,900 branches across India and 20 other counties where the bank operates. BoB also opened a representative office in Thailand.

In 2006 BoB established an Offshrore Banking Unit (OBU) in Singapore.

In 2007, its centenary year, BoB's total business crossed 2.09 trillion (short scale), its branches crossed 2000, and its global customer base 29 million people. In Hong Kong, Bank got Full Fledged Banking license and business of its Restricted License Banking subsidiary was taken over Bank of Baroda branch in Hong Kong w.e.f.01.04.2007.

In 2008 BoB opened a branch in Guangzhou, China (02/08/2008) and in Kenton, Harrow United Kingdom. BoB opened a joint venture life insurance company with Andhra Bank and Legal and General (UK) called IndiaFirst Life Insurance Company.

In 2009 Bank of Baroda (New Zealand) was registered. As of 2017 BoB (NZ) has 3 branches: two in Auckland, one in Wellington. In 2010 Malaysia awarded a commercial banking licence to a locally incorporated bank to be jointly owned by Bank of Baroda, Indian Overseas Bank and Andhra Bank.

In 2011 BoB opened an Electronic Banking Service Unit (EBSU) was opened at Hamriya Free Zone, Sharjah (UAE). It also opened four new branches in existing operations in Uganda, Kenya, and Guyana. BoB closed its representative office in Malaysia in anticipation of the opening of its consortium bank there. BoB received 'In Principle' approval for the upgrading of its representative office in Australia to a branch. Bob also acquired Mumbai-based Memon Cooperative Bank, which had 225 employees and 15 branches in Maharashtra and three in Gujarat. It had had to suspend operations in May 2009 due to its precarious financial condition.

The Malaysian consortium bank, India International Bank Malaysia (IIBM), finally opened in Kuala Lumpur, which has a large population of Indians. BOB owns 40%, Andhra Bank owns 25%, and IOB the remaining 35% of the share capital. IIBM seeks to open five branches within its first year of operations in Malaysia, and intends to grow to 15 branches within the next three years 2018, the Government of India proposed the merger of Dena Bank and Vijaya Bank with the Bank of Baroda, pending approval from the boards of the three banks. The merger was approved by the Union Cabinet and the boards of the banks on 2 January 2019. Under the terms of the merger, Dena Bank and Vijaya Bank shareholders received 110 and 402 equity shares of the Bank of Baroda, respectively, of face value ₹2 for every 1,000 shares they held. The merger came into effect on 1 April 2019. Post-merger, the Bank of Baroda is the third largest bank in India, after State Bank of India and HDFC Bank. The consolidated entity has over 9,500 branches, 13,400 atms, 85,000 employees and serves 120 million customers.

Synergies Emerging From The Merger

Financial capability

The amalgamation will enable them to have a stronger financial and operational structure, which is supposed to be capable of grater resource / deposit mobilization .

Branch network

The BoB's branch network would not only increase by 9500, but also increase geographic coverage as well as convenience to its customers.

Customer base

The emerged largest network base will enable the BoB bank to offer banking and financial services and products and also facilitate cross selling of products and services of the BoB group.

Tech edge

The merger will enable BoB to provide ATM s , phone and the Internet banking and financial services and products to a large customer base , with expected savings in costs and operating expenses.
The enchances branch network will enable the bank to focus on micro finance activities through self-help groups.

Managing rural branches

BoB's major branches are in major metros and cities, whereas Vijaya and Dena banks are spread its wings mostly in semi urban and city segments of south India. There is a task ahead lying for the merged entity to increase dramatically the business mix of rural branches of Vijaya and Dena banks . On the other hand , due to geographic location of its branches and level of competition , BoB Bank will have a tough time to cope with.

Managing human resources

One of the greatest challenges before BoB is managing the Human resources . When the head count of BoB Bank is taken , it is less than 1500 employees ; on the other hand, Vijaya   has over 2001 and Dena had . The merged entity will have about 85000 employed which will make it one of the largest banks among the new generation banks.

MERGER ANNOUNCEMENT

The government proposed the merger of three banks Bank of Baroda, Vijaya Bank and Dena Bank aimed at creating the country's third-biggest lender.

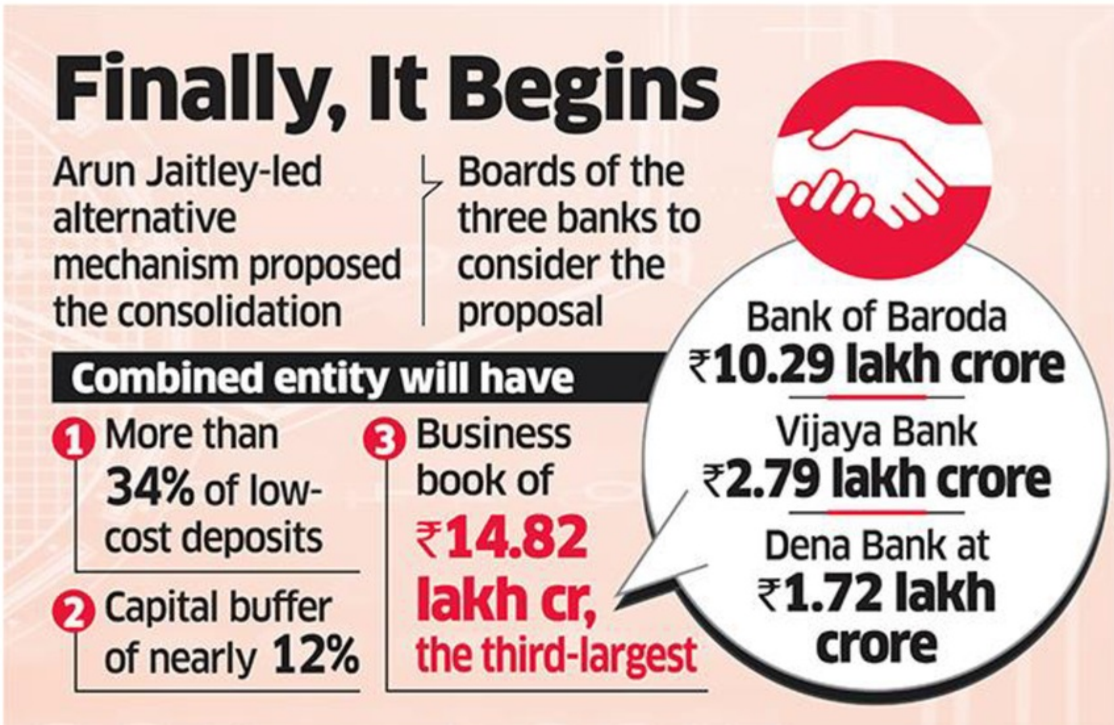
The boards of the three banks will now consider the proposal. The combined entity will have a strong presence across the nation with more than 34% of low-cost deposits, a capital buffer of nearly 12% and a business book of Rs 14.82 lakh crore. Bank of Baroda is the biggest of the three with Rs 10.29 lakh crore of total business, followed by Vijaya Bank at Rs 2.79 lakh crore and Dena Bank at Rs 1.72 lakh crore. "The government has suggested this to the banks to consider these proposals, and hopefully shortly the boards will meet and after adequate consultation will take a decision," said finance minister Arun Jaitley.

Parameters	Bank Baroda	Vijaya Bank	Dena Bank	Merged Entity
Total Business (Rs cr)	1029810	279575	172940	1482325
Deposits (Rs cr)	581485	157325	103020	841830
Gross Advances (Rs cr)	448330	122350	69920	640600
Employees	56360	15875	13440	85675
Branches (Domestic)	5502	2130	1858	9490
Deposite/Branch (Rs cr)	106	74	55	89
Advances/Branch (Rs cr)	81	57	38	68
RoA (%)	0.29	0.32	-2.43	-0.02
CET-1 Capital Ratio (%)	9.27	10.35	8.15	9.32
CRAR Capital Ratio (%)	12.13	13.91	10	12.25
Net NPA (%)	5.4	4.1	11.04	5.71
CASA Ratio (%)	35.52	24.91	39.8	34.06

The consolidation was proposed by the alternative mechanism comprising chairperson Arun Jaitley and cabinet ministers Piyush Goyal and Nirmala Sitharaman.

Jaitley observed that the government is seeking to ensure that there is no merger of relatively weak banks and that it has held talks with the Reserve Bank of India.

"You can have two well-performing banks absorbing a third one, and hopefully creating a mega bank which will be sustainable, whose lending ability will be far higher," he said, adding that nobody should have a worry because this amalgamated entity will increase banking operations. "Its (merged entity) ability to increase and expand will be inevitable."



The government had pushed through consolidation of the State Bank of India group, with SBI absorbing five associate banks and Bharatiya Mahila Bank.

HOW THE TOP BANKS COMPARE

	SBI	ICICI	Merged Entity
Total Income	2,65,100	72,386	74,592
Net profit	-6,547	6,777	-3,628
Gross NPA	2,23,427	54,063	80,367
CAR(%)	12.6	18.42	12.25
Total advances	19,90,172	5,16,289	6,40,592

(₹ Crore) Figures for June quarter
Source: Individual banks

The merger will help improve operational efficiency and customer services, the merger would involve synergies in the branch network, low-cost deposits and subsidiaries. Employees would be protected, brand equity will be preserved and that the government will continue to provide capital support to the merged entity.

“A scheme of amalgamation, which will be formed, will be laid before Parliament.”

The finance ministry stated that the provision coverage ratio (PCR) of the proposed amalgamated entity will be 67.5%, well above the average of public sector banks (PSBs) at 63.7%.

The capital adequacy ratio of the combined entity would be at 12.25%, significantly above the regulatory norm of 10.875%, the finance ministry said, adding that it would be better positioned to tap capital markets.

Shares of Bank of Baroda jumped over 3 per cent in early trade on Monday- the day when Vijaya Bank and Dena Bank was merged with it.

The combined financials of the merged entity do not look too bad, as net non-performing loan (NPL) stood at 4.1 per cent for Vijaya Bank and at 5.4 per cent for BoB. Though net NPL of Dena Bank was 11 per cent, the overall loan book of Dena Bank was just 17 per cent of that of BoB’s, CGS-CIMB pointed out in another note.

The combined entity would be the third largest bank on loans

Market share in branches, loans and deposits of the largest banks, March fiscal year-ends, 2018

		Absolute (Rs bn)		Market Share (%)	
	Branches	Advances	Deposits	Advances	Deposits
SBI	22,414	19,349	27,063	23.9	24.7
HDFC	4,787	6,583	7,888	8.1	7.2
ICICI	4,867	5,124	5,610	6.3	5.1
Axis	3,703	4,397	4,536	5.4	4.1
PNB	6,983	4,337	6,422	5.4	5.9
BoB	5,467	4,274	5,913	5.3	5.4
Canara	6,204	3,817	5,248	4.7	4.8
BoI	5,186	3,414	5,209	4.2	4.8
Union	4,301	2,888	4,085	3.6	3.7
Syndicate	3,933	2,107	2,728	2.6	2.5
Yes	1,100	2,035	2,007	2.5	1.8
IDBI	1,896	1,717	2,479	2.1	2.3
Central bank	4,685	1,575	2,954	1.9	2.7
Indian	2,823	1,566	2,083	1.9	1.9
Allahabad	3,245	1,521	2,136	1.9	1.9
Andhra	2,911	1,491	2,081	1.8	1.9
Indusind	1,400	1,450	1,516	1.8	1.4
OBC	2,389	1,364	2,073	1.7	1.9
IoB	3,332	1,325	2,168	1.6	2.0
Corporation	2,440	1,199	1,833	1.5	1.7
Vijaya	2,155	1,162	1,573	1.4	1.4
Dena	1,874	656	1,061	0.8	1.0
Merged Entity	9,496	6,092	8,547	7.5	7.8

Source: Company, Kotak Institutional Equities

The smaller size of the weaker bank, Dena, largely contains the adverse impact, which noted that all the three lenders operate on the same technological platform, which alleviates the integration risk.

Dena Bank is the second smallest PCA bank.

Besides, complementary geographies with BoB with strong foothold down west and Vijaya Bank's focus down south should improve scale.

The combined entity will have a healthy Casa mix of 34.1 per cent and a well-diversified loan book. The employee base of the merged entity will be 85,675, compared with 89,550 for the second largest lender HDFC.

Financials, process integration, branch rationalisation, management bandwidth and HR challenges will pose integration risks for the merged entity. One would also want to keep an eye on the net worth of Dena Bank at the time of merger and the capital support that the bank would get in the interim.

Key estimates that can change for Bank of Baroda

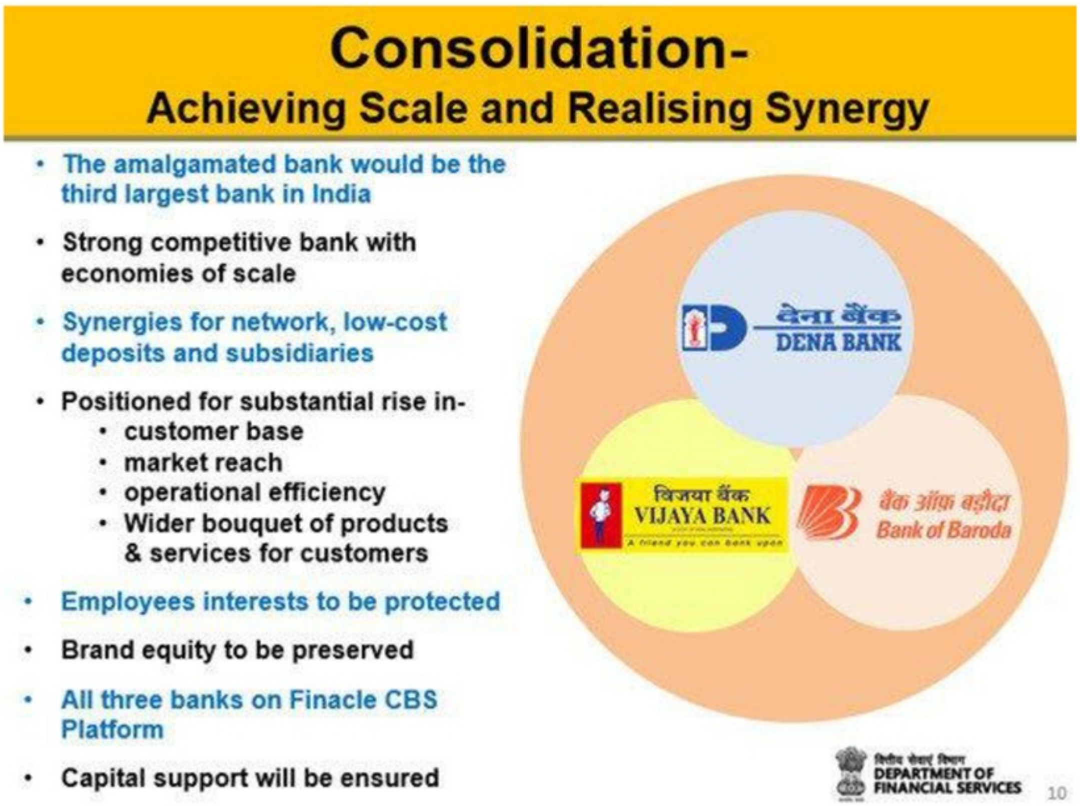
	Current estimates			Merged estimates		
	2019E	2020E	2021E	2019E	2020E	2021E
Balance sheet and P&L						
PAT (Rs bn)	34	37	40	34	52	53
Net worth (Rs bn)	485	551	626	485	783	883
RoA (%)	0.7	0.9	0.9	0.7	1.0	0.9
ROE (%)	12.7	14.0	13.7	12.7	15.2	13.2
Impairment related						
Gross NPLs (Rs bn)	556	468	381	556	687	567
Gross NPLs (%)	10.8	8.2	6.0	10.8	8.9	6.8
Net NPLs (Rs bn)	229	183	143	229	279	222
Net NPLs (%)	4.8	3.4	2.4	4.8	3.9	2.8
Provision coverage (%)	58.8	61.0	62.4	58.8	59.3	60.9
Valuation metrics						
Book value (Rs)	172	198	227	172	211	241
Adjusted book value (Rs)	116	153	192	116	159	200
EPS (Rs)	21	26	29	21	26	30
Number of shares (Rs mn)	2,652	2,652	2,652	2,652	3,496	3,496
PBR (X)	0.8	0.7	0.6	0.8	0.6	0.6
PBR (Adj, X)	1.2	0.9	0.7	1.2	0.8	0.7
PER (X)	6.6	5.2	4.6	6.6	5.2	4.5

"The consolidation will help create a strong global competitive bank with economies of scale and enable realization of wide-ranging synergies."

Bank of Baroda, erstwhile Vijaya Bank and erstwhile Dena Bank are established institutions serving the nation and the society at large. The combined synergy of the three banks is aimed at deepening the relationship with the customers by offering wider range of products & services, enhanced network of branches, ATMs and a different banking experience. The synergy is aimed at creating a contemporary banking entity that's truly Indian at Heart and Global in Scale.

This process of amalgamation promises to leverage the specific skills of each bank and imbibe their best practices. This mega entity has the ability to do more and reach further to fulfil customers with world class offerings backed by robust processes.

The power of 3 became an organic thought for campaign and it came effortlessly from the intent and purpose of dynamic amalgamation. The articulation for it then became an evocative campaign line "**Ab Saath Hain Teen, Behtar Se Behtareen**" which takes inspiration from the fact that the whole is always bigger than the sum of its parts. That when three great institutions come together, things will go from better to the best.



CONCLUSION

Mergers and Acquisitions (M&A) have massively evoked and still keep on catching scholars'interests. All the more thus, M&A in the financial segment summons high premium essentially for the way that following quite a while of severe guidelines, facilitating of the possession and control guidelines has prompted a flood of M&A in banking industry all through the world.

Considering the changed condition conditions, we trust that M&A in the Indian Banking are a significant need. The reasons incorporate (a) divided nature of the Indian financial part bringing about poor worldwide aggressive nearness and position; (b) huge intermediation costs and subsequent likelihood in expanding its hazard profile; and (c) meet the new stringent universal administrative standards. While a divided Indian financial structure might just be advantageous to the clients (given expanded challenge because of lower market intensity of existing players), in the meantime this likewise makes the issue of not having any minimum amount to make the appearance at the worldwide financial industry level. This must be taken a gander at fundamentally from the state's long haul vital viewpoint. Given that monetary power is progressively utilized as an apparatus by countries to safeguard their situation, to flag control, to flag aim, and to build up their amazingness over others consequently owning and overseeing enormous incredible worldwide banks would be a conspicuous enthusiasm for each nation.

Solidification through M&A might be necessity of future. M&A of future should go for making of solid substance and to create capacity to withstand the market stuns as opposed to securing the premiums of contributors of feeble banks. The M&As in the financial segment ought to be driven by market related parameters, for example, size and scale; land and conveyance collaborations and aptitudes and limit. The developing business sector elements like falling loan cost routine which makes the spread more slender; expanding center around retail banking, improved mission for provincial credit, felt requirement for expanding more benefits particularly from tasks, decrease of NPA's in outright terms, requirement for progressively funding to enlarge the innovation needs, and so on are the real drivers for mergers and acquisitions in the financial area.

M&As are not a viable replacement for poor resources quality, careless administration, detachment to innovation up degree and absence of utilitarian self-governance and operational adaptability. The financial framework should be overseen by skillful and autonomous individuals having sufficient power and full operational self-rule.

With expanding globalization, achieving size favorable circumstances will end up basic for Indian banks. Joined with the need to accomplish higher capital benchmarks under Basel II Accord, combination in the Indian Banking industry will end up and coming. Notwithstanding, the issues that should be tended to incorporate amplifying cooperative energies regarding territorial equalization, system of branches, HR culture, and resource shared trait and inheritance issues in regard of innovation. In the present situation, we should grow modest number enormous banks of worldwide size rather than huge number of littler banks as we are having now.

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Amalgamation of Dena Bank, Vijaya Bank and Bank of Baroda

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