Final Year Dissertation on

Mergers & Acquisitions in Indian Banking Sector and their impact on Financial Performance & Shareholder's Wealth of Acquiring Banks

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CERTIFICATE FROM INSTITUTE

This is to certify that Final Year Dissertation on "**Mergers & Acquisitions in Indian Banking Sector and their impact on Financial Performance & Shareholder's wealth of acquiring banks**" is a bona fide work carried out by **Ms. Tanu Bains** of MBA 2015-17 Batch and submitted to Delhi School of Management, Delhi Technological University in partial fulfillment of the requirement for the award of degree of Masters of Business Administration.

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DECLARATION

I, Tanu Bains, student of MBA 2015-17 of Delhi School of Management, Delhi Technological University, hereby declare that Final Year Dissertation on **“Mergers & Acquisitions in Indian Banking Sector and their impact on Financial Performance & Shareholder’s value of acquiring banks”** submitted in partial fulfilment of Degree of Masters of Business Administration is the original work conducted by me.

The information and data given in the report is authentic to the best of my knowledge.

This report is not being submitted to any other University for award of any Degree, Diploma and Fellowship.

Tanu Bains

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ABSTRACT

This dissertation is a study on the objectives of mergers and acquisitions in India, as to why organizations & firms get into this inorganic mode of expansion. However the focus has been asserted on studying the financial performance and Shareholder's value of the acquiring entities and comparing their performance before and after the merger. To conduct a uniform research and arrive at an accurate conclusion, the research has been made restricted to only Indian companies. Furthermore, in Indian context, Banking Sector is chosen for the study.

The report examines the impact of Mergers and Acquisitions on performance of banks in India. The impact on performance of the acquiring banks involved has been analyzed on the basis of two perspectives: i) Operating Performance of acquiring banks, ii) Profitability position of the acquiring banks and iii) Parameters affecting Shareholder's Value. For this purpose, 3 Indian Banking Sector M&A cases has been taken into consideration.

With this study, I have tried to test a hypothesis that whether Mergers & Acquisitions change or improve Financial Performance and Shareholder's value of the acquiring banks or not. In order to test the hypotheses and to fulfill the objectives of the study, secondary research methods have been used.

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CHAPTER 1
INTRODUCTION

In present scenario, the major objective of any firm is to earn maximum profits and create shareholder's wealth. One can achieve growth with the introduction of changes in products and services or by launching altogether new products and services. Internal growth can be achieved by making new products come into existence & external growth can be achieved by opting for strategies like mergers and acquisitions. As an external growth strategy, M&A has achieved tremendous popularity in almost all sectors because of increase in the levels of privatization, globalization and liberalization in many countries across the world. Mergers and acquisitions have become one of the important mediums in expanding product portfolios, entering new markets, and acquiring technology, gaining access to research and development and gaining access to resources which can make a company able enough to compete on a global scale. But there have been relevant examples where mergers and acquisitions are solely used to build company's repo i.e. for non-value maximizing purposes.

1.1 Problem of the study

Consolidation has gained a grip around the world in the industries ranging from automobile, banking, aviation, oil & gas to telecom and the most talked about consolidation strategy is Mergers & Acquisitions. A lot of researchers have investigated, on the context of economics and strategic management, the kind of benefits which can be derived out of mergers to the acquiring and Target Company, the customers and the society at large. Shareholder's wealth maximization is one of the most discussed & researched topics in mergers and acquisitions. As soon as the news of a merger start making headlines, price of the shares immediately get affected months before the actual merger deal. This can bring in positive as well as negative impacts on the shareholder's wealth. However it is important to note that mergers and acquisitions do not always create value for shareholders. Many mergers and acquisitions have failed as well. Failure deteriorates the wealth of the shareholders when the integration process for mergers and acquisitions does not work in an optimum flow. The major question arises that whether the involvement of firms in merger and acquisition activity adds any value to its shareholder's wealth or not. Although the world has witnessed that firms are heavily using M&A as a strategy to become competitive, still some in-depth analysis is necessary to find real impact on the value of the firm. It has implications for companies as well that whether M&A is adding some value to its shareholders or not. The issue of the impact of M&A on the value of the firm has been one of the prime concerns for researchers across the globe. Since

the prime objective of a firm to maximize the benefit of the shareholders or the value of the firm which gets reflected through the share price of the firm, it is logical to relate the merger activity to the share price of the firm.

1.2 Significance & Importance of the study

M&As are irreplaceable vital tools for growing product portfolios, entering new markets, gaining new advancements and building new era of associations with the power and assets to achieve global competitiveness. Mergers and acquisitions have been emerging as an important way through which organizations across the globe can achieve economies of scale, remove inefficient management, or manage the economic shocks and India is no exception to this. Undoubtedly, it is one of the very famous growth strategies followed by organizations across the globe but apart from positive changes, there are certain negative impacts on the performance of the acquiring companies as well which with the help of this study, I have tried to highlight.

1.3 Research Methodology

Research methodology is a process which is used to collect information and data for the purpose of making business decisions & hence reaching the set targets. It is a science of understanding how research is to be carried out. Essentially, the procedure by which researchers go about their work of describing, explaining and predicting phenomena comes under research methodology. It can also be defined as the study of ways by which knowledge and relevant information is gained. While working on the Research Methodology, it is important to focus on the reasons/logics behind choosing a particular method in the context of research study apart from listing down the research methods only. Further after this, explaining why a particular method is being used is equally mandatory as it gives results which are capable of being evaluated either by the researcher or others. The research must answer the following questions:

- Why a particular research study has been undertaken?
- How the Research problem has been defined?
- Why a particular hypothesis has been formulated and how it has been chosen?
- Why a particular technique of data analysis is used? How the data is collected?
- How the collected data were interpreted?
- What was the conclusion? Finally what was the solution for the Research problem?

Some of the general research methodologies used by the researchers round the globe are:

1. Descriptive Research
Survey or fact finding enquires of various kinds. It describes the actual prevailing state of affairs, existing currently. Otherwise it is conjointly called ex-post facts, which means existing position of facts or issues. Here the variable influencing the research has no control over the other variables in the research. E.g. Frequency of shopping, customer preference etc.

2. Correlative Research
This research goes on to discover the existing relationship or interdependence between two or more aspects or variable and is also known as comparative study. It investigates relationship between variables. E.g.: Sum of humour and job satisfaction (related variable).

3. Exploratory Research
This kind of research is generally undertaken to find a new area or an unknown result. It is based on the Inquiry Mode. It is of two types:

a. Quantitative Research: This research includes aspects which may be quantified or expressed in terms of quantity & hence is also known as structured Research. The objectives, design, sample and all the other factors influencing the research are to be pre determined primarily by the researcher. The analysis drawback and the solution both are necessarily expressed in terms of amount and so statistical and economic analysis is tailored during this style of Research.

b. Qualitative Research: It is also known as unstructured research. This research deals with the aspects related to quality. E.g.: Behaviour science. Apart from the mentioned ones, other types of Research are, Conceptual Research, which is related to some abstract idea or theory. It is used by philosophers or thinkers for developing new concepts & innovations. The other type is Empirical research (based on experiments or experience). The result obtained by adapting Empirical Research is considered to be most powerful.

<u>Research Problem</u>

While conducting a research, it is important to know about the problem area beforehand because a problem which is well defined is half solved. Determining problem area helps in penning down plans which can be used to conduct the research work in an appropriate & relevant manner. The problem area which the research is supposed to test is related to that of mergers and acquisitions. In this report, the objective is to investigate whether mergers and

acquisitions have an impact on the financial performance of the acquiring banks or not and also does it create wealth for the shareholders or work against them. This problem is being derived from the fact that there have been emerging mergers and acquisitions cases where the wealth has been created only for the acquiring firms and only few examples talk about wealth creation for the target firms. Similarly, mergers and acquisitions have sometimes benefitted the shareholders of only the target company and vice versa.

Research Design

To the researcher, research design is a very first and the most useful step in the entire research process. There are three types of research design which have been listed down below:

1. Exploratory Research Design
2. Descriptive Research Design
3. Causal Research Design

Research Objective	Appropriate Design
To extract the background information and story behind it, to have clarification on the problem area and to establish detailed analysis.	Exploratory Research Design
To investigate and describe and measure phenomena at a particular point in time	Descriptive Research Design
To determine causality, to make if-then decisions and define experimental relationships	Causal Research Design

Table 1.1 How to match Research Objective and Research Design

For this study, Descriptive Research Design has been used. The main purpose of choosing descriptive style of research design is so that the data collected is secondary in nature. Also it is very concise and structured which makes analysis factual and simple. For this purpose, 3 cases of M&A in Indian Banking Sector have been chosen for analysis and to meet the objectives of this study.

Sampling

The main decision which the researcher has to take while pursuing any research is whether to go with census or sample research. For Census, each element which is part of the research

study is investigated whereas for Sample few elements which represent the entire research area are investigated. Practically census is something which is not easy to conduct since it is time consuming and suppose even if each and every element is investigated then also the time might be lost which doesn't help to reach to the conclusion. Sample is where only certain and not all elements are studied which form a representative of all the other elements. The process of sampling involves identifying and selecting certain elements which would represent the entire population under study. The major objective or purpose behind choosing samples is to represent the similar characteristics of the entire population set. To save time and efforts on the part of the researcher and yet help to generalize the findings for the entire set in an appropriate manner is the real advantage of using sampling process.

1. Defining the Target Population:

The target population for any survey includes the whole set of units for which the survey data is to be used to make inferences. Thus, the target population defines those units for which the findings of the survey are meant to generalize. For this research on mergers and acquisitions, the target population is all those banks which underwent M&A deal during the post-financial sector reform period i.e. 1993-94.

2. Defining the Sampling Technique used:

There are two important generally used techniques of Sampling: Probability sampling technique and Non Probability sampling technique.

- Probability Sampling Technique: Probability sampling relies on the idea that each member of a population has an equal likelihood of getting selected. Simple Random Sampling, Stratified Random Sampling, Systematic Sampling, Cluster Random Sampling and Multi-stage Random Sampling are types of Probability Sampling. For this dissertation, I am not using Probability Sampling technique since the amount of banks mergers happened within the Indian context over the years is high. Secondly it would be very time consuming to list down each and every merger & further analyzing them will be a tricky task.

- Non-Probability Sampling Technique: Non-Probability sampling is a sampling technique where the samples are gathered in a process that does not give all the individuals in the population equal chances of getting selected. A major advantage with non-probability sampling is that, compared to probability sampling, it's very cost

and time-efficient. Judgmental Sampling, Quota Sampling, Snowball Sampling are types of Non-Probability Sampling. For this study, I have chosen one of the Non-Probability Sampling techniques i.e. Judgmental Sampling where researcher selects units to be sampled based on his/her knowledge and professional judgment.

3. Defining the Sample Size

Sample size determination is the process of choosing the number of observations to be included in a statistical sample. The sample for this study is 3. I have chosen three different cases of Banks Mergers in India after the financial reform period. So the total number of banks, the performance of which would be analyzed with this report, becomes three. The table given below depicts the name of the banks and some related information about the merger.

S.No.	Name of the Acquiring Bank	Target Bank	Date of Merger
1.	HDFC Bank	Centurion Bank of Punjab	23- 05-2008
2.	ICICI Bank	Bank of Rajasthan	18-05-2010
3.	Kotak Mahindra Bank	ING Vyasa Bank	01-04-2015

Table 1.2 Five Samples chosen for this Dissertation

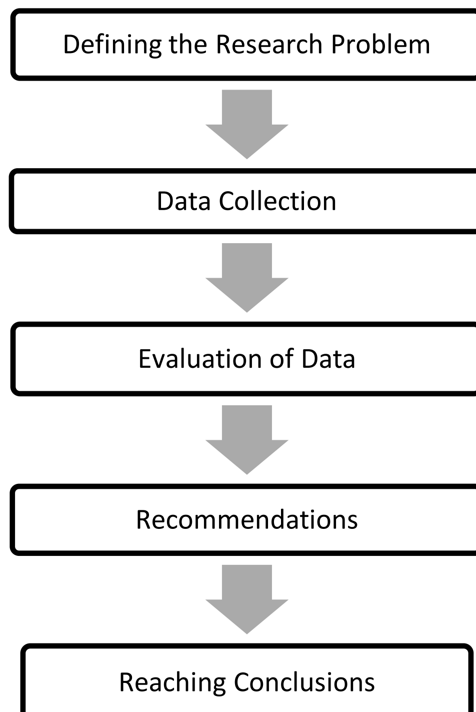

Figure 1.3 Research Methodology Steps

1.4 Plan of the study

Objectives of the Study

This study aims to fulfill the following objectives:

1. To analyze the pre and post-merger Financial Performance of the acquiring banks which underwent M&A deal during the post-financial sector reform period.

2. To identify the changes in parameters affecting Shareholder's value after announcement of Mergers/acquisitions decision and hence the impact on Shareholder's Value.

Hypotheses of the Study

To reach the objectives of the study mentioned above, the following hypotheses conditions were formulated and tested:

Null Hypotheses H1: There is no difference in the financial performance of the acquiring banks before and after merger.

Alternative Hypotheses H1: There is difference in the financial performance of the acquiring banks before and after merger.

Null Hypotheses H2: There is no difference in the Shareholder's Value of the acquiring banks before and after merger.

Alternative Hypotheses H2: There is difference in the Shareholder's Value of the acquiring banks before and after merger.

CHAPTER 2
M&A IN INDIAN CONTEXT

2.1 M&A Strategy

2.1.1 Firm Diversification

In most cases, firms enter into mergers with firms which functions in the same connected line of business than to enter into businesses in which the firm lacks experience. Companies entering into mergers with diversified firms or firms which don't functions in same connected line of business can explore many advantages which may not be available otherwise. Diversification is a process of performing operations into different industries and to get diversified in such a way which can helps in influencing value of the firm and enhancing shareholder's value. Firms generally think of choosing diversification for two reasons: Firstly, to diversify the risk across the various sectors in which it operates. Secondly, the capital markets would welcome the multi functional activities which the firm is carrying out through the diversification route which would result in growth and profitability of the firm. However it is important to keep in mind that danger lies in mergers and acquisitions because this way a firm has to conduct its own test of strength and weaknesses before trying its luck in other industries and markets.

2.1.2 Cross-Border Mergers & Acquisitions

Internationalization is also one of the important strategies which firms are adopting now days. As the name suggests, it means to carry out the operations in foreign countries but not by actually going there. Generally, a parent company having got headquarters in one country but feels like taking over or merging with some other big company which is based out in foreign goes for cross border M&A strategy. Domestic mergers are however easier to execute since it involves familiarization of both the companies, the laws, procedures and other such factors but in case of international mergers various complexities exist. With an objective to save time, which is generally required to set up operation at a foreign country, firms enter into cross border mergers. A lot of time and money can be saved by building up its own infrastructure and supply chain. Various studies have shown that cross border acquisitions have resulted into positive impacts for the shareholders.

2.2 M&A in Indian Banking Sector

The banking industry is an important field where mergers and acquisitions generally do make enormous financial gains. Banks are now constrained to rethink their business and devise new

strategies since it can lead to changes in the expectation of the corporate customers. It can be said that the Indian banking sector is restricting itself from the strategy of M&A, mainly driven by pervasive trends such as deregulation, disintermediation, technological progress, innovation and severe competition. To increase focused cost advantage, consolidation of operations in the form of M&A is one of the powerful methodologies broadly received by the investors. Mergers in the context of banks generally take place to achieve following purposes:

1. Expansion or diversification
2. Advancement of technology
3. Loss incurring bank merges with healthy bank for revival
4. Healthy bank merges with another healthy bank to gain financially stronger and stable position, to meet competitive pressures
5. Growth in profits
6. Increase in market share, etc.

S.No.	**Name of the Acquiring Bank**	**Target Bank**	**Date of Merger (dd-mm-yyyy)**
1.	Punjab National Bank	New Bank of India	04-09-1993
2.	Bank of India	Bank of Karad Ltd.	1993-1994
3.	State Bank of India	Kashinath Seth Bank	1995-1996
4.	Bank of Baroda	Bareilly Corp. Bank Ltd.	03-06-1999
5.	HDFC Bank Ltd.	Times Bank Ltd.	26-02-2000
6.	ICICI Bank	Bank of Mathura	March 2001
7.	Bank of Baroda	Banaras State Bank Ltd	20-07-2002
8.	Punjab National Bank	Nedungadi Bank Ltd.	01-02-2003
9.	Oriental Bank of Commerce	Global Trust Bank Ltd.	24-07-2004
10.	IDBI Ltd.	United Western Bank Ltd.	02-04-2005
11.	The Federal Bank Ltd.	The Ganesh Bank of Kurd Ltd.	02-09-2006
12.	ICICI Bank	Sangli Bank Ltd.	19-04-2007
13.	HDFC Bank	Centurion Bank of Punjab	23-05-2008
14.	ICICI Bank	Bank of Rajasthan	13-08-2010
15.	Kotak Mahindra Bank	ING Vyasa Bank	01-04-2015

Figure 2.1: Schedule of M & A deals of Indian Banks- Post Reform Period

Banks allocate resources and control internal processes by effectively managing their employees, facilities, expenses, sources and uses of funds and work in the direction to maximize the number of earning assets and hence the total income. M&A strategy is not new to the Indian banking sector. In India, financial sector reforms have been undertaken during 1993-94, after which financial institutions especially banks underwent major transformational change on a large scale. Banks show distinct fascination in amplifying their operations, augmenting their system operations by assimilating ICT standards and strategies. Many mergers have been witnessed by the Banking sector over the years and that has substantially given a rise to competition in the market.

2.3 Why Banking sector is chosen for the study?

The banking industry is an important field where mergers and acquisitions generally do make enormous financial gains. Banking system, in any country, serves as the baseline of any economy and thus helping out citizens and entities. Apart from this, many famous M&A cases have been occurred in the Indian history which I personally believed would be interesting to research on.

CHAPTER 3
LITERATURE REVIEW

In this period of intense and turbulent change, developing fast technological advances and ever expanding globalization, mixes additionally empower associations to pick up adaptability, use capabilities, share assets, and create opportunities that generally would be unfathomable. M&As are irreplaceable vital tools for growing product portfolios, entering new markets, gaining new advancements and building new era of associations with the power and assets to achieve global competitiveness. Mergers and acquisitions have been emerging as an important way through which organizations across the globe can achieve economies of scale, remove inefficient management, or manage the economic shocks and India is no exception to this. Many use terms 'mergers' and 'acquisitions' interchangeably. But, there exist clear differences which help in determining whether a strategy can be considered as a merger or an acquisition. Firms coming together to merge to achieve common objectives by sharing assets & resources are considered as firms being part of a Merger. Firms combine with owners of individual firms becoming joint owners of the new formed entity. This happens in mergers. An acquisition, on the other hand, takes place when a company is interested in taking up the ownership rights, assets, legal subsidiaries etc. of the other company. For this, purchase of company's assets or stocks is done.

Essentially, the aftereffect of deregulation and other monetary drivers of budgetary division mix have made an exceptional influx of mergers and acquisitions (M&As) in the banking industry. The weight of rivalry has pushed banks into scanning for approaches to enlarge their topographical reach and range of products, with a perspective of accomplishing economies of scale & scope and enhancing their productivity through rebuilding and consolidation activities resulting in a flux of M&A activity. The effects of consolidation on banks and the banking sector as a whole have been extensively researched by many.

3.1 Types of Mergers

Mergers are generally of three types: horizontal, conglomerate and vertical mergers. These types differ from each other in terms of their effects on the corporate performance.

3.1.1 Horizontal Mergers

A horizontal merger represents a merger of firms engaged in the same line of business (i.e.) producing the same goods or offering the same services. A horizontal merger can take any of the following forms:

a) Complementary merger: Under this form a merger between organizations that has demonstrated expertise in various fields occur. Example: Bank ABC which is proficient in money market operations mergers with Bank XYZ renowned for treasury operations.

b) Competitive merger: This is a merger between organizations that share common field of expertise. This type of merger may even create apple monopolistic situation that field. For example, when two manufacturing organizations that are market leaders in Forex businesses merge into a single entity and hence eliminate all competition.

c) Geographical merger: In this, merger between organizations having presence in two different regions takes place. Example: Manufacturing company XYZ having presence in northern region merges with Manufacturing Company ABC that has strong presence in southern region to increase the market share.

3.1.2 Vertical Mergers

A vertical merger is the meeting up of organizations at various stages or levels of a similar product or service. It represents a merger of firm drawn in at various phases of production in an industry manufacturing distinctive products yet having customer provider relationship wherein the product of one organization is utilized as crude material by the other organization. For e.g. a consumer durable manufacturer acquiring a consumer durable dealer

3.1.3 Conglomerate Mergers

Conglomerate mergers occur when two firms are not related to each other in terms of value chain but still sign the merger deal on the belief that the merged entity will be able to have the better know-how and expertise to allocate the resources & run the business as compared to the independent firms. The principle intention behind the formation of a conglomerate is risk diversification as the effective performers adjust the gravely performing subsidiaries of the group. For e.g. a watch manufacturing company acquiring a cement manufacturer company.

3.2 Motives behind Mergers of Banks

The principle rationale of a merger is that the value of the combined entity is expected to be greater than the sum of the independent values of the merging entities. It is possible to categorize the motivations into four dimensions.

- Cost benefits in the form of economic of scale, Organizational efficiency, Funding costs & Risk diversification

- Revenue benefits in the form of economic of scale, enhancing monopoly rents.
- Economic benefits such as mergers after crises or after the upswing of the business cycle.
- Other motives such as private managerial benefits, defense against take-over etc.

In the context of Indian Banks, following can be some of the reasons for Mergers & Acquisitions of Indian Banks.

1. Growth with External Efforts: The competition in the banking sector has increased due to liberalization in the economy and hence a need for mega banks has arisen, which can intensely compete for market share. The race to win more market share & presence makes the powerful banks have been entering into the M&A market to look for banks which can be considered as target banks for M&A deal. All this is done solely for the purpose of growing fast because opting for the internal growth strategies is a time taking process.

2. Deregulation: With the advancement of passage obstructions, numerous private banks appeared. This has made banks to look for weak banks or banks with good enough market reach which are ready to enter in the M&A deals so as to tackle the severe global competitiveness.

3. Technology: The older banks which cannot compete in the area of technological superiority generally decide to go for mergers with technologically advanced new banks.

4. New Products/Services: With the help of their technology, new generation private sector banks which have launched innovative products/services may attract many old generation banks for merger because of their incapacity to face innovation related challenges.

5. Customer Base: Again, for capacity utilization, new generation private sector banks need huge customer base which generally requires time and effort. This is the reason why banks are looking for target banks with good customer base. Once there is a good customer base, the acquiring banks can play their cards really well by cross selling i.e. selling other banking products like car loans, Housing loans, consumer loans, etc. to the customers.

6. Merger of Weak Banks: The Banking sector in India according to which weak banks are merging with healthy banks so that they can save the interest of their customers of the weak banks. Narasimhan Committee–II discouraged this practice. Khan Group suggested that weak Developmental Financial Institutions (DFIs) may be allowed to merge with the healthy banks.

3.3 Target Group of Banks for M&A

There are four categories of banks which are considered interested in M&A strategy in a big way.

Group 1: For the First Group, there are banks which have survived on government's nurturing with the thousands of crores of recapitalization bonds over the past decade. To become strong and acquire widespread reach, these banks are now keen to take over other banks.

Group 2: In the Second Group, two types of banks are there. Strong public sector banks with large domestic presence (like State Bank of India) which want to acquire a bank with an overseas presence so as to make global presence come under one type. The other type of banks wants to increase their domestic presence. For instance, Bank of Baroda presence in western India has started with looking out for opportunities in the north, east and south.

Group 3: In the Third Group, are banks headed by CEOs who were denied opportunities to head big banks and hence have taken the initiative to acquire other banks so as to prove their leadership qualities.

Group 4: Weak and small banks which need to be taken over by larger to remain viable comes under Fourth Group.

3.4 Mergers & Acquisitions: Legal Framework

Merger and Acquisition activities must conform to the existing legal regime, which provides the legal framework to undertake M&A activities. In India, legal systems have been under review and are being reformulated periodically in order to match with the emerging corporate scenario in India. The legal procedures of the regulations of the various Acts to be adopted in M&A activities are discussed below.

3.4.1 Companies Act, 2013

The first major regulation is the Companies Act. It gives the general framework for M&A. Section 230 to 240 of Companies Act, 2013 talks about the provisions on Compromises, Arrangements and Amalgamations, which covers compromise or arrangements, mergers and amalgamations, Corporate Debt Restructuring, demergers, fast track mergers for small companies, cross border mergers, takeovers, amalgamation of companies in public interest etc.

Section 230-231: When a compromise or arrangement is proposed between a company and its creditors or any class of them; or between a company and its members or any class of

them, the Tribunal may, on the application of the company or of any creditor or member of the company or in the case of a company which is being wound up, of the liquidator, order a meeting of the creditors or class of creditors, or of the members or class of members, as the case may be, to be called, held and conducted in such manner as the Tribunal directs.

Section 232: This section gives Tribunal the power to call meeting of creditors or members, with respect to merger or amalgamation of companies, sanctioning of schemes, transfer of property or liabilities. It takes into account demerging as well.

Section 233: This section deals with fast track mergers which is the amalgamation of small companies. According to section 2(85), small company means a company, other than a public company whose paid-up share capital does not exceed fifty lakh rupees or such higher amount as may be prescribed which shall not be more than five crore rupees or whose turnover as per its last profit and loss account does not exceed two crore rupees or such higher amount as may be prescribed which shall not be more than twenty crore rupees.

Section 234: This section deals with cross border mergers which refers to the merger or amalgamation with a foreign company. The term foreign company means any company or body corporate incorporated outside India whether having a place of business in India or not.

Section 235: This section deals with acquisition of shares of dissenting shareholders. It discusses the manner of acquisition of shares of shareholders dissenting from the scheme or contract approved by the majority shareholders holding not less than nine tenth in value of the shares, whose transfer is involved. It includes notice to dissenting shareholders, application to dissenting shareholders, to tribunal, deposit of consideration received by the transferor company in a separate bank account etc.

Section 236: This section discusses the manner of notification by the acquirer (majority) to the company, offer to minority for burying their shares, deposit an amount equal to the value of shares to be acquired, valuation of shares by registered valuer etc.

Section 237: This section deals with power of central government to provide for amalgamation of companies in public interest, continuation of legal proceedings.

Section 238: This section deals with the registration of offer for schemes which involves transfer of shares. For this, an appeal shall lie to the Tribunal against an order of the Registrar refusing to register any circular under the sub-section (1). The director, who issues a circular that has not been presented for registration shall be punishable with fine which shall not be less than twenty-five thousand rupees but which may extend to five lakh rupees.

Section 239: This section includes the rules related to preservation of books and papers of amalgamated companies. The books and papers of a company which has been amalgamated

with, or whose shares have been acquired by, another company shall not be disposed off without the prior permission of the Central Government and before granting such permission, Government may appoint a person to examine the books and papers or any of them for the purpose of ascertaining whether they contain any evidence of the commission of an offence in connection with the promotion or formation, or the management of the affairs, of the transferor company or its amalgamation or the acquisition of its shares.

Section 240: This section deals with liability of officers in respect of offences committed prior to merger, amalgamation etc.

3.4.2 Income Tax Act, 1961

Tax planning is one of the important components in M&A activities. Income tax and stamp duty- the two taxations, can put an impact on the M&A activities. The important issues are given below. One of the motives for mergers is the saving that comes under Section 72A of Income Tax Act. It is interesting to know that for amalgamation of a weak company with a healthy and profitable, one can take advantage of the carry forward losses. The mandatory pre-requisites are:

- The amalgamating company should not be financing viably due to reasons of its liabilities, losses and other relevant factors immediately before such amalgamation.
- Amalgamation is in public interest.
- Any other conditions of the central government to ensure that the benefit under this section is restricted to amalgamations, which enable rehabilitation or revival of the business of the amalgamating company.

The major section affecting M&A activities is Section 73A of Income Tax Act. Section 72A of the Act has provisions related to carry-forward and set-off of accumulated losses and unabsorbed depreciation allowances for amalgamation cases. Guidelines for approval of amalgamation under Section 72A of Income Tax, 1961 have been issued. Other sections which are important from the context of M&A are discussed below.

Section 47(iv) According to this section of Income Tax act, any transfer of a capital asset by a subsidiary company to the holding company is not treated as transfer if the whole of the share capital of the subsidiary company is held by the holding company or the holding company is an Indian company.

Section 47A According to this, if at any time before the expiry of eight years from the date of transfer by the assets to the subsidiary, such capital assets are converted or treated by the

subsidiary as stock in trade or the parent company ceases hold the whole of the share capital of the subsidiary, the profits or gains arising from such transfer not taxed earlier will be taxed. The gains are deemed to be income for the year previous to the one in which the transfer took place.

Section 50 According to this, an excess arising from the sale of depreciable capital asset gives rise to short-term capital gains. In case if parent company transfers the plant at an advanced stage of completion and has not claimed any depreciation, this becomes a short-term under Section 50.

Section 47(vi) states that transfer of capital assets by the amalgamating company to the amalgamated company is allowed. The pre-requisite is that the amalgamated company should be an Indian company.

3.4.3 Competition Act, 2002

The Act regulates the various forms of business combinations through Competition Commission of India. The term 'combination' for the purposes of the Competition Act is defined in section-5 of the Act, to include any acquisition of shares, voting rights, control or assets or merger or amalgamation of enterprises, where the parties to the acquisition, merger or amalgamation satisfy the prescribed monetary thresholds in relation to the size of the acquired enterprise and the combined size of the acquiring and acquired enterprises with regard to the assets and turnover of such enterprises.

Under this Act, no person or enterprise can enter into a combination, in the form of an acquisition, merger or amalgamation, which leads to or can lead to an adverse effect on competition in the relevant market. Such a combination must be considered void. Enterprises planning to enter into a combination can give notice to the Commission, and this notification is voluntary. All combinations do not call for scrutiny unless the resulting combination exceeds the threshold limits in terms of assets or turnover as mentioned by the Competition Commission of India. The Commission while regulating a combination shall consider the following factors:-

- Actual and potential competition through imports;
- Level of entry barriers into the market;
- Extent of combination in the market;
- Degree of countervailing power in the market;
- Possibility of the combination to significantly increase prices or profits;
- Level of effective competition likely to sustain in a market;

• Availability of substitutes before and after the combination;
• Market share of the parties to the combination individually and as a combination;
• Possibility of the combination to remove the vigorous and effective competitor or competition in the market;
• Nature and extent of vertical integration in the market;
• Nature and extent of innovation;
• Whether the benefits of the combinations outweigh the adverse impact of the combination.

3.4.4 SEBI Guidelines

The Securities and Exchange Board of India has issued detailed guidelines for regulating acquisition of shares and takeovers of listed companies. The important guidelines are discussed below:

Notification: The acquirer should pre-inform the target company and the concerned stock exchanges as soon as its holding touches 5 percent of the voting capital of the target company.

Trigger Point for Public Offer: No sooner the holding of the acquirer crosses 15 percent of the voting capital of the target company. It is mandatory to make an offer to purchase a minimum of 20 percent of the voting capital form the remaining shareholders through a public announcement.

Offer Price: The offer price shall not be less than the highest of the following: negotiated price, average of the weekly high and low for the last 26 months.

Contents of the Public Announcement: The public announcement shall provide information about the number of shares proposed to be acquired, the minimum offer price object of acquisition, dated by which letter will be posted, and date of opening and closure of offer. The purpose of SEBI guidelines is to impart takeover deals, ensure huge amount of disclosure through public announcement and offer document, and protect the interests of shareholders.

3.5 Major aspects of SEBI guidelines

1. To amplify the definition of acquirer and persons acting in concert, to cover both direct as well as indirect Acquisitions. The definition of control was modified to protect the shareholders' interest.

2. Mandatory public offer is triggered off when the threshold limit of 10 percent is crossed and there is a change in control.
3. For the purpose of consolidation of holdings, acquirers holding not less than 10 percent but not more than 51 percent are allowed creeping Acquisition upon 2 percent that has to be in a transparent manner, through a public tender offer.
4. An acquirer, including persons presently in control of the company should make a public offer, to acquire a minimum of 20 percent in case, the conditions for mandatory public offer are valid.
5. SEBI would not be involved in the pricing of the offer, pricing will be based on negotiated price, average of high and low price for 26 weeks period, before the date of the public announcement, highest price paid by the acquirer for any preferential offers.
6. The concept of chain principle has introduced making it mandatory for a public offer to be made, to shareholders of each company when several companies are acquired through requisition of one company.
7. Disclosure requirements has been strengthened, requiring, disclosure of additional details of financial arrangements for implementing the offer and future plans of the acquirer for the target company. Non- exercise of due diligence will also lead to penalties.
8. A conditional offer has been allowed, subject to either a minimum mandatory acceptance of 20 percent with differential pricing; or with a deposit of 50 percent of the value offer in cash in the escrow, in cases where the bidder does not want to be saddled with the 20 percent Acquisition.
9. Finally, the board of the target company during the offer period is precluded from inducting any person belonging to the acquirer or transfer shares in his name until all the formalities relating to the offer are completed. Under the revised takeover code, a mandatory public offer of 20 percent purchase will be targeted off, when the threshold limit of 10 percent equity holding is crossed. Those in control can however, purchase 2 percent of share per annum, as long as their total holding is below 20 percent.

3.6 Causes of Merger Failures

There could be many causes of non-successful mergers and acquisitions. The failure of a merger can be a result of poor management decisions or maybe due to overconfident decisions. It is a possibility that there could be personal reasons due to which managers tend to enter into such activities and hence ignore intentionally/unintentionally the primary motive of mergers i.e. creating shareholder's value. But sometimes, even the decisions made with

good intentions can also backfire due to lack of strategically aware management reasons. These factors are summarized by the following points.

1. Overpayment: Overpayment which is a common cause of failure for mergers generally arises due to greediness or the urge for expansion. Overpayment, most of the times, has disastrous consequences. It leads to expectations of higher profitability which is not possible always and hence can lead to poor decisions. Excessive goodwill as a result of overpaying reduces the profitability of the firm and further the shareholder's value.

2. Integration issues: Few business marriages are made in heaven but the decisions can still be made correct. For this, the merging companies involved should follow cooperation. Business cultures, traditions, work ethics, etc. should be flexible and in rhythm to each other apart from cooperation between the entities. Administrative problems do arise most of the times in a merger which often nullifies the advantages of the merger. For current scenario, it has become necessary to identify the right kind of people who can see the merger through and predict what is required. Due to lack of these qualities, mergers often do not produce the set results and objectives.

3. Personal motives of Executives: Managers often enter into mergers solely to satisfy and fulfill their personal goals like fame, name, higher compensation etc. Due to this, they ignore the fact that they should to look at the strategic benefits of the merger that whether the organization as a whole will gets benefits from the merger or not. These executives enter into mergers for the purpose of seeking prestige and satisfying their executive ego, eventually leading to failure of mergers.

4. Selecting the Target: Choosing an appropriate target firm is an extremely challenging task. Executives should be able to select the target that fits perfectly with the organization's strategic and financial motives. Often the lack of motivation and interest on the part of executives leads to irrelevant & inappropriate target selection which further leads to failure of mergers.

5. Strategic Issues: Ideally, strategic benefits should be the primary motive of any merger. However, managers sometimes tend to overshadow this golden rule. Inappropriate strategic planning and execution leads to various problems.

CHAPTER 4
ANALYSIS, DISCUSSION AND RECOMMENDATIONS

4.1 Introduction to the case

In order to fulfil the objectives of the study, financial analysis has been chosen to interpret the financial performance and shareholder's value of the acquiring banks. The financial institutes periodically publish the financial statements so as to help many especially the investors to understand its profitability and financial health. The two basic financial statements provided by any company are the Balance Sheet and the Profit & Loss Statement. The first tells about the assets and liabilities while the other gives information regarding the earnings. If one wants to know about the financial position of a company on a particular date then balance sheet should be looked for. The balance sheet provides information as on the last day of the accounting year. The profit & loss statement, also known as the income statement, gives details about the revenue earned, the cost incurred and the resulting gains & losses made by the company for one complete accounting year. The profit after tax (PAT) divided by the number of shares gives the earning per share (EPS) which is a figure in which most investors are interested.

For this dissertation, I will be focusing on financial ratios which would be obtained from the Financial Statements of the banks. An attempt has been made in this chapter to evaluate the performance of acquiring banks based on comparing key financial position indications before and after acquisition period of 2 years. As mentioned earlier in this report, two hypotheses have been tested which are:

Null Hypotheses H1: There is no difference in the financial performance of the acquiring banks before and after merger.

Null Hypotheses H2: There is no difference in the Shareholder's Value of the acquiring banks.

To test these hypotheses, operational performance & profitability position has been calculated with the help of following ratios:

To check Operational performance

1. Working Capital Turnover Ratio: Sales/Working Capital. The working capital turnover ratio measures how the levels up to which the working capital has been utilized to fulfill or

support the sales targets. The working capital turnover ratio is majorly used by the companies to understand the relationship between the money spent on funding operations and the income which is generated from these operations. The higher the working capital turnover, the better because it means that the bank is generating a lot of income compared to the money it spends to fund the sales..

2. Total Asset Turnover Ratio: Net Sales/Total Assets. The ability of a company to utilize its assets to efficiently generate sales is measured by Total asset turnover ratio. A company with a high total asset turnover ratio is considered efficient in generating monetary value by using its assets. The ratio considers all assets i.e. current and fixed.

3. Fixed Asset Ratio: Sales/Fixed Assets. The fixed-asset turnover ratio measures a banks' ability to generate net income from fixed-asset investments - specifically property net of depreciation. A higher fixed-asset turnover ratio shows that the banks have been more effective in using the investment in fixed assets to generate revenues.

To check Profitability Position

1. Gross Profit Margin: Gross Profit/Sales. Gross profit margin is used to assess the profitability of a firm's core activities, excluding fixed costs. It indicates the relationship between net revenue from income (banks) and the cost of expenses to generate the income. A high gross profit margin indicates that a business can make reasonable net earnings as long as it keeps overhead cost in control.

2. Operating Profit Margin: EBIT/Sales. The Operating Profit Margin measures what proportion of a company's revenue is left over, before taxes and alternative indirect costs (such as rent, bonus, interest, etc.), once paying for variable costs of production as wages, raw materials (interest on deposits in the case of banks), etc. Operating profit margin indicates the extent of profitability of the company's (bank's) operations. If the margin decreases, then the company's (bank's) profitability is declining.

3. Net Profit Margin: PAT/Sales. The Net Profit Margin is mostly used for internal comparisons by organizations. A low profit margin indicates a low margin of safety which indicates higher risk situation i.e. a decline in sales which (income in the case of non-manufacturing companies) can erase profits and result in a net loss. Profit margin is an indicator of a company's ability to control costs.

4. Return on Equity: PAT/Shareholder's Equity. This ratio can also be called as Return on Equity (ROE). This relation reveals what quantity profit a funding firm generates with the money that the equity shareholders have invested with. RONW is a measure for judging the returns that shareholder gets on his investment.

5. Return on Capital Employed: EBIT/Total Capital Employed. The Return on Capital Employed ratio (ROCE) tells how much profit is being earned from the investments the shareholders have made in their company. The ROCE is used in finance as a measure of the returns that a company is realizing from its capital employed. More commonly it is used for assessing whether a business generates enough returns to pay for its cost of capital or not.

To Understand Shareholder's Value

1. Earnings per Share: Net profit availability to equity shareholders/ Number of equity shares. The portion of a firm's profit which is allocated to each outstanding share of common stock is known as Earnings per share. A company with high earnings per share ratio is considered capable of generating a significant dividend for investors, or it may generate the funds back into its business for more growth.

2. Dividend Payout Ratio: Dividend per share/Earnings per share. The dividend payout quantitative relation provides a sign of what quantity cash an organization is returning to shareholders, versus what quantity cash it's keeping accessible to reinvest in growth, pay off debt or boost money reserves.

3. Share Price: Share price is the maximum amount someone is ready to give for the share of or the minimum amount that it can be bought for. A company's worth is determined by its market capitalization which is share price multiplied by number of shares. If the share price of a company is high, it signifies high strength & good health of the company as a whole.

4. Rate of return: (Dividend+ Share Price change)/ Share price at the beginning of year. It is the annual return that the investors get on their amount invested. Rate of return is positive for gain & negative for loss incurred by the company.

Also t-test has been used to tell the hypothesis statistically. The t-test is one kind of inferential statistics. It is used to determine whether or not there is a major distinction between the means of two groups. A t-test is used when we wish to compare two means. In this study the null hypothesis would be that there is no difference in the financial performance & shareholder's value after the merger while the alternate hypothesis would be

yes, there is a statistically significant difference. T-test has been performed using Analysis ToolPak available on MS-Excel. If absolute value of t-Stat is larger than t-Critical value then the null hypothesis can be rejected and results are considered as statistically significant.

4.2 Data collection

For the 3 merger cases discussed in the previous chapter, only secondary data has been collected in order to test both the hypotheses discussed earlier. The relevant data has been taken from the bank's annual reports, BSE and NSE websites apart from using research papers & websites like businessstanddard.com; moneycontrol.com for information analysis & collection. Secondary data on performance for merged banks was extracted for 2 year before and after (short run performance) the merger.

CASE 1: HDFC Bank and Centurion Bank of Punjab Merger

Promoted in 1995 by Housing Development Finance Corporation (HDFC) which is India's one of the leading housing finance companies, HDFC Bank is one of India's premier banks providing a wide range of financial products and services. HDFC Bank Board on February 25, 2008 approved the acquisition of Centurion Bank of Punjab (CBoP) for Rs 9,510 crore in one amongst the important & largest mergers with in the financial sector of India. Centurion Bank of Punjab is one of the leading new generation non-public sector banks in Asian nation - India. The bank serves individual customers, small and medium businesses and huge firms with a full range of monetary products and services for finance, disposition and recommendation on financial planning.

Synergy from the merger:

1. CBoP shareholders got one share of HDFC Bank for each 29 shares command by them. The merger reinforced HDFC Bank's distribution network within the northern and the southern regions of India. CBoP had near 170 branches in the north and approx 140 branches in the south. CBoP had a targeted presence within the Indian states of Punjab and Kerala. The combined entity therefore was imagined to have a network of 1148 branches.
2. Positives from the merger are that HDFC Bank was able to increase its footfall and metro presence. Secondly HDFC Bank gained a far better cost to income relation attributable to better cost efficiencies and value management.

Since merger occurred in Year 2008-09, so the years considered for pre merger analysis of HDFC Bank would be Year 2006-07 & Year 2007-08. Similarly, for post-merger analysis,

Year 2009-10 &Year 2010-11 have been chosen. To test Null Hypotheses H1: There is no difference in the financial performance of the acquiring bank before & after merger, information related to operating ratios & profitability position was collected as given in the table below.

Financial Performance Parameters	**Pre Merger Period**		**Merger Period**	**Post Merger Period**	
	2006-07	2007-08	2008-09	2009-10	2010-11
Operating Profit Margin	10.39	9.88	8.69	11.98	-2.05
Net Profit Margin	14.07	13.25	11.68	15.23	19.70
Return on Equity	17.73	13.83	15.31	13.69	15.47
Return on Capital Employed	1.184	1.251	1.224	1.325	1.415
Total Assets Turnover	0.075	0.076	0.089	0.072	0.072
Fixed Assets Turnover	7.12	8.61	9.55	7.64	9.23

Table 4.1 Operating performance of HDFC Bank Pre and Post Merger period

To test Null Hypotheses H2: There is no difference in Shareholder's value of the acquiring bank before and after merger, information related to the same is given in the table below.

Valuation Parameters	**Pre Merger Period**		**Merger Period**	**Post Merger Period**	
	2006-07	2007-08	2008-09	2009-10	2010-11
Earnings Per Share	36.29	46.22	52.85	67.56	85.00
Dividend Payout	7.00	8.50	10.00	12.00	16.50
Share price	206.40	293.44	202.60	398.00	479.18
Rate of return	0.233	0.444	-0.318	0.798	0.233

Table 4.2 Shareholder's Value measurement parameters of HDFC Bank Pre and Post Merger

CASE 2: ICICI Bank and Bank of Rajasthan merger

Private sector lender Bank of Rajasthan on 18th May 2010 agreed to merge with ICICI Bank, India's second largest private sector lender. Since year 2008, this acquisition was the first consolidation of country's crowded banking sector. The banks signed their merger through an all-share deal, valued at about 30.41 billion rupees. ICICI Bank offered BoR 188.42 rupees per share; a premium of 89% to the small lender's closing price on the previous day. ICICI offered smaller bank's controlling shareholders 25 shares in ICICI for 118 shares of BOR.

Synergy from the merger:

The deal gave ICICI a valid presence in the northwestern desert state of Rajasthan, valued the small bank at about 2.9 times its book value, compared with an Indian Banking sector average of 1.84. Bank of Rajasthan had a network of 463 branches & a loan book of 77.81 billion rupees. The merging entities i.e. ICICI Bank and Bank of Rajasthan have strategic similarities and connectedness that thus led to cost synergy creation.

Since merger occurred in Year 2009-10, so the years considered for pre merger analysis of ICICI Bank would be Year 2007-08 & Year 2008-09. Similarly, for post-merger analysis, Year 2010-11 &Year 2011-12 have been chosen. To test Null Hypotheses H1: There is no difference in the financial performance of the acquiring bank before & after merger, information related to operating ratios & profitability position was collected as given in the table below.

Financial Performance Parameters	Pre Merger Period		Merger Period	Post Merger Period	
	2007-08	2008-09	2009-10	2010-11	2011-12
Operating Profit Margin	10.10	10.32	7.28	-5.76	-3.09
Net Profit Margin	10.54	9.67	12.79	19.83	19.27
Return on Equity	8.94	7.58	7.79	9.35	10.70
Return on Capital Employed	3.45	3.49	4.79	5.86	7.63
Working Capital Turnover	0.012	0.013	0.015	0.017	0.019
Total Assets Turnover	0.010	0.009	0.011	0.012	0.013
Fixed Assets Turnover	1.011	0.988	1.252	1.085	1.400

Table 4.3 Financial performance of ICICI Bank Pre and Post Merger period

To test Null Hypotheses H2: There is no difference in Shareholder's value of the acquiring bank before and after merger, information related to the same is given in the table below.

Valuation Parameters	Pre Merger Period		Merger Period	Post Merger Period	
	2007-08	2008-09	2009-10	2010-11	2011-12
Earnings Per Share	39.39	33.76	36.14	45.27	56.11
Dividend Payout	0.27	0.32	0.33	0.30	0.29
Share price	212.00	77.56	194.16	194.16	191.52
Rate of return	0.120	-0.538	1.138	0.184	-0.086

Table 4.4 Shareholder's Value measurement parameters of ICICI Bank Pre and Post Merger

CASE 3: Kotak Mahindra Bank and ING Vysya Bank merger

ING Vysya Bank is a prestigious social unit name within the South Indian banking sector, with a heritage of not but eight decades. Kotak Mahindra cluster has created its mark in money services arena as a conglomerate addressing all customers' desires with one banner. The dealings date for the merger was mounted as 1st April 2015. The deal created ING cluster the second largest shareholder in Kotak Mahindra bank with a 6.4 percent stake. ING Vysya shareholders received 725 shares in Kotak for each 1000 shares of ING Vysya. The tacit value of the exchange relation is 790 for every ING Vysya share supported the common damage of Kotak shares throughout one month to Nov 19, 2014, that may be a 16 percent premium to a like measure of ING Vysya market value.

Synergy from the Merger:

1. At that point, ING Vysya was having robust client franchise for over eight decades, with a national branch network of around 573 branches and deep presence in South India, notably in Andhra Pradesh, Telengana and Karnataka. This shows that ING had a large customer base across all the segments. The combined bank when the merger resulted in having 1214 branches, with a wide-spread pan-India network, obtaining each breadth and depth given the robust geographic complementarities between Kotak and ING Vysya.

2. The bank's disposition unfolds across all sectors with a predominantly higher presence within the small Medium Enterprises (SME) sector. When Vysya's SME and business banking segments accounted for thirty eighth of its loan book, Kotak had a meager 8 percent presence during this sector. Vysya's client base during this section was terribly immense. The

merger deal helped Kotak diversify its book and increase its presence within the SME section.

Since merger occurred in Year 2014-15, so the years considered for pre merger analysis of Kotak Mahindra Bank would be Year 2013-14 & Year 2012-13. Similarly, for post-merger analysis, Year 2015-16 has been chosen. To test Null Hypotheses H1: There is no difference in the financial performance of the acquiring bank before & after merger, information related to operating ratios & profitability position was collected as given in the table below.

Financial Performance Parameters	Pre Merger Period		Merger Period	Post Merger Period	
	2012-13	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Operating Profit Margin	2.48	1.17	-1.67	-3.18	-
Net Profit Margin	16.91	17.13	19.19	12.75	19.28
Return on Equity	14.37	12.23	13.19	8.72	13.77
Return on Capital Employed	8.40	9.59	11.78	5.47	7.965
Working Capital Turnover	-0.130	-0.352	-0.517	-0.342	-
Total Assets Turnover	0.026	0.028	0.028	0.017	0.023
Fixed Assets Turnover	4.71	2.22	2.52	2.22	3.218

Table 4.5 Financial performance of Kotak Mahindra Bank Pre and Post Merger period

To test Null Hypotheses H2: There is no difference in Shareholder's value of the acquiring bank before and after merger, information related to the same is given in the table below.

Valuation Parameters	Pre Merger Period		Merger Period	Post Merger Period	
	2012-13	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Earnings Per Share	18.31	19.62	24.20	11.42	18.57
Dividend Payout	0.038	0.40	0.037	0.043	0.045
Share price	339.42	394.00	728.88	694.90	886.40
Rate of return	0.128	0.102	0.748	-0.057	0.232

Table 4.6 Shareholder's Value measurement parameters of Kotak Mahindra Bank Pre and Post Merger

4.3 Data Analysis and Findings

Analysis of data is a step-process of inspecting, cleaning, transforming, and modelling data with an objective of discovering useful information, suggesting conclusions, and supporting decision-making. Data analysis has various approaches, including diverse techniques under a variety of names, in different business, science, and social science domains. In statistical applications, generally data analysis is divided into:

1. Descriptive data analysis (DDA),

2. Exploratory data analysis (EDA),

3. Confirmatory data analysis (CDA)

EDA focuses on exploring new features in the data and CDA on confirming or testing existing hypotheses. Predictive analytics deals with statistical models for predictive forecasting or classification, whereas text related analytics suggests statistical, linguistic, and structural techniques to extract and classify information from textual sources, a species of unstructured data. All are varieties of data analysis. For this dissertation, I have chosen CDA approach. The hypotheses chosen have already been discussed in the earlier chapters in this report. In the cases chosen for merger of banks in Indian context, I have used Confirmatory Data Analysis approach so as to test the hypotheses in each case. Data analysis will be completed by using financial information provided in the Section 4.2. Apart from this, I will be using t-test to validate the hypotheses.

CASE 1: HDFC Bank and Centurion Bank of Punjab merger

Financial Performance Analysis of HDFC Bank pre and post merger

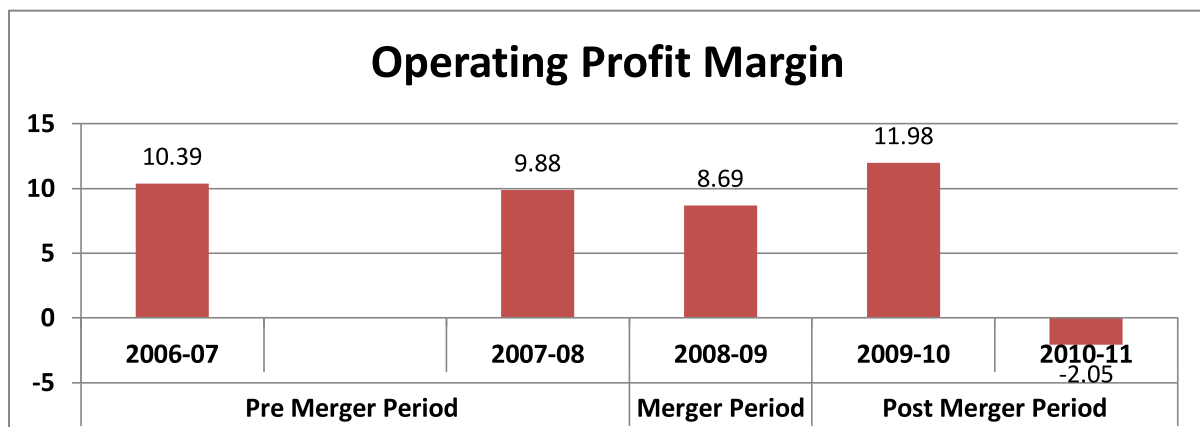

Figure 4.1 Operating profit margin of HDFC Bank

Figure 4.1 depicts the changes in operating profit margin of HDFC Bank over the years. Since, Operating Profit Margin is a measurement of what proportion of revenue is left over, before taxes and other indirect costs (such as rent, bonus, interest, etc.), after paying for variable costs of production as wages, raw materials (interest on deposits in the case of banks), etc, it can be seen clearly that for Year 2009-10 profitability of HDFC Bank increases but after that it goes negative drastic fall in the profitability and leftover revenue of the bank and can be considered as a negative impact of the merger.

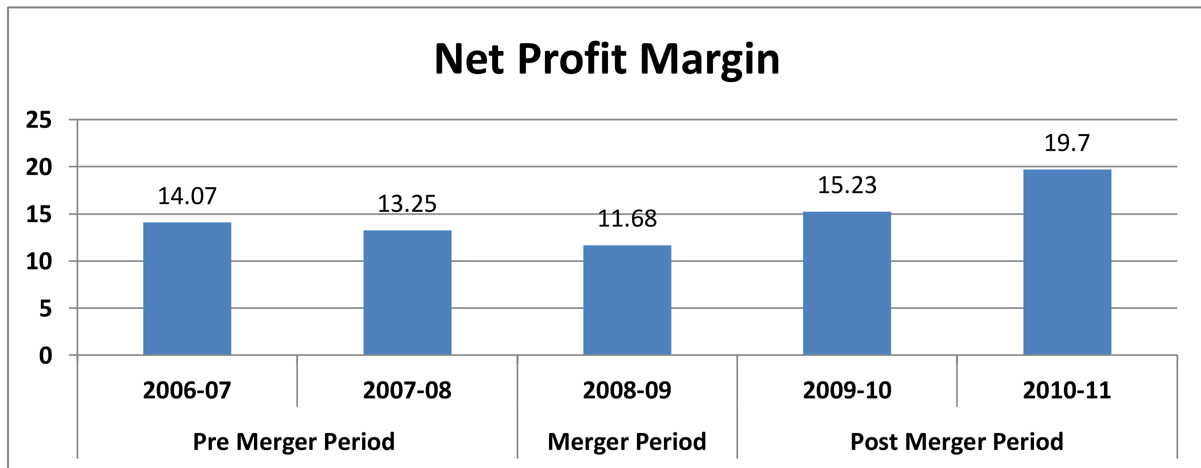

Figure 4.2 Net profit margin of HDFC Bank

Figure 4.2 depicts the changes in Net profit Margin of HDFC Bank over the years. Since net profit margin is a profitability measure, it can be seen clearly that after the merger HDFC Bank has increased its profitability efficiently which shows increase in sales and high margin of safety & hence reduction in net loss. So it can be said that after the merger, HDFC Bank managed to control its cost usage.

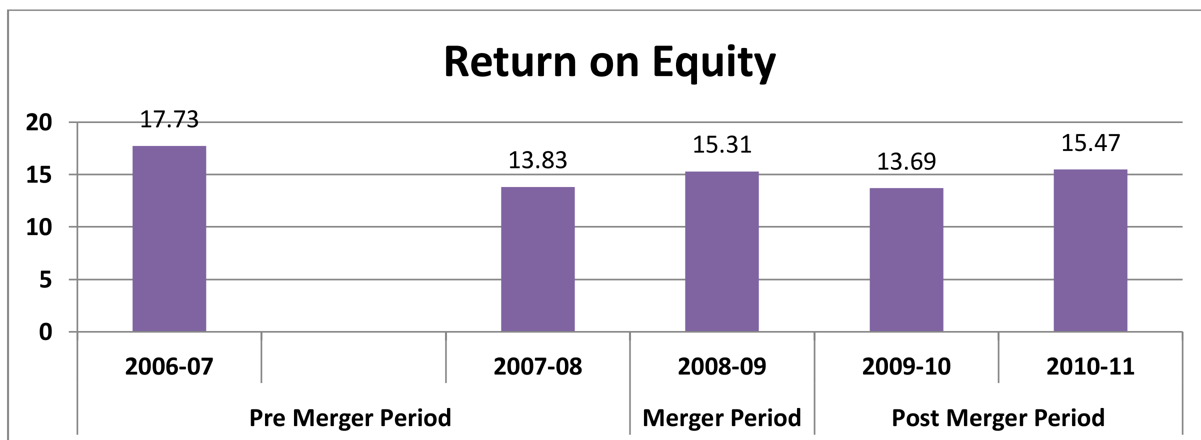

Figure 4.3 Return on Equity of HDFC Bank

Figure 4.3 depicts the changes in Return on Equity of HDFC Bank over the years. This relation reveals what quantity profit a funding firm generates with the money that the equity shareholders have invested with. Since after the merger there is no significant changes in ROE of HDFC Bank, so it can be said that the returns given to the shareholders or generated for shareholders didn't get affected.

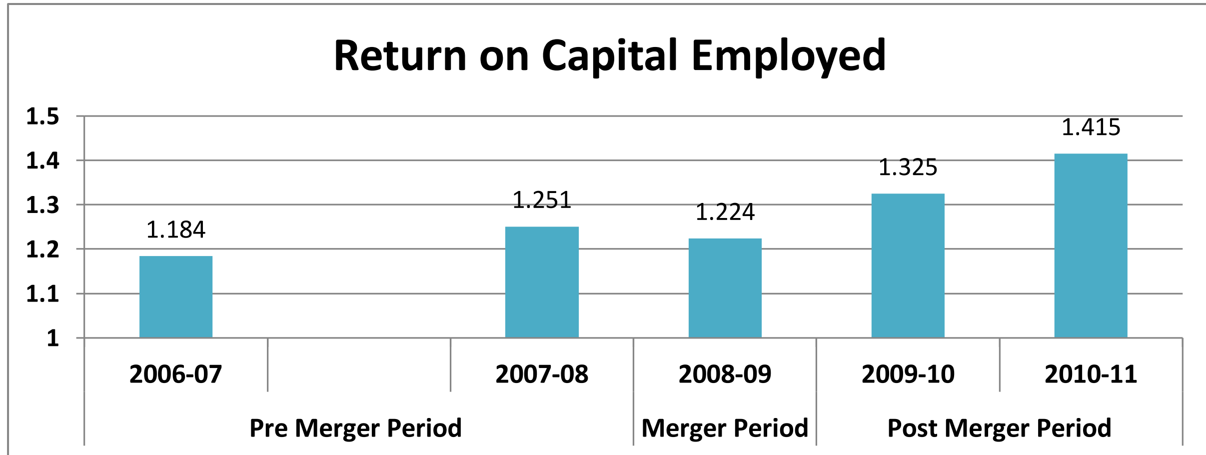

Figure 4.4 Return on capital employed of HDFC Bank

Figure 4.4 depicts Return on Capital employed of HDFC Bank over the years. The Return on Capital Employed ratio (ROCE) tells how much profit is being earned from the investments the shareholders have made in their company. More commonly it is used for assessing whether a business generates enough returns to pay for its cost of capital or not. Since after the merger, clearly, ROCE can be seen increasing so it is not wrong to say that the bank has been efficiently utilizing the capital employed to generate more returns.

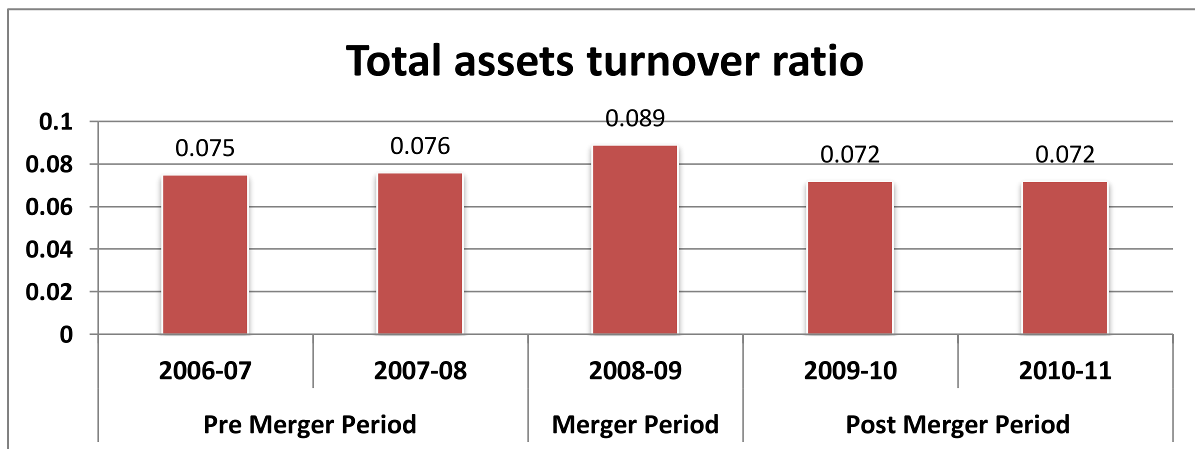

Figure 4.5 Total assets turnover ratio of HDFC Bank

Figure 4.5 depicts Total assets turnover ratio of HDFC Bank over the years. The total assets turnover relation measures the flexibility of a corporation to use its assets with efficiency to generate sales. Since HDFC Bank's Total assets turnover doesn't represent any relevant increase or decrease post merger, it can be said that the usage of assets in making money didn't get affected after merger.

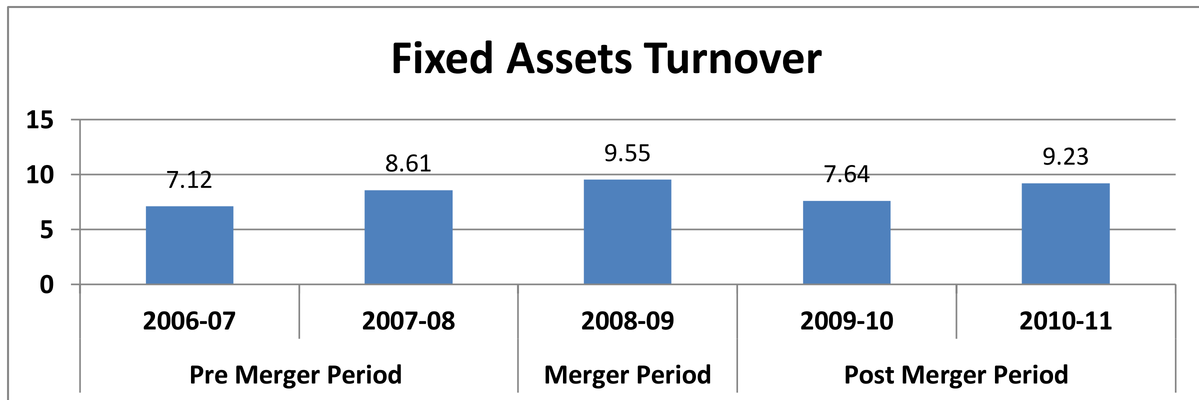

Figure 4.6 Fixed Assets turnover ratio of HDFC Bank

Figure 4.6 depicts fixed assets turnover ratio of HDFC Bank over the years. The fixed-asset turnover relation measures a banks' ability to get profits from fixed-asset investments. Since HDFC Bank has shown a fairly good ratio after the merger, it can be said that the bank has been more efficient in using the investment in fixed assets to generate revenues but it is not due to merger.

<u>Analysis of parameters affecting Shareholder's value of HDFC Bank pre and post merger</u>

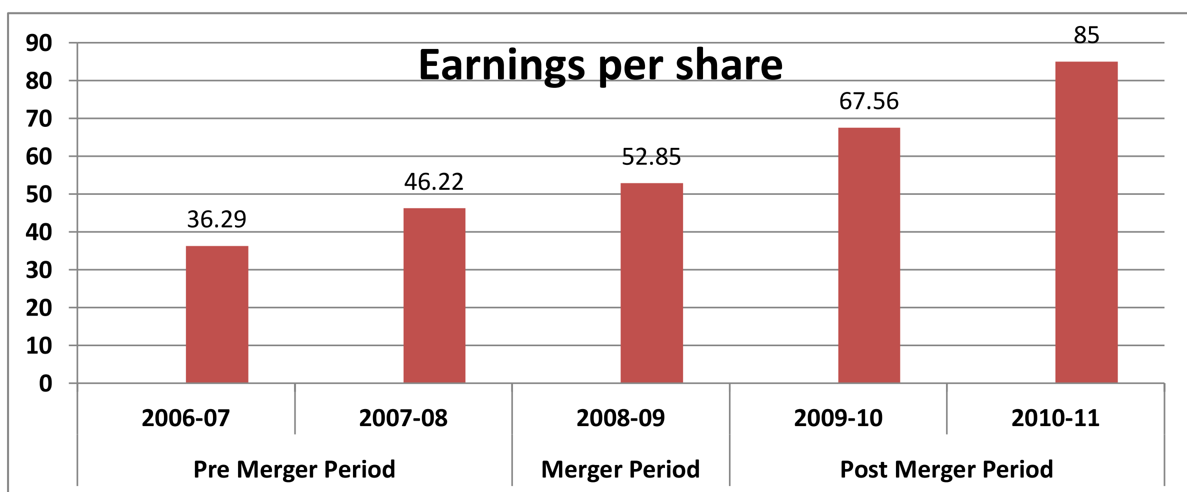

Figure 4.7 Earnings per share of HDFC Bank

Figure 4.7 depicts Earnings per share of HDFC Bank over the years. Earnings per share is the portion of a company's profit allocated to each outstanding share of common stock. As it can be seen clearly that post merger over the years HDFC Bank's EPS has increased so it can be said that HDFC Bank was capable of generating a significant dividend for investors, or it may plow the funds back into its business for more growth and hence managed to increase shareholder's value post merger.

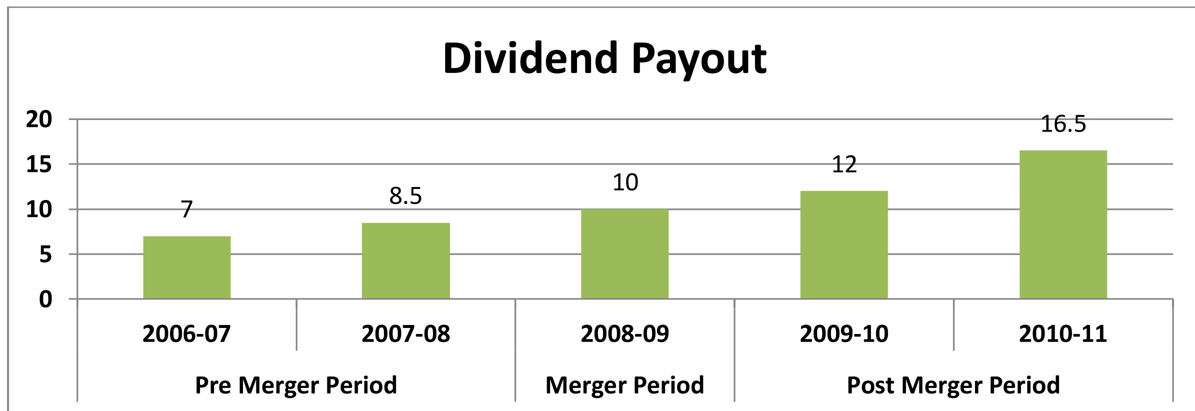

Figure 4.8 Dividend Payout of HDFC Bank

Figure 4.8 depicts Dividend Payout of HDFC Bank over the years. The dividend payout quantitative relation provides a sign of what quantity cash an organization is returning to shareholders, versus what quantity cash it's keeping accessible to reinvest in growth, pay off debt or boost money reserves. Since post merger, over the years, Dividend Payout of HDFC Bank has increased so it can be said that the bank managed to return a good amount to its shareholders post merger. Also it is true that just on the basis of good Dividend payout it can be rightly said that HDFC Bank was earning huge profits post merger.

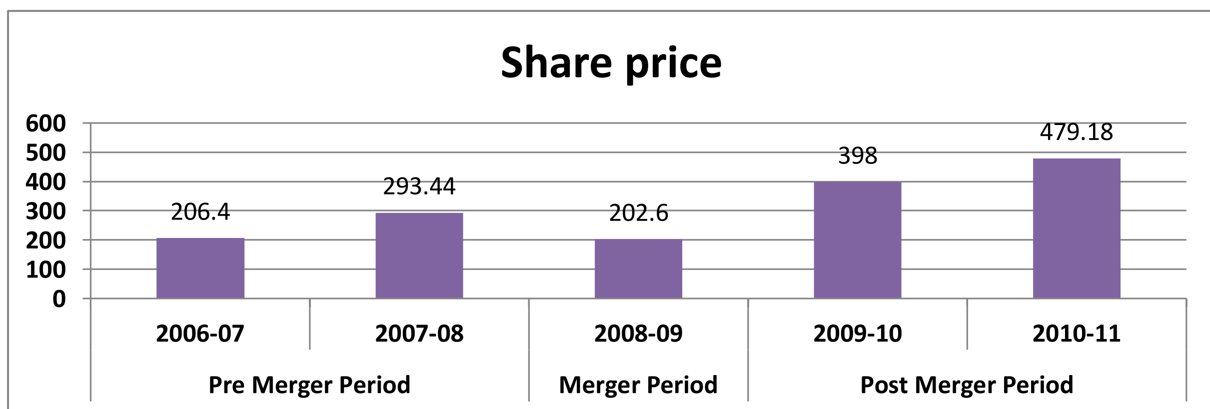

Figure 4.9 Share price of HDFC Bank

Figure 4.9 depicts Share price of HDFC Bank over the years. Share price is the maximum amount someone is ready to give for the share of or the minimum amount that it can be bought for. If the share price of a company is high, it signifies high strength & good health of the company as a whole. Clearly for HDFC Bank, the share price is increasing after merger which shows that merger has a positive impact on the bank.

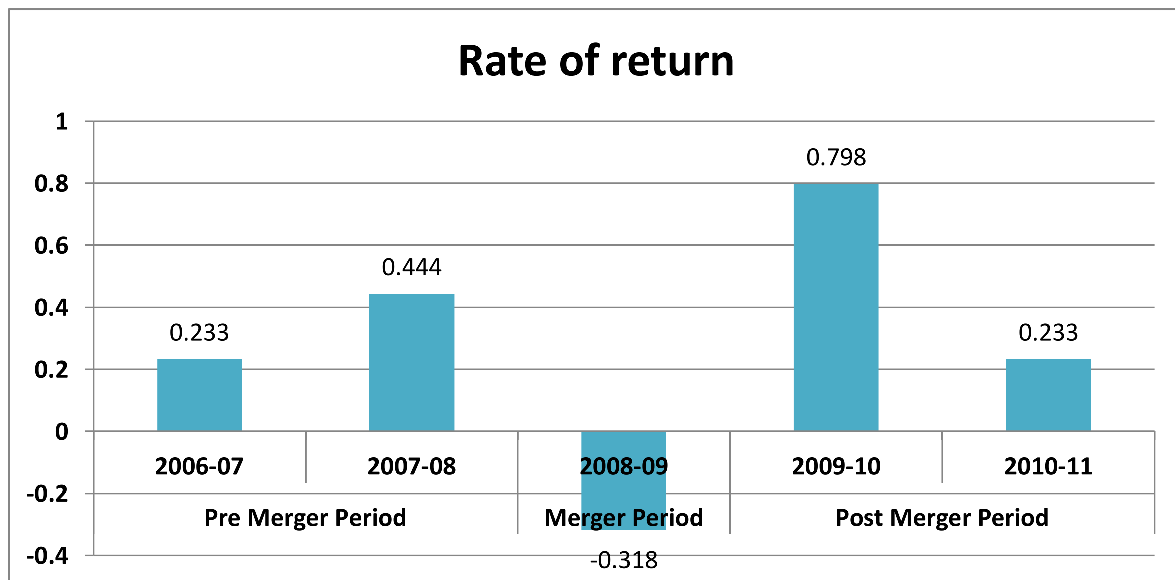

Figure 4.10 Rate of return of HDFC Bank

Figure 4.10 shows the rate of return of HDFC Bank. It is the annual return that the investors get on their amount invested. Rate of return is positive for gain & negative for loss incurred by the company. Post merger, there is no significant change in the rate of return for HDFC bank. It has been continuously increasing and falling back.

Now in order to test the hypotheses and to justify the results discussed above based on the financials of the bank, t-test has been used to conclude whether the results are statistically significant or not. Table 4.7 shows the mean, standard deviation, calculated t-value and significance of the perception of the selected bank in pre and post-merger context for changes in financial performance measurement. For HDFC bank the test of difference of mean was found to be not significant i.e. calculated t-value is less than tabulated t-value at 5% level of significance for Operating profit margin, Return on Equity. Else it got significant result for other performance indicators.

Null Hypotheses H1: There is no difference in the financial performance of HDFC bank pre and post merger. Now since the t-test has shown significant results for most of the financial

performance indicators, the null hypotheses H1 can be rejected & hence the alternative hypotheses that yes, there is difference in the financial performance of HDFC bank post merger is accepted.

		Mean	S.D.	t- value	Result
OPM	Pre merger	10.13	0.360	0.736506	Not Significant
	Post merger	4.96	9.91		
NPM	Pre merger	13.66	0.579	-1.67452	Significant
	Post merger	17.46	3.160		
ROE	Pre merger	15.78	2.75	0.559832	Not Significant
	Post merger	14.58	1.25		
ROCE	Pre merger	1.21	0.049	-2.63117	Significant
	Post merger	1.36	0.063		
TAT	Pre merger	0.075	0.047	7	Significant
	Post merger	0.072	0.000		
FAT	Pre merger	7.86	1.053	-0.52317	Significant
	Post merger	8.43	1.124		

Table 4.7 t-test for financial performance of HDFC Bank

Table 4.8 shows the mean, standard deviation, calculated t-value and significance of the perception of the HDFC bank in pre and post-merger context for changes in shareholder's value measurement. For HDFC bank the test of difference of mean was found to be significant i.e. calculated t-value is greater than tabulated t-value at 5% level of significance for all the parameters.

Null Hypotheses H2: There is no difference in the Shareholder's value of HDFC bank pre and post merger. Now since the t-test has shown significant results for most of the parameters affecting shareholder's value, the hypotheses H2 can be rejected & accepts alternative hypotheses that yes, there is difference in the shareholder's value of HDFC bank post merger.

		Mean	S.D.	t-value	Result
EPS	**Pre merger**	21.64	20.71	-0.23934	Significant
	Post merger	27.36	26.67		
Dividend Payout	**Pre merger**	7.75	0.255	-2.74064	Significant
	Post merger	14.25	3.181		
Share price	**Pre merger**	249.92	3787.981	-3.17035	Significant
	Post merger	438.59	3295.096		
ROR	**Pre merger**	0.3385	0.02261	-0.58695	Non Significant
	Post merger	0.5155	0.15961		

Table 4.8 t-test for Shareholder's value of HDFC Bank

CASE 2: ICICI Bank and Bank of Rajasthan merger

Financial Performance Analysis of ICICI Bank pre and post merger

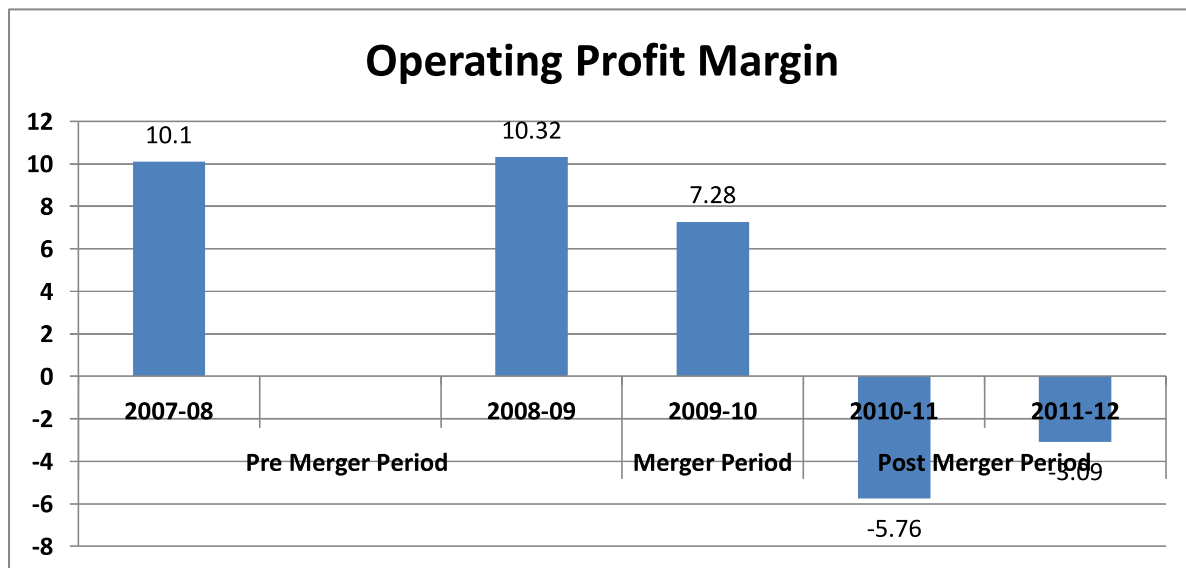

Figure 4.11 Operating Profit margin of ICICI Bank

Figure 4.11 depicts the changes in operating profit margin of ICICI Bank over the years. Since, Operating Profit Margin is a measurement of what proportion of revenue is left over, before taxes and other indirect costs (such as rent, bonus, interest, etc.), after paying for variable costs of production as wages, raw materials (interest on deposits in the case of banks), etc, it can be seen clearly that after the merger period profitability of ICICI Bank decreased to negative and can be considered as a negative impact of the merger.

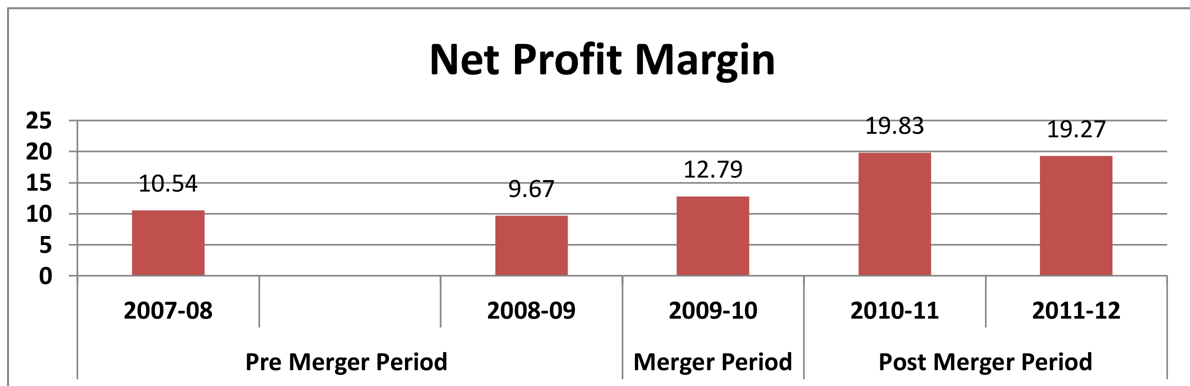

Figure 4.12 Net profit margin of ICICI Bank

Figure 4.12 depicts the changes in Net profit Margin of ICICI Bank over the years. Since net profit margin is a profitability measure, it can be seen clearly that after the merger ICICI Bank has increased its profitability efficiently which shows increase in sales and high margin of safety & hence reduction in net loss. So it can be said that after the merger, ICICI Bank managed to control its cost usage very efficiently.

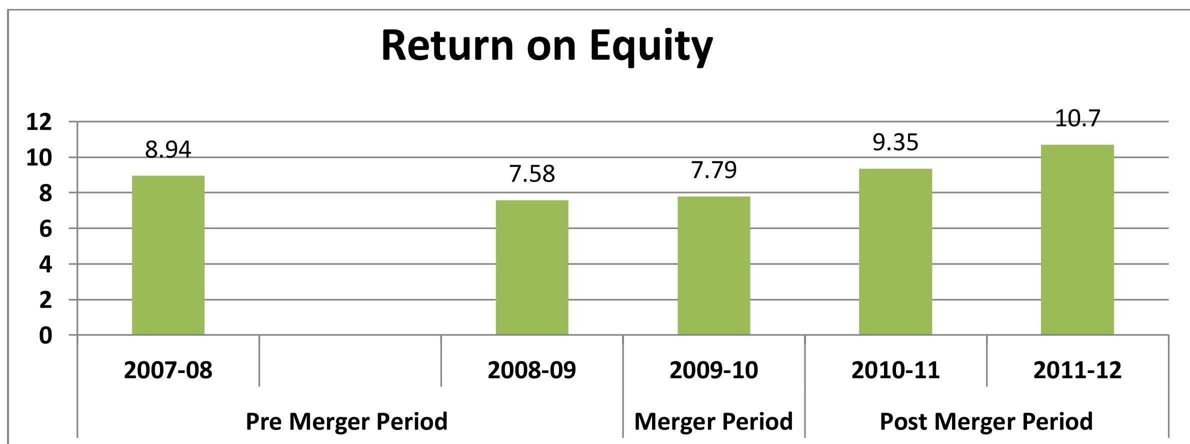

Figure 4.13 Return on Equity of ICICI Bank

Figure 4.13 depicts the changes in Return on Equity of ICICI Bank over the years. This relation reveals what quantity profit a funding firm generates with the money that the equity

shareholders have invested with. Since after the merger there is clearly a positive significant change in ROE of ICICI Bank, so it can be said that the returns given to the shareholders or generated for shareholders did get affected post merger.

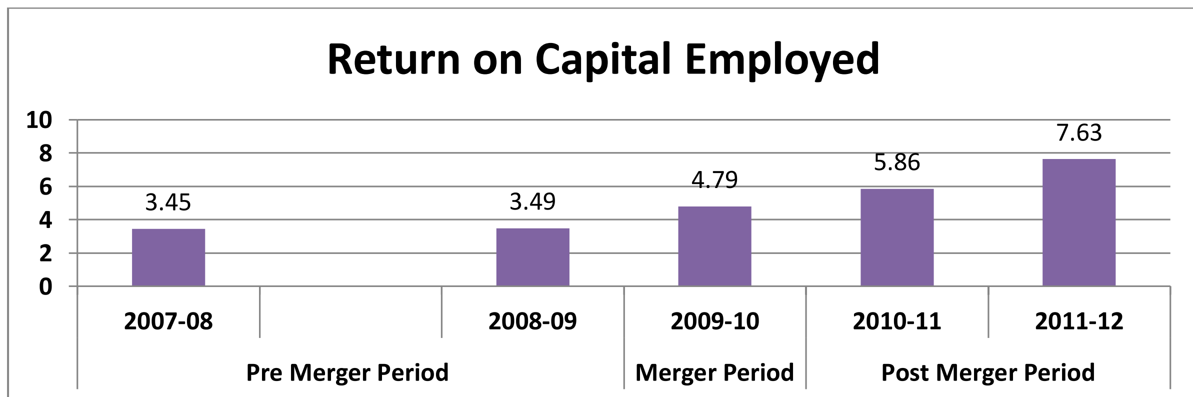

Figure 4.14 Return on capital employed of ICICI Bank

Figure 4.14 depicts Return on Capital employed of ICICI Bank over the years. The Return on Capital Employed ratio (ROCE) tells how much profit is being earned from the investments the shareholders have made in their company. More commonly it is used for assessing whether a business generates enough returns to pay for its cost of capital or not. Since after the merger, clearly, ROCE can be seen increasing so it is not wrong to say that the bank has been efficiently utilizing the capital employed to generate more returns.

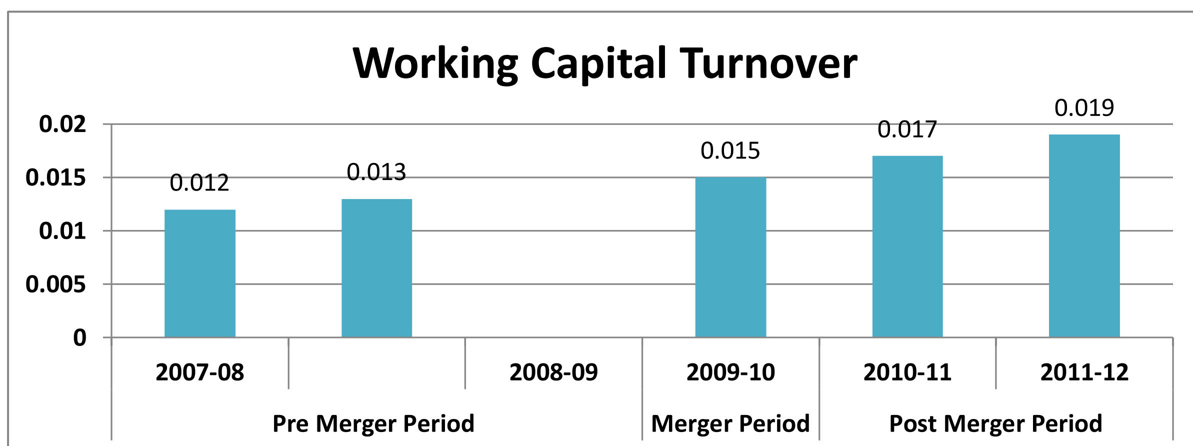

Figure 4.15 Working capital turnover of ICICI Bank

Figure 4.15 depicts the working capital turnover of ICICI Bank over the years. The working capital turnover ratio is used to analyze the relationship between the money used to fund operations and the income generated from these operations. Since after the merger, WCT od ICICI Bank has increased, it shows that bank focused on generating more income as

compared to the money spent. But still the figure is less and the bank should focus on increasing the WCT to prevent itself from bad debts.

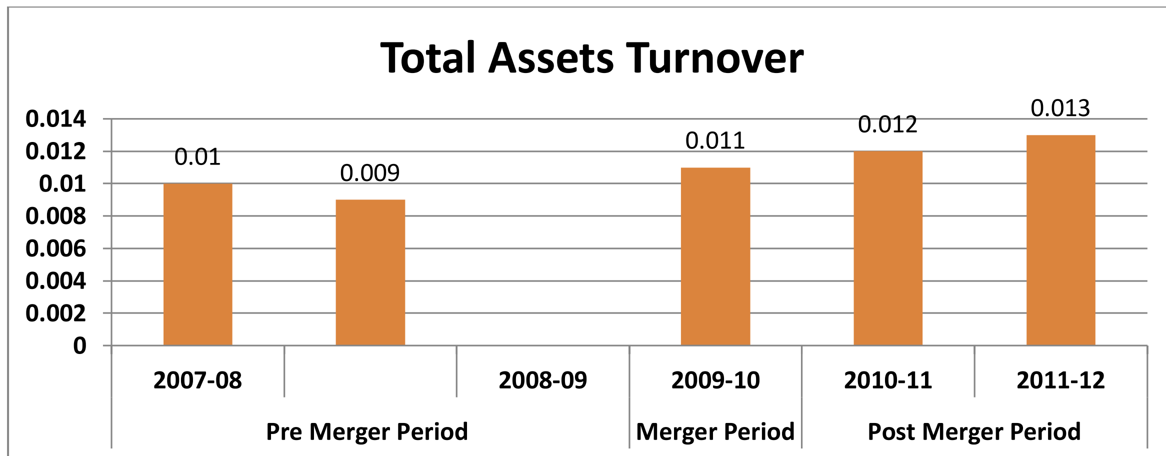

Figure 4.16 Total assets turnover of ICICI Bank

Figure 4.16 depicts Total assets turnover ratio of ICICI Bank over the years. The total assets turnover relation measures the flexibility of a corporation to use its assets with efficiency to generate sales. Since ICICI Bank's Total assets turnover represent little increase post merger, it can be said that the usage of assets in making money did get affected after merger. But the bank's total turnover ratio was still less as compared to others so it could not have been considered effective enough.

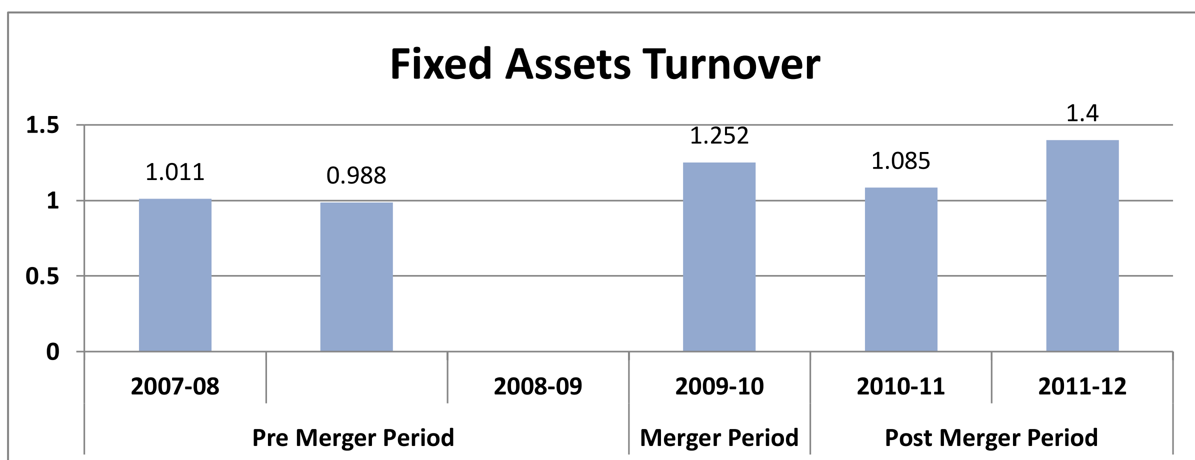

Figure 4.17 Fixed assets turnover of ICICI Bank

Figure 4.17 depicts fixed assets turnover ratio of ICICI Bank over the years. The fixed-asset turnover relation measures a banks' ability to get profits from fixed-asset investments. Since ICICI Bank has shown a fairly good ratio after the merger, it can be said that the bank has

been more efficient in using the investment in fixed assets to generate revenues but it is not due to merger.

Analysis of parameters affecting Shareholder's value of ICICI Bank pre and post merger

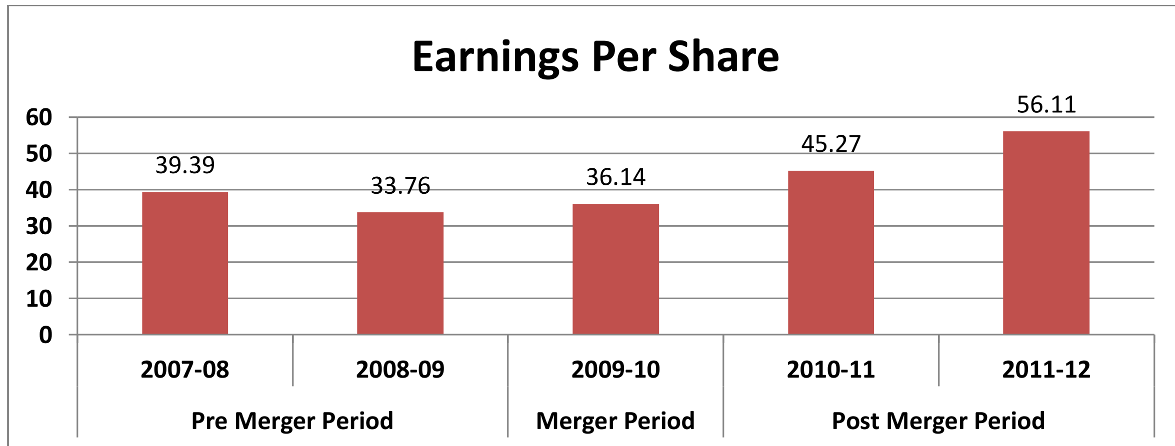

Figure 4.18 Earnings per share of ICICI bank

Figure 4.18 depicts Earnings per share of ICICI Bank over the years. Earnings per share is the portion of a company's profit allocated to each outstanding share of common stock. As it can be seen clearly that post merger over the years ICICI Bank's EPS has increased so it can be said that ICICI Bank was capable of generating a significant dividend for investors, or it may plow the funds back into its business for more growth and hence managed to increase shareholder's value post merger.

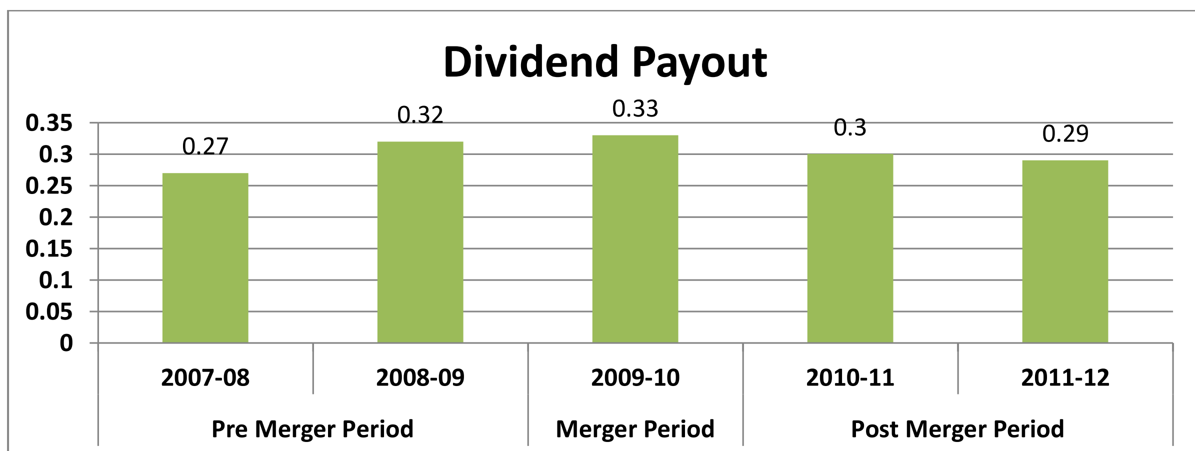

Figure 4.19 Dividend Payout of ICICI Bank

Figure 4.19 depicts Dividend Payout of ICICI Bank over the years. The dividend payout quantitative relation provides a sign of what quantity cash an organization is returning to

shareholders, versus what quantity cash it's keeping accessible to reinvest in growth, pay off debt or boost money reserves. Since post merger, over the years, Dividend Payout of ICIC Bank has not any significant increase or decrease so it can be said that the bank managed to return a fair amount to its shareholders and nothing changed post merger.

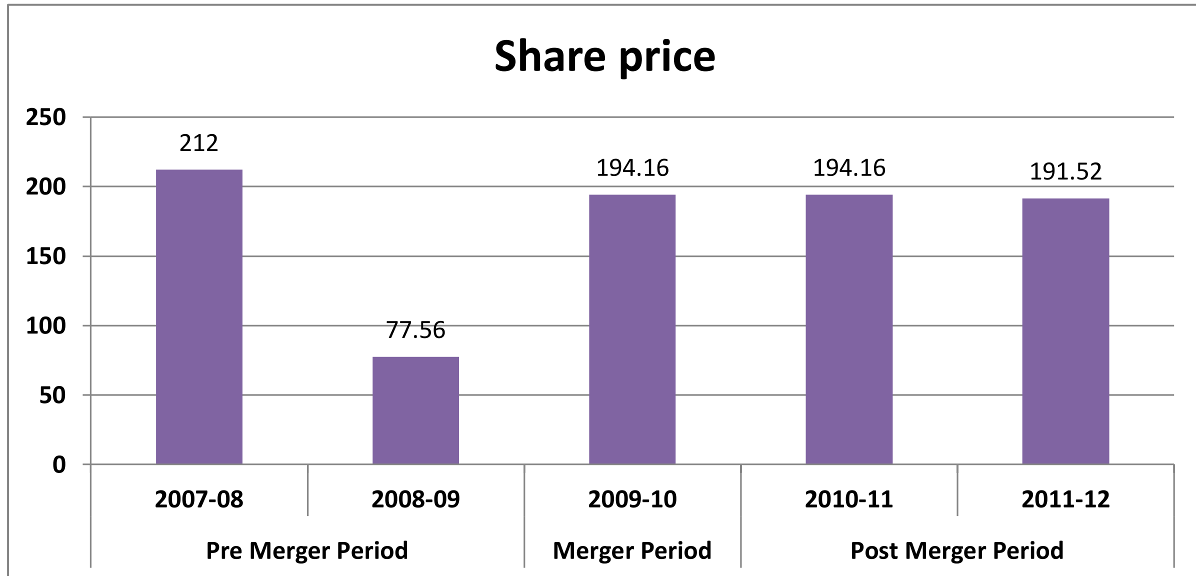

Figure 4.20 Share price of ICICI Bank

Figure 4.20 depicts Share price of ICICI Bank over the years. Share price is the maximum amount someone is ready to give for the share of or the minimum amount that it can be bought for. If the share price of a company is high, it signifies high strength & good health of the company as a whole. Clearly for the Bank, the share price has remained almost constant after the merger and hence showing no significant impact of the merger.

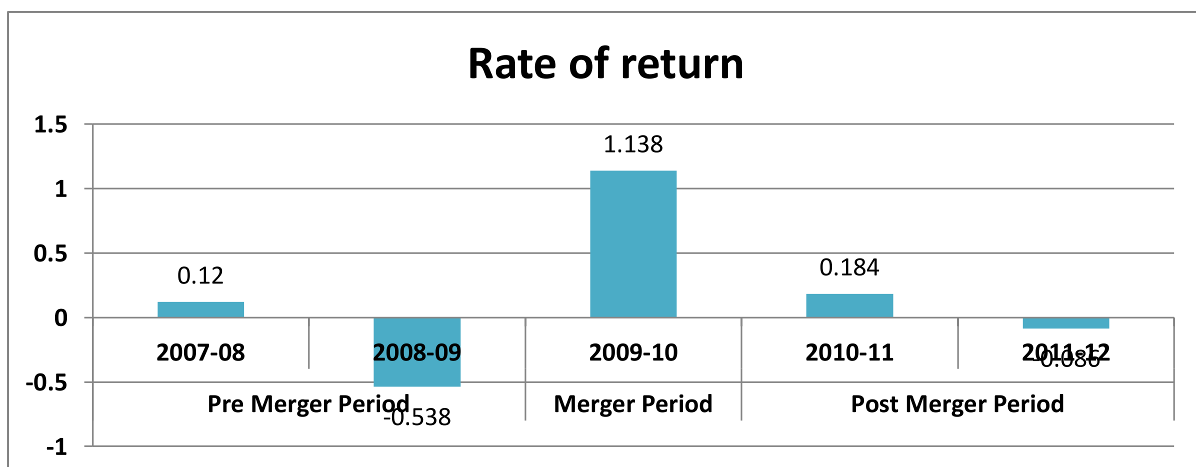

Figure 4.21 Rate of return of ICICI Bank

Figure 4.21 shows the rate of return of ICICI Bank. It is the annual return that the investors get on their amount invested. Rate of return is positive for gain & negative for loss incurred by the company. Post merger, there is decrease in the rate of return for bank. It has been continuously falling showing no satisfactory amount of returns given to shareholders.

Now in order to test the hypotheses and to justify the results discussed above based on the financials of the bank, t-test has been used to conclude whether the results are statistically significant or not.

		Mean	S.D.	t- value	Result
OPM	**Pre merger**	10.21	0.155	10.9255	Significant
	Post merger	-4.42	1.887		
NPM	**Pre merger**	10.10	0.615	-18.2574	Significant
	Post merger	19.55	0.394		
ROE	**Pre merger**	8.26	0.961	-1.84212	Not Significant
	Post merger	10.02	0.954		
ROCE	**Pre merger**	3.47	0.028	-3.69962	Significant
	Post merger	6.74	1.251		
WCT	**Pre merger**	0.0125	0.045	-4.91935	Not Significant
	Post merger	0.0180	0.000		
FAT	**Pre merger**	0.999	0.016	-1.53876	Not Significant
	Post merger	1.242	0.222		
TAT	**Pre merger**	0.0095	5E-07	-4.24264	Significant
	Post merger	0.0125	5E-07		

Table 4.9 Table 4.7 t-test for financial performance of ICICI Bank

Table 4.9 shows the mean, standard deviation, calculated t-value and significance of the perception of the selected bank in pre and post-merger context for changes in financial performance measurement. For ICICI bank the test of difference of mean was found to be not significant i.e. calculated t-value is less than tabulated t-value at 5% level of significance for Return on Equity, Working capital turnover, Fixed Asset turnover. Else it got significant result for other performance indicators.

Null Hypotheses H1: There is no difference in the financial performance of ICICI bank pre and post merger. Now since the t-test has shown significant results for most of the financial performance indicators, the hypotheses H1 can be rejected & hence the alternative hypotheses that yes, there is difference in the financial performance of ICICI bank post merger is accepted.

		Mean	S.D.	t-value	Result
EPS	Pre merger	36.57	3.97	-2.31112	Significant
	Post merger	50.69	7.66		
Dividend Payout	Pre merger	0.295	0.035	2.18E	Not Significant
	Post merger	0.095	0.023		
Share price	Pre merger	144.78	9037.057	-0.91694	Not significant
	Post merger	208.31	563.8082		
ROR	Pre merger	0.325	0.08405	1.124455	Significant
	Post merger	0.049	0.03645		

Table 4.10 t-test for Shareholder's value of ICICI Bank

Table 4.10 shows the mean, standard deviation, calculated t-value and significance of the perception of the ICICI bank in pre and post-merger context for changes in shareholder's value measurement. For ICICI bank the test of difference of mean was found to be significant i.e. calculated t-value is greater than tabulated t-value at 5% level of significance for EPS but not for Dividend payout. Looking at the high mean value differences during post & pre merger period for ICICI bank, it can be considered that there is significant changes in the shareholder's value post merger.

Null Hypotheses H2: There is no difference in the Shareholder's value of ICICI bank pre and post merger. Now since the t-test has shown significant results for EPS affecting shareholder's value but not for dividend payout, the hypotheses H2 cannot be rejected on the

basis of just one parameter. This leads to conclusion that yes maybe there is difference in the shareholder's value of HDFC bank post merger. (Looking at the EPS figure).

<u>CASE 3: Kotak Mahindra Bank and ING Vysya Bank merger</u>

<u>Financial Performance Analysis of Kotak Mahindra Bank pre and post merger</u>

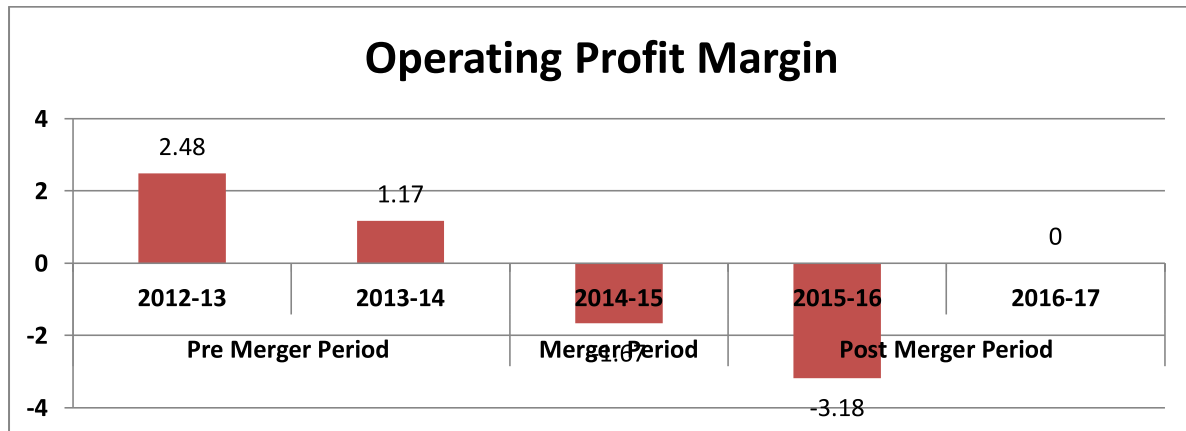

Figure 4.22 Operating Profit margin of Kotak Mahindra Bank

Figure 4.22 depicts the changes in operating profit margin of Kotak Mahindra Bank over the years. Since, Operating Profit Margin is a measurement of what proportion of revenue is left over, before taxes and other indirect costs (such as rent, bonus, interest, etc.), after paying for variable costs of production as wages, raw materials (interest on deposits in the case of banks), etc, it can be seen clearly that after the merger period profitability of the Bank drastically decreased to negative and can be considered as a negative impact of the merger.

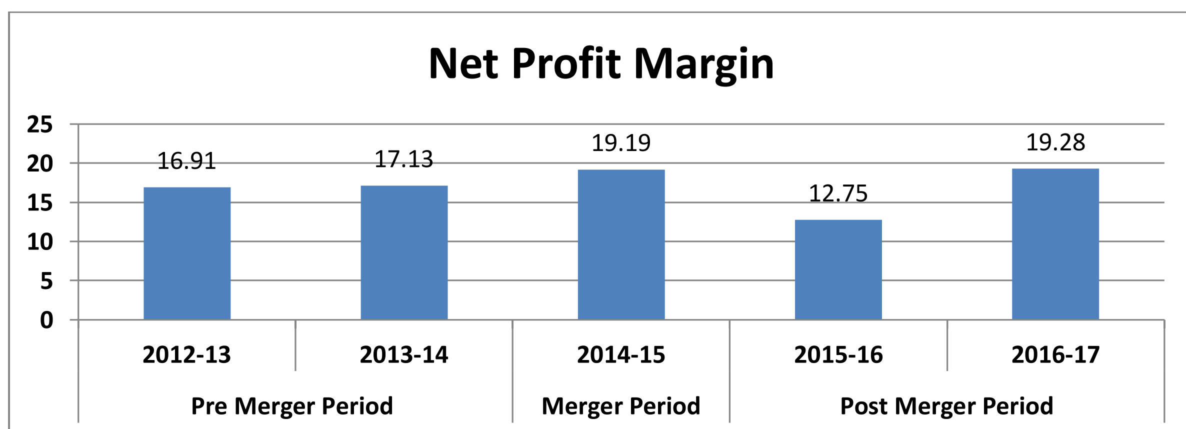

Figure 4.23 Net profit margin of Kotak Mahindra bank

Figure 4.23 depicts the changes in Net profit Margin of Kotak Mahindra Bank over the years. Since net profit margin is a profitability measure, it can be seen clearly that after the merger Kotak Mahindra Bank has not significantly increased its profitability efficiently which shows no relevant increase or decrease in sales or high/low margin of safety.

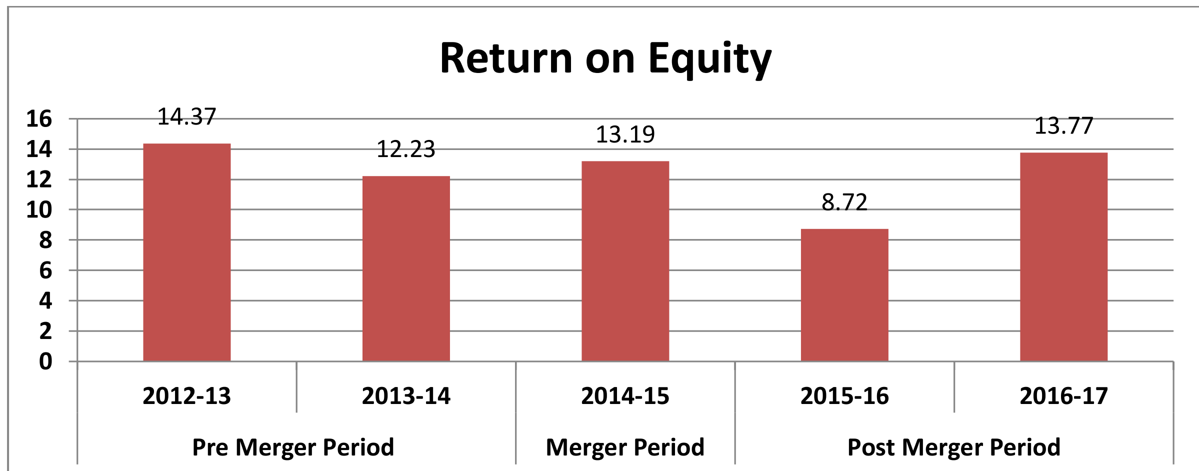

Figure 4.24 Return on equity of Kotak Mahindra bank

Figure 4.24 depicts the changes in Return on Equity of Kotak Mahindra Bank over the years. This relation reveals what quantity profit a funding firm generates with the money that the equity shareholders have invested with. Since after the merger there is slight negative change in ROE of the Bank, so it can be said that the returns given to the shareholders or generated for shareholders did get affected post merger. Though in 2016-1, the bank tried to improve the ratio which balances out the decrease of the previous year.

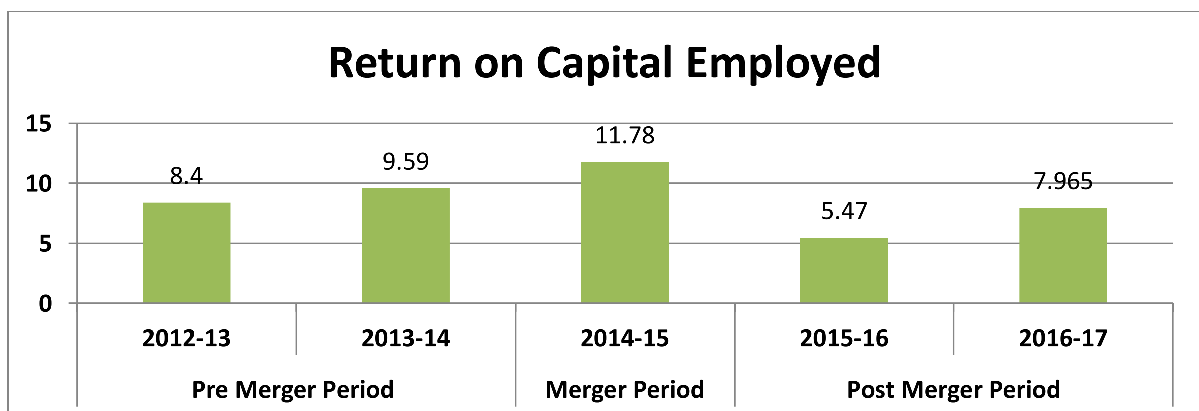

Figure 4.25 Return on capital employed of Kotak Mahindra bank

Figure 4.25 depicts Return on Capital employed of Kotak Mahindra Bank over the years. The Return on Capital Employed ratio (ROCE) tells how much profit is being earned from the

investments the shareholders have made in their company. More commonly it is used for assessing whether a business generates enough returns to pay for its cost of capital or not. Since after the merger, clearly, ROCE can be seen decreasing so it is not wrong to say that the bank has fully not been efficiently utilizing the capital employed to generate more returns.

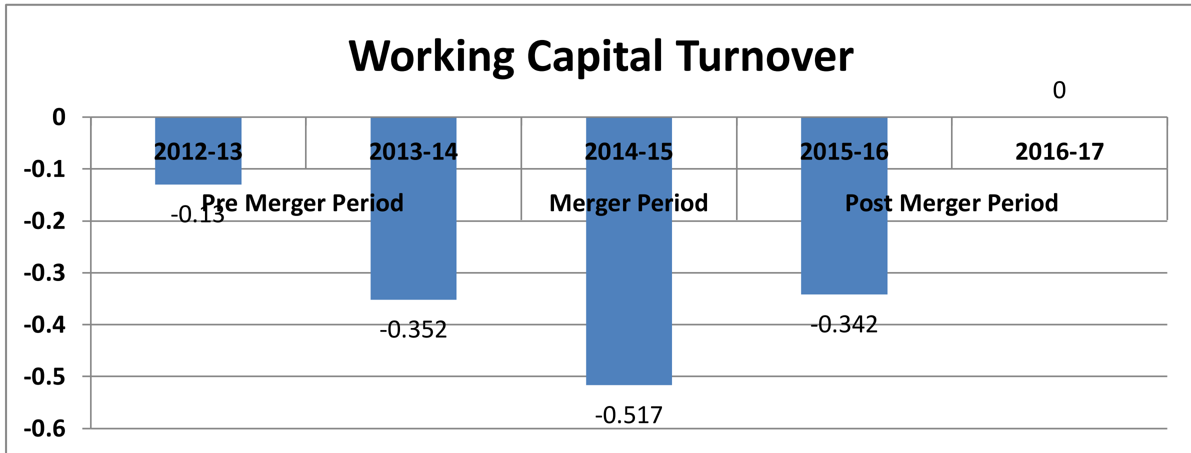

Figure 4.26 Working capital turnover of Kotak Mahindra Bank

Figure 4.26 depicts the working capital turnover of Kotak Mahindra Bank over the years. The working capital turnover ratio is used to analyze the relationship between the money used to fund operations and the income generated from these operations. Since after the merger, WCT of Bank has still remained negative, it shows that bank should keenly focus on generating more income as compared to the money spent. The figure is negative which signifies bad debts and obsolete inventory. Post merger, no significant changes can be seen.

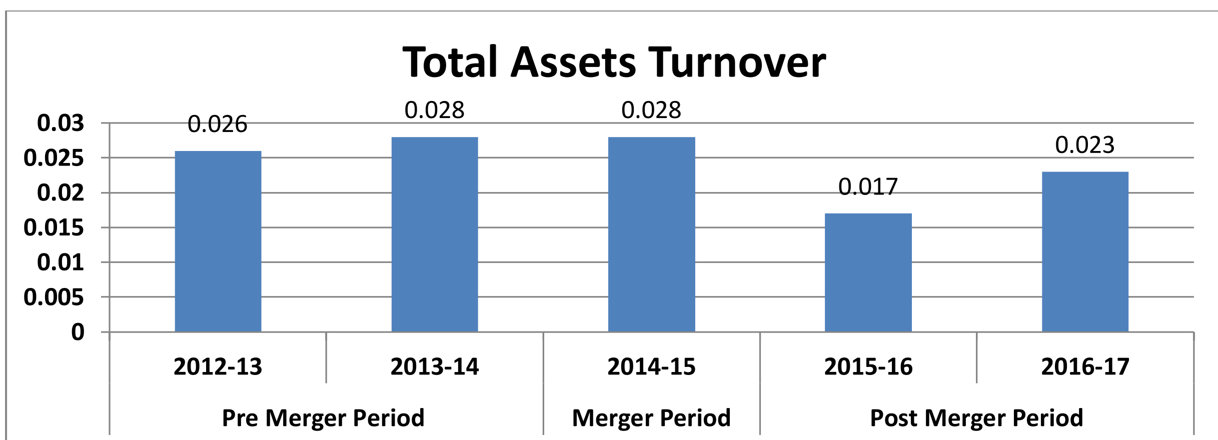

Figure 4.27 Total assets turnover of Kotak Mahindra bank

Figure 4.27 depicts Total assets turnover ratio of Kotak Mahindra Bank over the years. The total assets turnover relation measures the flexibility of a corporation to use its assets with

efficiency to generate sales. Since the Bank's Total assets turnover represent no relevant increase or decrease post merger, it can be said that the usage of assets in making money didn't get affected after merger. But the bank's total turnover ratio was still less as compared to others so it could not have been considered effective enough.

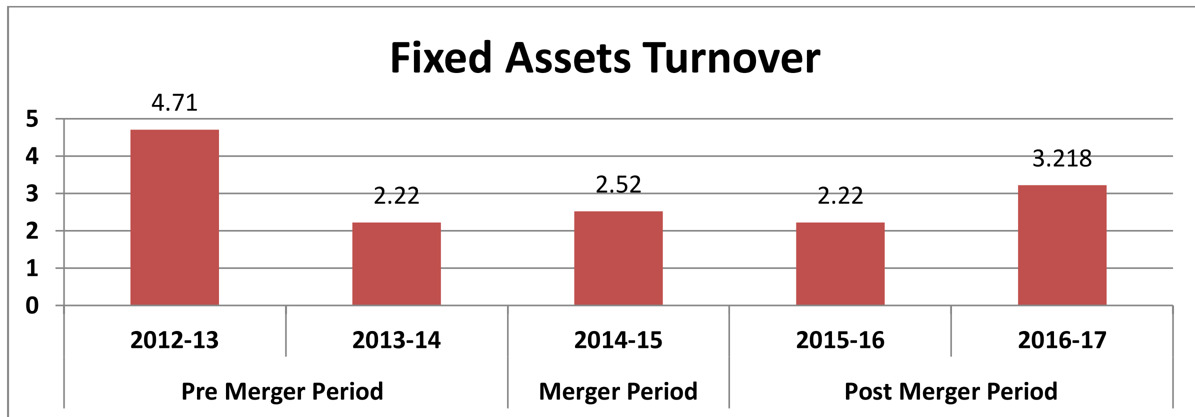

Figure 4.28 Fixed Assets turnover ratio of Kotak Mahindra Bank

Figure 4.28 depicts fixed assets turnover ratio of Kotak Mahindra Bank over the years. The fixed-asset turnover relation measures a banks' ability to get profits from fixed-asset investments. Since the Bank has not shown any significant increase or decrease after the merger, it can be said that the bank has been efficient in using the investment in fixed assets to generate revenues but it is not due to merger.

Analysis of parameters affecting Shareholder's value of Kotak Mahindra Bank pre and post merger

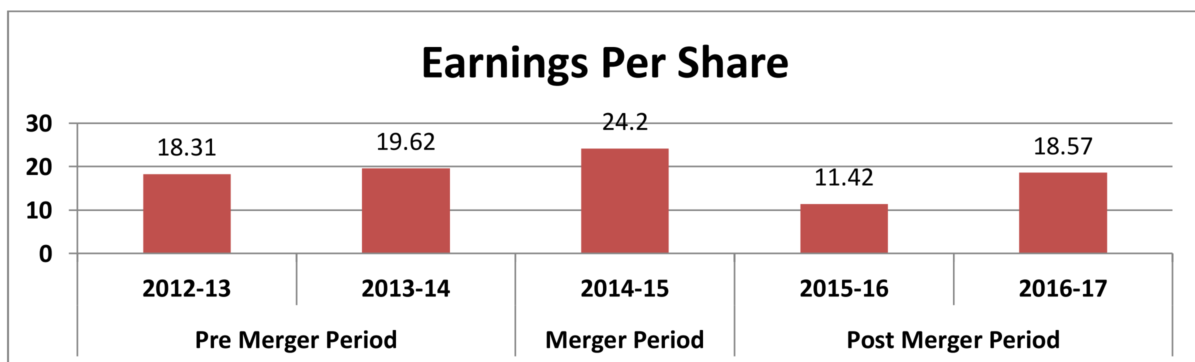

Figure 4.29 Earnings per share of Kotak Mahindra Bank

Figure 4.29 depicts Earnings per share of Kotak Mahindra Bank over the years. Earnings per share is the portion of a company's profit allocated to each outstanding share of common stock. As it can be seen clearly that post merger over the years Bank's EPS has decreased so

it can be said that Kotak Mahindra Bank has been not successfully able of generating more dividend for investors, hence not managed to significantly increase or decrease shareholder’s value post merger.

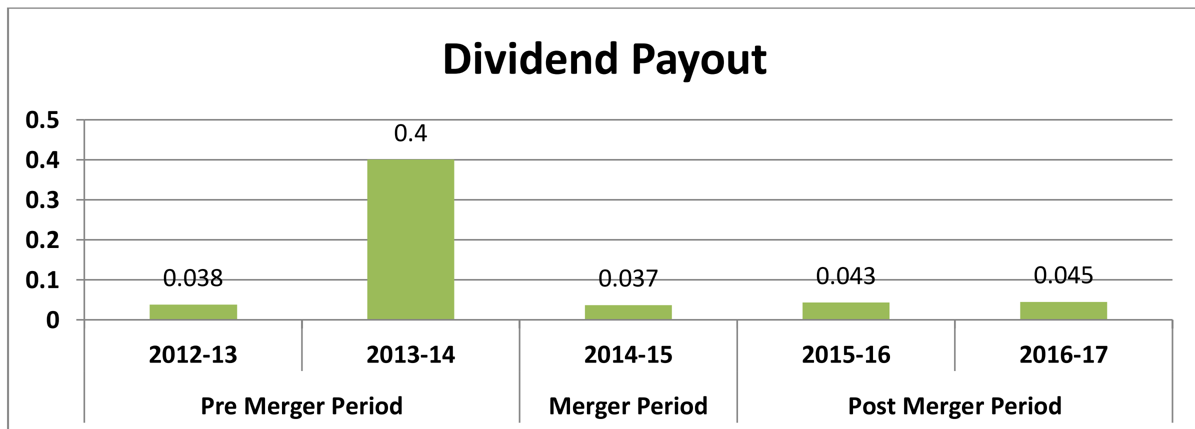

Figure 4.30 Dividend payout of Kotak Mahindra bank

Figure 4.30 depicts Dividend Payout of Kotak Mahindra Bank over the years. The dividend payout quantitative relation provides a sign of what quantity cash an organization is returning to shareholders, versus what quantity cash it's keeping accessible to reinvest in growth, pay off debt or boost money reserves. Since post merger, over the years, Dividend Payout of Bank has not any significant increase or decrease so it can be said that the bank managed to return a fair amount to its shareholders and nothing changed post merger.

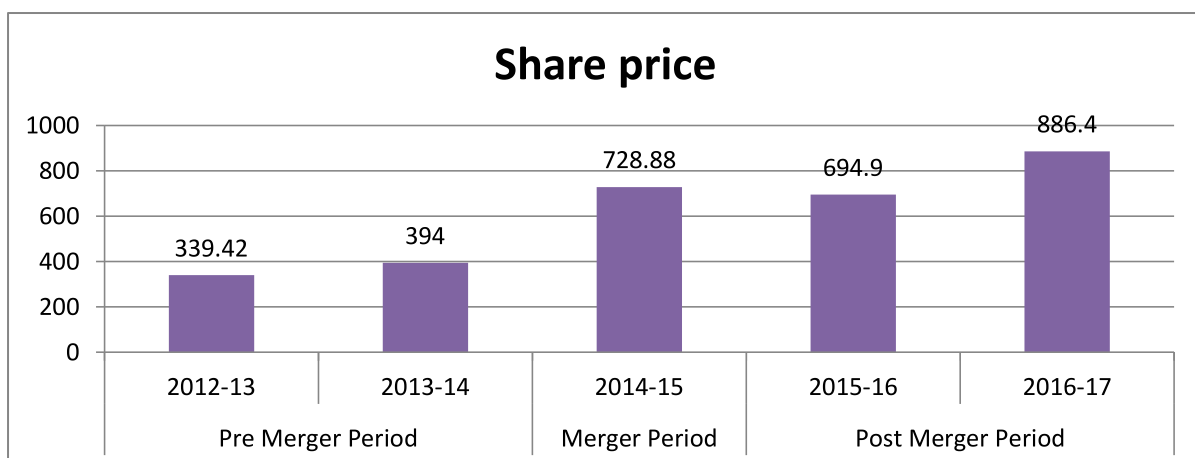

Figure 4.31 Share price of Kotak Mahindra Bank

Figure 4.31 depicts Share price of Kotak Mahindra Bank over the years. Share price is the maximum amount someone is ready to give for the share of or the minimum amount that it can be bought for. If the share price of a company is high, it signifies high strength & good

health of the company as a whole. Clearly for the Bank, the share price has increased after the merger depicting positive impact.

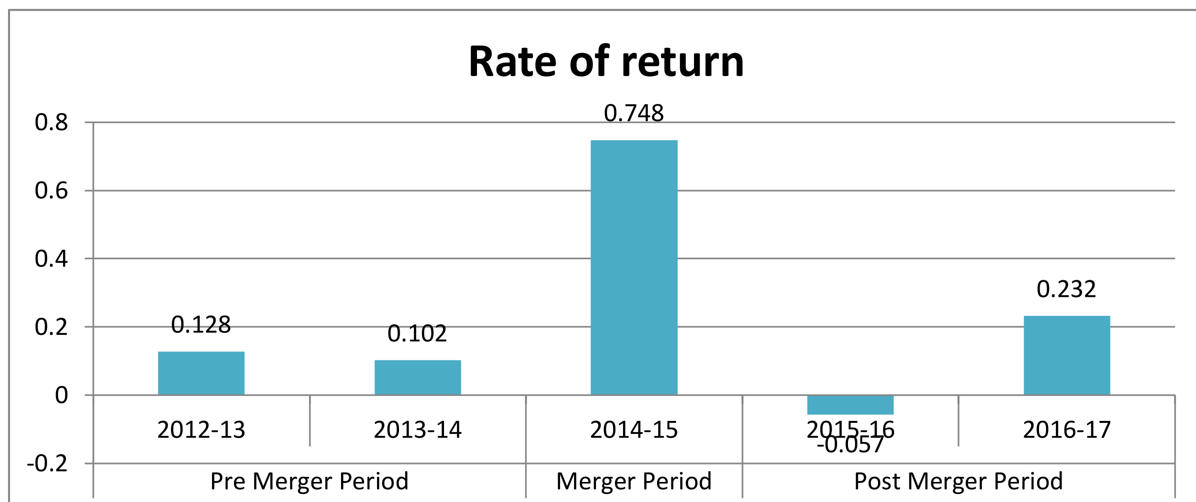

Figure 4.32 Rate of return of Kotak Mahindra Bank

Figure 4.32 shows the rate of return of Kotak Mahindra Bank. It is the annual return that the investors get on their amount invested. Rate of return is positive for gain & negative for loss incurred by the company. Post merger, there is decrease in the rate of return for the bank. It has been continuously falling showing no satisfactory amount of returns given to shareholders.

Now in order to test the hypotheses and to justify the results discussed above based on the financials of the bank, t-test has been used to conclude whether the results are statistically significant or not.

Table 4.11 shows the mean, standard deviation, calculated t-value and significance of the perception of the selected bank in pre and post-merger context for changes in financial performance measurement. For Kotak Mahindra bank the test of difference of mean was found to be significant i.e. calculated t-value is greater than tabulated t-value at 5% level of significance for Return on Equity, ROCE, and Operational Profit Margin. Else it got not significant result for other performance indicators.

Null Hypotheses H1: There is no difference in the financial performance of Kotak Mahindra bank pre and post merger. Now since the t-test has shown significant results for most of the financial performance indicators, the hypotheses H1 can be rejected which leads to

conclusion that yes, there is difference in the financial performance of Kotak Mahindra bank post merger. An alternative hypothesis is selected.

		Mean	S.D.	t-value	Result
OPM	**Pre merger**	1.825	1.78+i	7.64122	Significant
	Post merger	-3.18	0		
NPM	**Pre merger**	17.02	0.155	0.307	Not Significant
	Post merger	16.01	4.617		
ROE	**Pre merger**	13.3	1.50	0.749355	Significant
	Post merger	11.24	3.35		
ROCE	**Pre merger**	8.99	0.841	1.652326	Significant
	Post merger	6.71	1.76		
WCT	**Pre merger**	-0.241	0.156	0.90991	Not Significant
	Post merger	-0.342	0		
TAT	**Pre merger**	3.465	1.760	0.559787	Not Significant
	Post merger	2.715	0.700		
FAT	**Pre merger**	0.027	0.0014	2.2135	Not Significant
	Post merger	0.02	0.0042		

Table 4.11 t-test for financial performance of Kotak Mahindra Bank

Table 4.12 shows the mean, standard deviation, calculated t-value and significance of the perception of the Kotak Mahindra bank in pre and post-merger context for changes in shareholder's value measurement. For the bank, test of difference of mean was found to be significant i.e. calculated t-value is greater than tabulated t-value at 5% level of significance for EPS and also for Dividend payout. But both have changed drastically in negative direction which is not so good for shareholders.

<u>Null Hypotheses H2: There is no difference in the Shareholder's value of Kotak Mahindra bank pre and post merger.</u> Now since the t-test has shown significant results for EPS as well as for Dividend payout affecting shareholder's value, the hypotheses H2 can be rejected. This leads to conclusion that yes there is difference in the shareholder's value of bank post merger and alternative hypotheses is selected.

		Mean	S.D.	t-value	Result
EPS	**Pre merger**	9.17	12.92	-0.06305	Significant
	Post merger	10.01	13.59		
Dividend Payout	**Pre merger**	0.219	0.255	0.966836	Significant
	Post merger	0.044	0.0014		
Share price	**Pre merger**	366.717	1489.88	-4.258	significant
	Post merger	790.65	18336.13		
ROR	**Pre merger**	0.115	0.000338	0.619494	significant
	Post merger	0.091	0.039762		

Table 4.12 t-test for shareholder's value of Kotak Mahindra bank

4.4 Conclusion and Recommendations

In India, the banking industry is one of the rapidly growing industries. The sector has attained a remarkable growth rate and also India has positioned itself as one of the most preferred banking destinations for International Investors. After economic reforms, 1991, there have been paradigm shift in Indian banking sectors. A relatively new route in Indian banking industry has created a buzz through Mergers and Acquisitions. The present study undertaken has examined the impact of Mergers & Acquisitions on performance of selected acquiring banks in India. The impact of mergers on performance of the banks has been evaluated from three prospective i) Operating Performance, ii) Profitability position and iii) Shareholder's value.

Analysis of operating performance of acquiring banks emphasizes that, there is a significant improvements or changes (negative or positive) in revenue generation by efficiently utilizing total assets of selected banks. Therefore, it indicates that Mergers can help banks to achieve operational performance but also can become a reason for downfall like in the case of Kotak Mahindra bank merger with ING Vysya. While the analysis of profitability position of acquiring banks yields mixed results but on an average the overall financial performance of merged banks increased after the merger or post merger there exists significant changes in the profitability position of the acquiring banks. So Merger may be thought of as a helpful strategy so as to realize money performance. Further the analysis of parameters measuring the shareholder's value of acquiring banks shown that, there is change in the shareholder's value (not upto greater extent). There has been negative impact of the mergers on shareholder's

wealth like in case of Kotak Mahindra bank which showed fall in rate of return after merger. Therefore from this result it can be said that, Merger is a preferable tool to achieve shareholders wealth of banks in long term.

It is also suggested that Government of India and RBI should try to liberalize their policies in connection with Mergers and Acquisitions to increase number of deals between the banks. A successful merger involves not only thorough financial and strategic analysis, but also planning related to cooperation between the two companies' preferences about the implementation strategy for the merger. It is essential for managers of parent firms to decide about the immediate benefits their firms can provide to the acquired firm and how this will result in long term synergisms for both parties. The parent firm also should gently works with the acquisition personnel, solicits their inputs, and includes them in decisions that affect them. Providing clear, consistent, factual, sympathetic, and up-to-date information in various ways will increase the coping abilities of employees, which will in turn increase their productivity. This increased productivity will positively impact on219 the firm's performance and create sustained competitive advantage by achieving the projected strategic fit and synergies.

4.5 Limitations of the study

1. This study has been conducted in the banks and therefore the findings cannot be compared and generalized against other industrial sectors.

2. All the limitations associated with various tools like Ratio analysis, Mean, Standard deviation and T-Test, may affect the richness of this work.

APPENDIX 1

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APPENDIX 2

ANNEXURES

Annexure 1

HDFC Bank		2006-07	2007-08	2008-09	2009-10	2010-11
OPM	OPM	10.39	9.88	8.69	11.98	-2.05
NPM	NPM	14.07	13.25	11.68	15.23	19.70
ROE	ROE	17.73	13.83	15.31	13.69	15.47
ROCE	ROCE	1.184	1.251	1.224	1.325	1.415
TAT	Net sales (in cr)	6889.02	10122.96	16314.02	16232.92	20043.34
	Total assets (in cr)	91256.61	133176.6	183270.77	222458.5	277352.5
FAT	Net sales (in cr)	6889.02	10122.96	16314.02	16232.92	20043.34
	Fixed assets (in cr)	966.67	1175.09	1706.72	2122.81	2170.65
EPS	EPS	36.29	46.22	52.85	67.56	85.00
Dividend Payout	DPS	7.00	8.50	10.00	12.00	16.50
	EPS	36.29	46.22	52.85	67.65	85.00
Share Price	Share Price	206.40	293.44	202.60	398.00	479.18
ROR	DPS	7.00	8.50	10.00	12.00	16.50
	P1 (End Price)	206.40	293.44	202.60	398.00	479.18
	P0 (Start Price)	173.00	209.00	311.80	227.99	402.00

Source: www.moneycontrol.com, Company Annual Reports

Annexure 2

ICICI Bank		2007-08	2008-09	2009-10	2010-11	2011-12
OPM	OPM	10.10	10.32	7.28	-5.76	-3.09
NPM	NPM	10.54	9.67	12.79	19.83	19.27
ROE	ROE	8.94	7.58	7.79	9.35	10.70
ROCE	EBIT (in cr)	5056	5117	5345	6761	8803
	Capital (in cr)	1462.67	1463.28	1114.88	1151.82	1152.70
TAT	Net sales (in cr)	4157.72	3758.13	4024.98	5151.37	6465.25
	Total assets(in cr)	399795	379301	363400	406234	473647
FAT	Net sales (in cr)	4157.72	3758.13	4024.98	5151.37	6465.25
	Fixed assets (in cr)	4109	3802	3213	4744	4615
EPS	EPS	39.39	33.76	36.14	45.27	56.11
Dividend Payout	DPS	11.00	11.00	12.00	14.00	16.50
	EPS	39.39	33.76	36.14	45.27	56.11
Share Price	Share Price	212.00	77.56	194.16	225.10	191.52
ROR	DPS	11.00	11.00	12.00	14.00	16.50
	P1 (End price)	212.00	77.56	194.16	225.10	191.52
	P0 (Start price)	198.94	192.00	96.90	201.94	227.80

Source: www.moneycontrol.com, Company Annual Reports

Annexure 3

Kotak Mahindra bank		2007-08	2008-09	2009-10	2010-11	2011-12
OPM	OPM	2.48	1.17	-1.67	-3.18	--
NPM	NPM	16.91	17.13	19.19	12.75	19.28
ROE	ROE	14.37	12.23	13.19	8.72	13.77
ROCE	ROCE	8.406	9.594	11.782	5.477	7.965
WCT	Net sales (in cr)	2188	2465	3045	3459	4949.08
	Working capital	-16721.4	-6915.6	-5887.3	-10095.63	--
TAT	Net sales (in cr)	2188	2465	3045	3459	4949.08
	Total assets(in cr)	83693.6	87585.3	106012.07	192259.7	214589.9
FAT	Net sales (in cr)	2188	2465	3045	3459	4949.08
	Fixed assets (in cr)	464.42	1106.94	1206.71	1551.59	1537.63
EPS	EPS	18.31	19.62	24.20	11.42	18.57
Dividend Payout	DPS	0.70	0.80	0.90	0.50	0.83
	EPS	18.31	19.62	24.20	11.42	18.57
Share Price	Share Price	339.42	394.00	728.88	694.90	886.40
ROR	DPS	0.70	0.80	0.90	0.50	0.83
	P1 (End price)	339.42	394.00	728.88	694.90	886.40
	P0 (Start Price)	301.38	358.25	417.30	737.65	719.80

Source: www.moneycontrol.com, Company Annual Reports