

Merger and acquisition of indian banks assignment

Business



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PROJECT REPORT ON “ MERGERS AND ACQUISITIONS OF BANKS” EXECUTIVE SUMMARY Mergers and acquisitions are one of the popular topics in business today, since they characterize the new economy: pressure of global competition, development of technology and disappearance of country boundaries. The purpose of this project is to study how mergers and acquisitions affect the share prices of the acquirer bank. We have taken up seven banks as a part of our case study analysis and have made an attempt to study the share price pattern of Transferee Banks before and after merger on a monthly basis by drawing out graphs and using correlation and regression.

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LITERATURE REVIEW

Our research mainly identifies the changing pattern of average share prices of the acquirer company and whether the overall effect has been positive or
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not. The research papers, we have studied for this purpose includes: 1.

MERGERS AND ACQUISITIONS: AN EXPERIMENTAL ANALYSIS OF SYNERGIES, EXTERNALITIES AND DYNAMICS BY- RACHEL T. A. CROSON, ARMANDO

GOMES, KATHLEEN L. MCGINN AND MARKUS NOTH The ultimate goal of a takeover is to realize synergies, but how the synergies are divided between the involved companies is an open question that is critical for identifying winners and losers in mergers and acquisitions.

Experimental method is used to investigate these questions. This research focuses on the bargaining process among owner-managers in the division of fixed and known synergies. The analysis is limited to situations with three existing companies in an industry, each represented by one owner-manager. Each company may remain independent, merge with one other company or merge with two other companies either sequentially or simultaneously. Following tests have been undertaken in this research- First, they highlight the importance of estimating the synergies and externalities involved in takeovers.

If these can be estimated by the researcher (presumably in consultation with industry participants), then the order of takeovers within an industry can be predicted, and those predictions tested. A second set of results discusses the timing of takeovers and suggests an explanation for why takeovers may occur in waves. If one company believes that a takeover creates synergies and thus begins a negotiation process, all other firms in this industry whose values will be affected by a takeover through the externalities should consider their takeover options, too.

Thus their theory and experiment identifies conditions under which one takeover will trigger another. A third contribution to empirical research involves the benefits from being involved in an early takeover. The theory we describe distinguishes between situations in which it is better to participate in the first takeover and those in which staying out yields a higher return. In these situations different players make the first bid and the synergies and externalities can be used to predict who will eventually be the acquirer and who the target.

In addition to the implications of these predictions for empirical research, our experiment can be used by the firm's management or its advising investment bank when thinking about whether and how to pursue a merger or takeover. Thus our research provides structural guidelines for the empirical analysis of these takeovers. Thus synergies created from takeovers and the resulting externalities will have strong implications for which takeovers will be observed, when and at what prices.

2. CORPORATE ACQUISITION BY- MERCER MANAGEMENT CONSULTING (BUSINESS WEEK, 1997)

In this research paper a factor analysis has been done to identify the various motives and goals behind corporate mergers and acquisitions and the output has been as follows:

Managerial Goals for M	Cluster Number	Description of Cluster (Objective)
1. Utilize the acquiring company's expertise in marketing, I Mergers are a way managers obtain and exploit production, or other areas within the acquired company economies of scale and scope 2.		

Create economies of scale by related capacity expansion | | | 3. Utilize the acquired company's personnel, skills, or | | | technology in other operations of the acquiring company | | | 4.

Accelerate growth or reduce risks and costs in a particular | II | Mergers are a way managers deal with critical and | | industry in which the acquiring company has a strength such as | | ongoing interdependencies with others in a firm's | | executive wisdom | | environment | | 5.

Utilize interlocking and mutually stimulating (synergistic) | | | qualities of the acquired company vis-a-vis the acquiring | | | company | | | 6.

Improve efficiencies and reduce risk in the supply of | | | specific goods and/or services to the acquiring company | | | 7. Attain improved competitiveness inherent in holding a | III | Mergers are a way managers expand current product | | sizable market share or important market position | | lines and markets | | 8.

Reduce risks and costs of diversifying products and | | | services delivered to customers within an industry | | | 9. Penetrate new markets by utilizing the acquired company's | | | market capabilities | | | 10.

Improve economies of scale by utilizing the acquired | | | company's distributional capacities to absorb expanded output | | | 11. Broaden the customer base for existing goods and services | | | of the acquiring company | | | 12.

Expand capacity at less cost than assembling new | | | facilities, equipment, and/or physical assets | | | 13. Gain valuable or potentially valuable assets with the cash| IV | Mergers are a way managers enter new business | | flow or other financial strengths of the acquiring firm | | | 14.

Reduce risks and costs of entering a new industry | | | 15. Fulfill the personal ambitions, vision, or some particular| | | goal of the acquiring company's chief executive | | | 16.

Promote visibility with investors, bankers, or | V | Mergers are a way managers maximize and utilize | | governments, with an eye to subtle benefits later | | financial capacity | | 17. Utilize financial strengths of the acquired company such | | | as foreign tax credits or borrowing capacity | | | 18.

Gain complementary financial features such as those that | | | balance earning cyclicity | | | 19. Divest poor-performing elements of the otherwise | | | undervalued acquired company, in portfolio management style | | | 20.

Pursue opportunities to sell stock at a profit by such | | | acts as pressing management of the acquired firm for improved | | | earnings | | | | 3.

MERGERS & ACQUISITIONS IN INDIA, THE LONG-TERM POST-MERGER PERFORMANCE OF FIRMS AND THE STRATEGIC FACTORS LEADING TO M SUCCESS BY- K. RAMAKRISHNAN Even though mergers and acquisitions (M) have been an important element of corporate strategy all over the globe for several decades, research on M has not been able to provide conclusive

evidence on whether they enhance efficiency or destroy wealth. There is thus an ongoing global debate on the effects of M on firms. Mergers and acquisitions have become common in India today.

However, very little appears to be known about the long-term post-merger performance of firms in India, and the strategic factors that affect this performance. Our study attempts to fill this gap in knowledge about M in India. We have carried out statistical analyses of financial data pertaining to 87 pairs of merged firms. These mergers took place in the period 1996 to 2002. Out of these 87 mergers, 64 are between firms belonging to related industries and 23 to unrelated industries. Stock is the predominant method of payment for the acquired firm (in 76 out of 87 mergers), and transfer of corporate control has taken place in 37 of the 87 mergers. Fourteen of the acquired companies were sick and had been referred to the Board for Industrial and Financial Reconstruction (BIFR) at the time of their merger. The performance of mergers has been gauged in two ways in this study ??? by determining whether the long-term post-merger financial performance has changed significantly, and by assessing the wealth gains to shareholders of the acquiring, acquired and the combined firms on the announcement of mergers.

It is found that the merged firms demonstrate improvement in long-term financial performance after controlling for pre-merger performance, with increasing cash flow returns post- merger, at an annual rate of 4. 3%. This improved operating cash flow return is on account of improvements in the post-merger operating margins of the firms, though not of the efficient

utilization of the assets to generate higher sales. Increase in market power also appears to be driving gains through mergers in India. INTRODUCTION

We have been learning about the companies coming together to form another company and companies taking over the existing companies to expand their business. With recession taking toll of many Indian businesses and the feeling of insecurity surging over our businessmen, it is not surprising when we hear about the immense numbers of corporate restructurings taking place, especially in the last couple of years. Several companies have been taken over and several have undergone internal restructuring, whereas certain companies in the same field of business have found it beneficial to merge together into one company.

In this context, it would be essential for us to understand what corporate restructuring and mergers and acquisitions are all about. All our daily newspapers are filled with cases of mergers, acquisitions, spin-offs, tender offers, & other forms of corporate restructuring. Thus important issues both for business decision and public policy formulation have been raised. No firm is regarded safe from a takeover possibility. On the more positive side Mergers & Acquisition's may be critical for the healthy expansion and growth of the firm. Successful entry into new product and geographical markets may require Mergers &

Acquisition's at some stage in the firm's development. Successful competition in international markets may depend on capabilities obtained in a timely and efficient fashion through Mergers & Acquisition's. Many have argued that mergers increase value and efficiency and move resources to

their highest and best uses, thereby increasing shareholder value. To opt for a merger or not is a complex affair, especially in terms of the technicalities involved. Before going for merger. Considerable amount of brainstorming would be required by the managements to reach a conclusion.

E. g. A due diligence report would clearly identify the status of the company in respect of the financial position along with the net worth and pending legal matters and details about various contingent liabilities. Decision has to be taken after having discussed the pros & cons of the proposed merger & the impact of the same on the business, administrative costs benefits, addition to shareholders' value, tax implications including stamp duty and last but not the least also on the employees of the Transferor or Transferee Company. WHAT IS MERGER?

Merger is defined as combination of two or more companies into a single company where one survives and the others lose their corporate existence. The survivor acquires all the assets as well as liabilities of the merged company or companies. Generally, the surviving company is the buyer, which retains its identity, and the extinguished company is the seller. Merger is also defined as amalgamation. Merger is the fusion of two or more existing companies. All assets, liabilities and the stock of one company stand transferred to Transferee Company in consideration of payment in the form of: ??? Equity shares in the transferee company, Debentures in the transferee company, ??? Cash, or ??? A mix of the above modes. WHAT IS ACQUISITION? Acquisition in general sense is acquiring the ownership in the property. In the context of business combinations, an acquisition is the

purchase by one company of a controlling interest in the share capital of another existing company. Methods of Acquisition: An acquisition may be affected by a) Agreement with the persons holding majority interest in the company management like members of the board or major shareholders commanding majority of voting power; b) Purchase of shares in open market; c) To make takeover offer to the general body of shareholders; d) Purchase of new shares by private treaty; e) Acquisition of share capital through the following forms of considerations viz. Means of cash, issuance of loan capital, or insurance of share capital. Purpose of Mergers & Acquisitions The purpose for an offeror company for acquiring another company shall be reflected in the corporate objectives. It has to decide the specific objectives to be achieved through acquisition. The basic purpose of merger or business combination is to achieve faster growth of the corporate business.

Faster growth may be had through product improvement and competitive position. Other possible purposes for acquisition are short listed below: – (1) Procurement of supplies: 1. To safeguard the source of supplies of raw materials or intermediary product; 2. To obtain economies of purchase in the form of discount, savings in transportation costs, overhead costs in buying department, etc. ; 3. To share the benefits of suppliers' economies by standardizing the materials. (2) Revamping production facilities: 1. To achieve economies of scale by amalgamating production facilities through more intensive utilization of plant and resources; 2.

To standardize product specifications, improvement of quality of product, expanding 3. Market and aiming at consumers satisfaction through

strengthening after sale Services; 4. To obtain improved production technology and know-how from the offered company 5. To reduce cost, improve quality and produce competitive products to retain and Improve market share. (3) Market expansion and strategy: 1. To eliminate competition and protect existing market; 2. To obtain a new market outlets in possession of the offeree; 3.

To obtain new product for diversification or substitution of existing products and to enhance the product range; 4. Strengthening retain outlets and sale the goods to rationalize distribution; 5. To reduce advertising cost and improve public image of the offeree company; 6. Strategic control of patents and copyrights. (4) Financial strength: 1. To improve liquidity and have direct access to cash resource; 2. To dispose of surplus and outdated assets for cash out of combined enterprise; 3. To enhance gearing capacity, borrow on better strength and the greater assets backing; 4. To avail tax benefits; . To improve EPS (Earning Per Share). (5) General gains: 1. To improve its own image and attract superior managerial talents to manage its affairs; 2. To offer better satisfaction to consumers or users of the product. (6) Own developmental plans: The purpose of acquisition is backed by the offeror company's own developmental plans. A company thinks in terms of acquiring the other company only when it has arrived at its own development plan to expand its operation having examined its own internal strength where it might not have any problem of taxation, accounting, valuation, etc.

But might feel resource constraints with limitations of funds and lack of skill managerial personnel's. It has to aim at suitable combination where it could

have opportunities to supplement its funds by issuance of securities, secure additional financial facilities, eliminate competition and strengthen its market position. (7) Strategic purpose: The Acquirer Company view the merger to achieve strategic objectives through alternative type of combinations which may be horizontal, vertical, product expansion, market extensional or other specified unrelated objectives depending upon the corporate strategies.

Thus, various types of combinations distinct with each other in nature are adopted to pursue this objective like vertical or horizontal combination. (8) Corporate friendliness: Although it is rare but it is true that business houses exhibit degrees of cooperative spirit despite competitiveness in providing rescues to each other from hostile takeovers and cultivate situations of collaborations sharing goodwill of each other to achieve performance heights through business combinations.

The corporate aim at circular combinations by pursuing this objective. (9) Desired level of integration: Mergers and acquisition are pursued to obtain the desired level of integration between the two combining business houses. Such integration could be operational or financial. This gives birth to conglomerate combinations. The purpose and the requirements of the offeror company go a long way in selecting a suitable partner for merger or acquisition in business combinations. TYPES OF MERGERS

Merger or acquisition depends upon the purpose of the offeror company it wants to achieve. Based on the offerors' objectives profile, combinations could be vertical, horizontal, circular and conglomeratic as precisely

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described below with reference to the purpose in view of the offeror company. (A) Vertical combination: A company would like to takeover another company or seek its merger with that company to expand espousing backward integration to assimilate the resources of supply and forward integration towards market outlets.

The acquiring company through merger of another unit attempts on reduction of inventories of raw material and finished goods, implements its production plans as per the objectives and economizes on working capital investments. In other words, in vertical combinations, the merging undertaking would be either a supplier or a buyer using its product as intermediary material for final production. The following main benefits accrue from the vertical combination to the acquirer company i. e. 1. It gains a strong position because of imperfect market of the intermediary products, scarcity of resources and purchased products; 2.

Has control over products specifications. (B) Horizontal combination: It is a merger of two competing firms which are at the same stage of industrial process. The acquiring firm belongs to the same industry as the target company. The main purpose of such mergers is to obtain economies of scale in production by eliminating duplication of facilities and the operations and broadening the product line, reduction in investment in working capital, elimination in competition concentration in product, reduction in advertising costs, increase in market segments and exercise better control on market. C) Circular combination: Companies producing distinct products seek amalgamation to share common distribution and research facilities to obtain

economies by elimination of cost on duplication and promoting market enlargement. The acquiring company obtains benefits in the form of economies of resource sharing and diversification. (D) Conglomerate combination: It is amalgamation of two companies engaged in unrelated industries like DCM and Modi Industries.

The basic purpose of such amalgamations remains utilization of financial resources and enlarges debt capacity through re-organizing their financial structure so as to service the shareholders by increased leveraging and EPS, lowering average cost of capital and thereby raising present worth of the outstanding shares. Merger enhances the overall stability of the acquirer company and creates balance in the company's total portfolio of diverse products and production processes. ADVANTAGES OF MERGERS

Mergers and takeovers are permanent form of combinations which vest in management complete control and provide centralized administration which are not available in combinations of holding company and its partly owned subsidiary. Shareholders in the selling company gain from the merger and takeovers as the premium offered to induce acceptance of the merger or takeover offers much more price than the book value of shares. Shareholders in the buying company gain in the long run with the growth of the company not only due to synergy but also due to “boots trapping earnings”.

Mergers and acquisitions are caused with the support of shareholders, manager's and promoters of the combining companies. The factors, which motivate the shareholders and managers to lend support to these combinations and the resultant consequences they have to bear, are briefly

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noted below based on the research work by various scholars globally. (1)

From the standpoint of shareholders Investment made by shareholders in the companies subject to merger should enhance in value. The sale of shares from one company's shareholders to another and holding investment in shares should give rise to greater values i. . The opportunity gains in alternative investments. Shareholders may gain from merger in different ways viz. From the gains and achievements of the company i. e. Through (a) Realization of monopoly profits; (b) Economies of scales; (c) Diversification of product line; (d) Acquisition of human assets and other resources not available otherwise; (e) Better investment opportunity in combinations. One or more features would generally be available in each merger where shareholders may have attraction and favor merger. (2) From the standpoint of managers

Managers are concerned with improving operations of the company, managing the affairs of the company effectively for all round gains and growth of the will provide them better deals in raising their status, perks and fringe benefits. Mergers where all these things are the guaranteed outcome get support from the managers. At the same time, where managers have fear of displacement at the hands of new management in amalgamated company and also resultant depreciation from the merger then support from them becomes difficult. (3) Promoter's gains

Mergers do offer to company promoters the advantage of increasing the size of their company and the financial structure and strength. They can convert a closely held and private limited company into a public company without

contributing much wealth and without losing control. (4) Benefits to general public Impact of mergers on general public could be viewed as aspect of benefits and costs to: (a) Consumer of the product or services; (b) Workers of the companies under combination; (c) General public affected in general having not been user or consumer or the worker in the companies under merger plan.

CHANGE IN BANKING SCENARIO 1. The first mega merger in the Indian banking sector that of the HDFC Bank with Times Bank, has created an entity which is the largest private sector bank in the country. 2. The merger of the city bank with Travelers Group and the merger of Bank of America with Nation Bank have triggered the mergers and acquisition market in the banking sector world wide. 3. Europe and Japan are also on their way to restructure their financial sector thought merger and acquisitions.

Merger will help banks with added money power, extended reach with diversified branch Network, improved product mix, and economies of scale of operations. Merger will also help banks to reduce their borrowing cost and to spread total risk associated with the individual banks over the combined entity. Revenues of the combine entity are likely to shoot up due to more effective allocation of bank funds. ICICI Bank has initiated merger talks with Centurion Bank but due to difference arising over swap ration the merger didn't materialized. Now UTI Bank is eying Centurion Bank.

The proposed merger of UTI Bank and Centurion Bank will make them third largest private banks in terms of size and market Capitalization State Bank of India has also planned to merge seven of its associates or part of its long-

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term policies to regroup and consolidate its position. Some of the Indian Financial Sector players are already on their way for mergers to strengthen their existing base. 4. In India mergers especially of the PSBS may be subject to technology and trade union related problem. The strong trade union may prove to be big obstacle for the PSBS mergers.

Technology of the merging banks to should complement each other NPA management. Management of efficiency, cost reduction, tough competition from the market players and strengthening of the capital base of the banks are some of the problem, which can be faced by the merge entities. Mergers for private sector banks will be much smoother and easier as again that of PSBS. THE BANKING SCENARIO HAS BEEN CHANGING AT FAST PLACE. Bank traditionally just borrower and lenders, has started providing complete corporate and retail financial services to its customers 1.

Technology drive has benefited the customers in terms of faster improve convenient banking services and Variety of financial products to suit their requirement. ATMs, Phone Banking, Net banking, Any time and Any where banking are the services which bank have started offering following the changing trend in sectors. In plastic money segment customer have also got a new option of debits cards against the earlier popular credit card. Earlier customers had to conduct their banking transaction within the restricted time frame of banking hours. Now banking hours are extended. 2.

ATMs, Phone banking and Net banking had enable the customer to transact as per their convince customer can now without money at any time and from any branch across country as certain their account transaction, order

statements of their account and give instructions using the telly banking or on online banking services. 3. Bank traditionally involve working capital financing have started offering consumer loans and housing loans. Some of the banks have started offering travel loans, as well as many banks have started capitalizing on recent capital market boom by providing IPO finance to the investors.

Procedure of Bank Merger ??? The procedure for merger either voluntary or otherwise is outlined in the respective state statutes/ the Banking regulation Act. The Registrars, being the authorities vested with the responsibility of administering the Acts, will be ensuring that the due process prescribed in the Statutes has been complied with before they seek the approval of the RBI. They would also be ensuring compliance with the statutory procedures for notifying the amalgamation after obtaining the sanction of the RBI.

Before deciding on the merger, the authorized officials of the acquiring bank and the merging bank sit together and discuss the procedural modalities and financial terms. After the conclusion of the discussions, a scheme is prepared incorporating therein the all the details of both the banks and the area terms and conditions. Once the scheme is finalized, it is tabled in the meeting of Board of directors of respective banks. The board discusses the scheme threadbare and accords its approval if the proposal is found to be financially viable and beneficial in long run. After the Board approval of the merger proposal, an extra ordinary general meeting of the shareholders of the respective banks is convened to discuss the proposal and seek their approval. ??? After the board approval of the merger proposal, a registered valuer is appointed to valuate both the banks. The valuer valuates the banks

on the basis of its share capital, market capital, assets and liabilities, its reach and anticipated growth and sends its report to the respective banks. ??? Once the valuation is accepted by the respective banks, they send the proposal along with all relevant documents such as Board approval, shareholders approval, valuation report etc to Reserve Bank of India and other regulatory bodies such Security & exchange board of India (SEBI) for their approval. ??? After obtaining approvals from all the concerned institutions, authorized officials of both the banks sit together and discuss and finalize share allocation proportion by the acquiring bank to the shareholders of the merging bank (SWAP ratio) ??? After completion of the above procedures, a merger and acquisition agreement is signed by the bank.

RBI GUIDELINES ON MERGERS & ACQUISITIONS OF BANKS With a view to facilitating consolidation and emergence of strong entities and providing an avenue for non disruptive exit of weak/unviable entities in the banking sector, it has been decided to frame guidelines to encourage merger/amalgamation in the sector. ??? Although the Banking Regulation Act, 1949 (AACS) does not empower Reserve Bank to formulate a scheme with regard to merger and amalgamation of banks, the State Governments have incorporated in their respective Acts a provision for obtaining prior sanction in writing, of RBI for an order, inter alia, for sanctioning a scheme of amalgamation or reconstruction. The request for merger can emanate from banks registered under the same State Act or from banks registered under the Multi State Co-operative Societies Act (Central Act) for takeover of a bank/s registered under State Act. While the State Acts specifically provide for merger of co-operative societies registered under them, the position with

regard to take over of a co-operative bank registered under the State Act by a co-operative bank registered under the CENTRAL ??? Although there are no specific provisions in the State Acts or the Central

Act for the merger of a co-operative society under the State Acts with that under the Central Act, it is felt that, if all concerned including administrators of the concerned Acts are agreeable to order merger/ amalgamation, RBI may consider proposals on merits leaving the question of compliance with relevant statutes to the administrators of the Acts. In other words, Reserve Bank will confine its examination only to financial aspects and to the interests of depositors as well as the stability of the financial system while considering such proposals. RESEARCH METHODOLOGY OBJECTIVES OF THE STUDY

The effect on share prices before and after the date of merger of 90 days have been taken of 7 banks. DATA COLLECTION Secondary Data In this project we have collected secondary data, we have filtered data on the basis of amount of the deal that is on the value of the deal, and higher value deals have been taken into consideration with the help of prowess and relevant websites. DATA ANALYSIS We have tried to analyze that whether due to acquisition there have been change in the price of share or not. We have used tools such as correlation, regression and t- test on spss software.

We have set the hypothesis that H0- There is no significant impact of the announcement of acquisition on share prices of the acquirer company, then we have H1- There is significant impact on the share prices of the acquirer company. We have calculated the value p-value then compared it with level

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of significance (?) and then rejected or selected the hypothesis on that basis. By the help of correlation we have tried to prove that negative correlation showed there has been decrease in the share value of Acquirer Company and also the degree and significance of impact. OBJECTIVES

Following are the main focus of study for our project: ??? The primary objective of our study is to show the impact that acquisitions have on the share prices of the acquirer bank. ??? To show relation between before and after acquisition average monthly share prices. ??? To develop a hypothesis to show whether there has been any significant impact on the share prices of the acquirer Bank after acquisition. ??? To ascertain whether the banks have made the right choice regarding the acquisition. ??? To know the reasons behind the success and failures of takeovers. CASE STUDY List of Banks

Consolidated	Sl. NO.	Name of Transferee Bank	Name of Transferor Bank	Date of Consolidation/ Acquisition
	1	Punjab National Bank		
	2	Bank of Baroda		
	3	Oriental Bank of Commerce		
	4	IDBI Ltd.		
	5	Indian Overseas Bank		
	6	ICICI Bank Ltd.		
	7	HDFC Bank Ltd.		

ANALYSIS A. BANK OF BARODA TAKEOVER OF SOUTH GUJARAT LOCAL AREA BANK LTD. Present day Bank of Baroda is the successor of the erstwhile “ The Bank of Baroda Limited”, founded in 1908 in a small town – Baroda – by the great visionary the late Maharaja of Baroda – Sir Sayajirao Gaekwad-III.

From its humble beginnings, the Bank has grown, over the years, to emerge as an Indian Financial Powerhouse, with a network of over 2, 850 branches in India across the length and breadth of the country and 74 overseas branches/foreign offices in 25 countries across 5 continents serving a Global customer base of over 34 million. At Bank of Baroda, we seek to be the source that will help all our stakeholders realise their goals. To our customers, we seek to be a one stop, reliable partner who will help them address different financial needs.

To our employees, we offer rewarding careers and to our investors and business partners, maximum return on their investment.?? The single colour, compelling Vermillion palette has been carefully chosen, for its distinctiveness as it stands for hope and energy.?? We also recognize that our Bank is characterised by diversity. Our network of branches spans geographical and cultural boundaries and rural-urban divides. Our Customers come from a wide spectrum of industries and backgrounds. The Baroda Sun is a fitting face for our brand because it is a universal symbol of dynamism and optimism. ? Our corporate brand identity is much more than a cosmetic change. It is a signal that we recognize and are prepared for new business paradigms in a globalised world. At the same time, we will always stay in touch with our heritage and enduring relationships on which our bank is founded. By adopting a symbol as simple and powerful as the Baroda Sun,

we hope to communicate both. | S. NO | MONTH | BEFORE | AFTER | | | WISE |
| | | 1 | 1st | 136. 74 | 145. 08 | | 2 | 2nd | 197. 02 | 143. 8 | | 3 | 3rd | 211. 44
| 150. 39 | | 4 | 4th | 195. 98 | 135. 41 | | 5 | 5th | 189. 40 | 172. 90 | | 6 | 6th
| 202. 42 | 214. 32 | | 7 | 7th | 153. 58 | 182. 85 | | 8 | 8th | 163. 82 | 195. 62 |

| 9 | 9th | 129. 24 | 195. 85 | | 10 | 10th | 123. 54 | 155. 06 | | 11 | 11th | 115. 10 | 179. 11 | | 12 | 12th | 93. 20 | 185. 88 | [pic] Fig 1 Table 1

The above figure and table shows average share prices of Bank of Baroda before and after its takeover of Gujarat Local Area Bank Ltd on a monthly basis. One month before the merger, the average share price of Bank of Baroda was Rs. 136. 74 and one month after the acquisition it was Rs. 145. 08. From the diagram it is clear that the Average Monthly Share Price has increased substantially from the date of its consolidation with South Gujaral Local Area Bank Ltd. However, for more detailed and accurate analysis, we have used statistical tools like regression and correlation which have been shown below:-

REGRESSION ANOVAb | Model | Sum of Squares | Df | Mean Square | F | | B |
Std. Error | Beta | | BEFORE | Pearson Correlation | 1 | -. 102 | | | Sig. (2-tailed)
| | . 751 | | | N | 12 | 12 | | AFTER | Pearson Correlation | -. 102 | 1 | | | Sig. (2-
tailed) | . 51 | | | N | 12 | 12 | There exists a low degree of negative
correlation in the before and after acquisition average monthly share price
which shows that there is an inverse relationship in share price trend before
and after merger. However, due to small degree of correlation, the impact of
takeover for Bank of Baroda is not significant or considerable. The reason
behind this might be the low liquidity of South Gujarat Local area Bank and
also being a LAB, it did not offer a huge market to Bank of Baroda.

B. ORIENTAL BANK OF COMMERCE TAKEOVER OF GLOBAL TRUST BANK LTD.

Oriental Bank of Commerce, established on 19 February, 1943, in Lahore (then a city of British India, and currently in Pakistan), is one of the public

sector banks in India. Oriental Bank of Commerce made a modest beginning under its Founding Father, Late Rai Bahadur Lala Sohan Lal, the first Chairman of the Bank. Within four years of coming into existence, the Bank had to face the holocaust of partition. Branches in the newly formed Pakistan had to be closed down and the Registered Office had to be shifted from Lahore to Amritsar. Late lala Karam Chand Thapar, the then Chairman of the Bank, in a unique gesture honoured the commitments made to the depositors from Pakistan and paid every rupee to its departing customers. The foundation of customer service thus laid has ever since remained Oriental Bank's prime philosophy and has been nurtured well as a legacy by all its successors, year after year. The Bank has witnessed many ups and downs since its establishment. It has seen many upheavals in the 66 years of its existence and on every trying situation; it has emerged successful.

The period of 1970-76 is said to be the most challenging phase in the history of the Bank. At one time profit plummeted to Rs. 175, that prompted the owner of the bank, the Thapar House, to sell / close the bank. Then employees and leaders of the Bank came forward to rescue the Bank. The owners were moved and had to change their decision of selling the bank and in turn they decided to improve the position of the bank with the active cooperation and support of all the employees. Their efforts bore fruits and performance of the bank improved significantly.

This was the turning point in the history of the bank. The bank was nationalized on 15th April, 1980. At that time total working of the bank was Rs. 483 crores having 19th position among the 20 nationalised banks. Within

a decade, the bank could turn over a new leaf to come out as the most efficient and best performing bank of the country. Today our Bank has progressed on several fronts, such as crossing the Business Mix mark of Rs.

1. 50 lacs crores, achievement of 100% CBS, reorienting of lending strategy through Large & Mid Corporates and establishment of new wings viz. Rural Development and Retail & Priority Sector. The Bank has to its utmost credit lowest staff cost with highest productivity in the whole of banking industry. |

S. NO	MONTH	BEFORE	AFTER	WISE
1	1st	201. 87	203. 26	
2	2nd	202. 75	201. 74	
3	3rd	186. 06	253. 16	
4	4th	261. 42	282. 85	
5	5th	247. 48	268. 55	
6	6th	233. 6	264. 21	
7	7th	190. 26	262. 23	
8	8th	209. 25	230. 8	
9	9th	189. 71	220. 51	
10	10th	208. 19	213. 98	
11	11th	169. 79	236. 17	
12	12th	140. 82	232. 54	

[pic] Fig 2 Table 2 From the above table and graph, we

can see that there has been a significant increase in the average monthly share prices after OBC acquired Global Trust Bank Ltd, which is a south-based bank.

However, for more detailed and accurate analysis, correlation and regression statistical tools have been applied and are shown below. REGRESSION

ANOVA(b)	Model	Sum of Squares	Df	Mean Square	F	B	Std. Error
Before	Pearson Correlation	1	. 751				
After	Pearson Correlation	. 51	1				

There exists a high positive correlation between before and after monthly average share prices. The reason behind this is that the average monthly share prices after acquisition have a similar trend of ups and downs as that before acquisition for OBC. However, it can clearly be

seen that OBC's average monthly share prices have increased substantially after it acquired Global Trust Bank Ltd. mainly because Global Trust Bank Ltd. as a renowned bank in southern India and had a huge customer base. After amalgamation, the depositors as well as the other customers of Global Trust Bank Ltd. function as the customers of OBC and OBC has ensured to provide them the same level of services.

C. IDBI LTD. TAKEOVER OF UNITED WESTERN BANK LTD. One of the leading banks of India, Industrial Development Bank of India or IDBI was established in 1964 with an objective to provide financial help to the institutions in need. Initially a subsidiary of the Reserve Bank of India, its ownership was transferred to the Government of India in 1976.

The bank started functioning as a developmental organization, helping the institution engaged in financing, promoting and development of the industries in India. IDBI has played a significant role in the development of industries in India by providing qualitative dimension to the development structure. The share of the government in the bank decreased following its public issue in 1995 but government continues to be the major stakeholder and decision mover for the bank. The passing of IDB Act 2003 led to the transformation in the business model of the institution.

It was changed to commercial banking model from the one of development finance while on the same time giving it the freedom to diversify its client/asset base. On July 29, 2004, IDBI bank was merged with its parent ??? Industrial Development Bank of India Ltd, giving birth to one of the largest and fast paced banks in India which is growing leaps and bounds since then.

S. NO	MONTH	BEFORE	AFTER	WISE
1	1st	84.61	83.93	
2	2nd	98.57	91.61	
3	3rd	98.7	99.82	
4	4th	80.52	98.57	
5	5th	75.68	111.4	
6	6th	80.97	78.23	
7	7th	68.4	85.64	
8	8th	59.01	87.81	
9	9th	36.89	81.53	
10	10th	31.95	75.7	
11	11th	52.27	70.77	

[pic] Fig 3 Table 3 In order to ascertain the

significance of change in average monthly share prices of IDBI Ltd. after acquisition of United Western Bank Ltd, following tools are used:

REGRESSION ANOVA(b)	Model	Sum of Squares	df	Mean Square	F	Sig.
BEFORE	Pearson Correlation	1	.562			
AFTER	Pearson Correlation	.562	1			

Sig. (2-tailed) | .072 | | N | 11 | 11 | There exists a moderate positive correlation between the before and after acquisition average monthly share prices of IDBI Ltd. This proves that there has not been much impact of acquisition on the share price of the acquirer, that is, IDBI Ltd and also the trend of ups and downs in share prices after merger has changed moderately because of a moderate positive correlation between the before and after share prices. D. INDIAN OVERSEAS BANK TAKEOVER OF BHARAT OVERSEAS BANK LTD.

Indian Overseas Bank (IOB; established 1937) is a major bank based in Chennai (Madras), with 1, 400 domestic branches and six branches overseas. Indian Overseas Bank has an ISO certified inhouse Information Technology department, which has developed the software that 900 branches use to provide online banking to customers; the bank has a target to expand online banking to 1200 branches by the end of financial year 2007-08. IOB also has a network of about 500 ATMs all over India and IOB's International VISA Debit Card is accepted at all ATMs belonging to the Cash Tree and NFS networks.

IOB offers internet Banking (E-See Banking) and is one of the banks that the Govt. of India has approved for online payment of taxes.

S. NO	MONTH	BEFORE	AFTER	WISE
1	1st	36.64	41.81	2
2	2nd	42.37	41.12	3
3	3rd	39.92	43.11	4
4	4th	42.13	46.54	5
5	5th	42.19	45.07	6
6	6th	39.14	52.5	7
7	7th	32.78	48.92	8
8	8th	32.12	59.84	9
9	9th	29.99	65.54	10
10	10th	31.87	59.36	11
11	11th	34.19	60.28	12
12	12th	33.71	49.56	

[pic] Fig 4 Table 4 From the above graph and table it is clear that there is a positive impact on the average monthly share price of Indian Overseas Bank. However, for further detailed analysis following statistical tools are used:

REGRESSION ANOVA(b)	Model	Sum of Squares	df	Mean Square	F	Sig.
1	BEFORE	Pearson Correlation	1	-.777(**)		Sig. (2-tailed)
2	AFTER	Pearson Correlation	1	-.777(**)		Sig. (2-tailed)

**. Correlation is significant at the 0.01 level (2-tailed). Here exists a high degree of negative correlation, which proves that there has been a significant impact of acquisition on the share prices of the acquirer, which in this case is Indian Overseas Bank. As the correlation is negative, it proves that whereas before takeover the share prices moved downwards, after takeover, they move in an upward trend.

Indian Overseas Bank has significantly benefited from acquiring Bharat Overseas Bank Ltd. because Bharat Overseas Bank mainly carried out the banking operations of Indian Overseas Bank in Thailand and after its takeover IOB has been able to capitalize its share in Thailand.

E. ICICI BANK LTD. TAKEOVER OF SANGLI BANK LTD. ICICI Bank (BSE: ICICI) (formerly

Industrial Credit and Investment Corporation of India) is India's largest private sector bank by market capitalisation and second largest overall in terms of assets. Bank has total assets of Rs. 3, 793. 1 billion (US\$ 75 billion) at March 31, 2009 and profit after tax Rs. 37. 58 billion for the year ended March 31, 2009. [1]. The Bank also has a network of 1, 449 branches and about 4, 721 ATMs in India and presence in 18 countries, as well as some 24 million customers (at the end of July 2007). ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and specialised subsidiaries and affiliates in the areas of investment banking, life and non-life insurance, venture capital and asset management. These data are dynamic.) ICICI Bank is also the largest issuer of credit cards in India. [2]. ICICI Bank has got its equity shares listed on the stock exchanges at Kolkata and Vadodara, Mumbai and the National Stock Exchange of India Limited, and its ADRs on the New York Stock Exchange (NYSE). The Bank is expanding in overseas markets and has the largest international balance sheet among Indian banks. ICICI Bank now has wholly-owned subsidiaries, branches and representatives offices in 18 countries, including an offshore unit in Mumbai.

This includes wholly owned subsidiaries in Canada, Russia and the UK (the subsidiary through which the HiSAVE savings brand[3] is operated), offshore banking units in Bahrain and Singapore, an advisory branch in Dubai, branches in Belgium, Hong Kong and Sri Lanka, and representative offices in Bangladesh, China, Malaysia, Indonesia, South Africa, Thailand, the United Arab Emirates and USA. Overseas, the Bank is targeting the NRI (Non-Resident Indian) population in particular. | S. NO | MONTH | BEFORE | AFTER |

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|| WISE || | 1 | 1st | 35. 2 | 45 || 2 | 2nd | 36. 75 | 47. 57 || 3 | 3rd | 42. 29 |
 42. 9 || 4 | 4th | 39. 99 | 43. 03 || 5 | 5th | 37. 27 | 51. 03 || 6 | 6th | 33. 67 |
 67. 21 || 7 | 7th | 29. 42 | 58. 57 || 8 | 8th | 25. 57 | 59. 53 || 9 | 9th | 25. 02
 | 58. 81 || 10 | 10th | 22. 3 | 50. 18 || 11 | 11th | 25. 08 | 36. 7 || 12 | 12th |
 25. 86 | 40. 83 | [pic] Fig 5 Table 5 From the above graph and table it is clear
 that the average monthly share prices of ICICI Bank have shown an
 increasing trend post its takeover of Sangli Bank Ltd. However for more
 detailed analysis, following statistical tools have been used: REGRESSION
 ANOVA(b) | Model | | Sum of Squares | df | Mean Square | F | | | B | Std. Error
 | | BEFORE | Pearson Correlation | 1 | -. 78 | | | Sig. (2-tailed) | |. 581 | | | N | 12
 | 12 | | AFTER | Pearson Correlation | -. 178 | 1 | | | Sig. (2-tailed) | |. 581 | | | | N
 | 12 | 12 | Here, there exists a low negative correlation between before and
 after acquisition monthly average share prices signifying that although share
 prices of ICICI Bank Ltd, have increased post it acquisition of Sangli Bank Ltd.
 heir upward trend does not deviate significantly from the trend it followed
 before acquisition. F. HDFC BANK LTD TAKEOVER OF CENTURION BANK OF
 PUNJAB HDFC is a commercial bank of India, incorporated in August 1994,
 after the Reserve Bank of India allowed establishing private sector banks.
 The Bank was promoted by the Housing Development Finance Corporation, a
 premier housing finance company (set up in 1977) of India. HDFC Bank has
 1, 412 branches and over 3, 295 ATMs, in 528 cities in India, and all
 branches of the bank are linked on an online real-time basis. 2] As of
 September 30, 2008 the bank had total assets of INR 1006. 82 billion. [3] For
 the fiscal year 2008-09, the bank has reported net profit of Rs. 2, 244. 9
 crore, up 41% from the previous fiscal. Total annual earnings of the bank

increased by 58% reaching at Rs. 19, 622. 8 crore in 2008-09. | S. NO |
 MONTH | BEFORE | AFTER | | WISE | | | 1 | 1st | 112. 15 | 71. 25 | | 2 | 2nd |
 97. 11 | 77. 73 | | 3 | 3rd | 107. 6 | 89. 97 | | 4 | 4th | 117. 94 | 84. 46 | | 5 |
 5th | 128. 95 | 65. 22 | | 6 | 6th | 132. 95 | 56. 87 | | 7 | 7th | 137. 4 | 70. 97 | |
 8 | 8th | 105. 9 | 57. 33 | | 9 | 9th | 87. 63 | 50. 71 | | 10 | 10th | 85. 62 | 60.
 58 | | 11 | 11th | 83. 29 | 73. 6 | | 12 | 12th | 83. 97 | 91. 28 | [pic] Fig 6 Table
 6

From the above graph and table it is clear that Average monthly share prices of HDFC Bank Ltd have fallen post its takeover of Centurion Bank of Punjab but the magnitude and direction of impact can be only known after applying the following statistical tools: REGRESSION ANOVA(b) | Model | | Sum of Squares | df | Mean Square | F | | | B | Std. Error | | BEFORE | Pearson Correlation | 1 | -. 102 | | | Sig. (2-tailed) | . 51 | | | N | 12 | 12 | | AFTER | Pearson Correlation | -. 102 | 1 | | | Sig. (2-tailed) | . 751 | | | | N | 12 | 12 | Here a low degree of negative correlation exists between before and after acquisition average monthly share prices of HDFC Bank Ltd. which signifies that while previously share prices were increasing, post merger the share prices of HDFC Bank Ltd have registered a decline.

The reason behind falling share prices might be the high cost and low growth performance of Centurion Bank of Punjab. G. PUNJAB NATIONAL BANK TAKEOVER OF NEDUNGADI BANK LTD. Punjab National Bank (PNB), was registered on May 19, 1894 under the Indian Companies Act with its office in Anarkali Bazaar Lahore. The Bank is the second largest government-owned commercial bank in India with about 4, 904 branches across 764 cities. It

serves over 37 million customers. The bank has been ranked 248th biggest bank in the world by Bankers Almanac, London. The bank's total assets for financial year 2007 were about US\$60 billion.

PNB has a banking subsidiary in the UK, as well as branches in Hong Kong and Kabul, and representative offices in Almaty, Dubai, Oslo, and Shanghai. |

S. NO | MONTH | BEFORE | AFTER | | WISE | | | 1 | 1st | 61. 54 | 87. 73 | | 2 | 2nd | 62. 79 | 101. 81 | | 3 | 3rd | 38. 42 | 154. 53 | | 4 | 4th | 35. 53 | 133. 6 | | 5 | 5th | 38. 29 | 149. 32 | | 6 | 6th | 39. 06 | 151. 1 | | 7 | 7th | 40. 91 | 164. 2 | | 8 | 8th | 40. 91 | 178. 5 | | 9 | 9th | 33. 55 | 162. 57 | | 10 | 10th | 34. 45 |

215. 43 | [pic] Fig 7 Table 7 From the above graph and diagram it is clear that Average Monthly share prices of PNB have registered a rise post its takeover of Nedungadi Bank Ltd. However for the purpose of more detailed analysis of degree and direction of impact of acquisition on the Average monthly share prices, following statistical tools are used:

REGRESSION ANOVA(b) | Model | | Sum of Squares | df | Mean Square | F | | | B | Std. Error | | BEFORE | Pearson Correlation | 1 |-. 796(**) | | | Sig. (2-tailed) | |. 006 | | | N | 10 | 10 | | AFTER | Pearson Correlation |-. 796(**) | 1 | | | Sig. (2-tailed) |. 06 | | | N | 10 | 10 | ** Correlation is significant at the 0. 01 level (2-tailed). Here a high degree of negative correlation exists between the average monthly share prices of PNB before and after acquisition. It shows that the increase in share prices of PNB due to takeover of Nedungadi Bank Ltd. has been substantial. At the time of takeover the share value of Nedungadi Bank Ltd was zero due to which the shareholders did not receive

any payment for their shares and because of this only PNB did not have to pay off the shareholders.

Furthermore Nedungadi Bank Ltd was the oldest private sector bank in Kerala and so PNB was able to capitalize on the southern market as a result of the takeover. **CONCLUSION AND FINDINGS** On the basis of our study we can conclude that: ??? There is a certain impact of takeover on the share prices of each of the six banks we have analyzed in our project but the major impact is on Punjab National Bank's takeover of Nedungadi Bank, Oriental Bank of Commerce's takeover of Global Trust Bank Ltd. and Indian Overseas Bank Takeover of Bharat Overseas Bank Ltd. ??? There exists a negative correlation in the average monthly share prices of five out of seven banks we have analyzed, which includes Bank of Baroda, Indian Overseas Bank, ICICI Bank Ltd, HDFC Bank Ltd and Punjab National Bank. Negative Correlation implies that while share prices had a declining trend prior takeover, post takeover share prices moved upwards and even the reverse is true.

All of the above mentioned banks except HDFC have registered an increased share price pattern post their takeovers. ??? Majority of Indian Banks are small in size and scale of operations when compared to banks in other parts of the world. Indian banks are least in terms of capital base, return on assets, spread availability and productivity of employees, total loans and advances, ratio of total assets to GDP. Furthermore, Indian Banks are also suffering from low recovery of credit that leads to huge accumulation of non-performing assets.

In addition, Indian Banks should explore different avenues for raising capital to meet the norms of Basel II by the end of March 2010. Therefore, there is an urgent need to convert the large number of small banks into smaller number of large banks to make them more competitive in the open regime. The consolidation, no doubt, gives strength, increase size and scale in Banks to compete with world-class banks abroad, but it also involves the problem of integrating two professional boards with varying cultural perspective.

Detailed guidelines from RBI and Central Government are necessary to strengthen the base of Indian Banks through consolidation. REFERENCES 1. [http://money. rediff. com/companies/centurion-bank-of-pu/14030081](http://money.rediff.com/companies/centurion-bank-of-pu/14030081) 2. [http://finance. yahoo. com](http://finance.yahoo.com) 3. [http://www. bankofbaroda. com](http://www.bankofbaroda.com) 4. [http://www. pnbindia. com](http://www.pnbindia.com) 5. [http://www. icicibank. com](http://www.icicibank.com) 6. [http://www. financialexpress. com](http://www.financialexpress.com) 7. [http://www. obcindia. co. in/](http://www.obcindia.co.in/) 8. [http://www. business-standard. com/india/news/surat-local-bank-to- mergebob/147123/](http://www.business-standard.com/india/news/surat-local-bank-to-mergebob/147123/) 9. [http://www. wikipedia. com](http://www.wikipedia.com)