

## A STUDY OF FINANCIAL PERFORMANCE OF MERGER AND ACQUISITION WITH REFERENCE TO KOTAK MAHINDRA BANK AND ING VYSYS BANK

**Suruchi Satsangi**

(Research Scholar, Department of Accountancy & Law, Faculty of Commerce,  
Dayalbagh Educational Institute (Deemed University) Dayalbagh, Agra-05)

**Prof. Prem Das Saini**

(Department of Accountancy & Law, Faculty of Commerce,  
DayalBagh Educational Institute (Deemed University) DayalBagh, Agra-05)

**Abstract :** In modern era, Mergers and Acquisitions are increasing day by day all over the world for enhancing the competitive market and to reduce the risk as a result of which the company can gain their market share. The main objective of the study is to analyze the financial performance of the Kotak Mahindra Bank's merger with the ING Vysya Bank. The researcher has done an explanatory as well as analytical research which is focusing on the pre and post financial performance of the selected banks. The appropriate data was collected from the secondary sources like various websites related to the banks. The duration of the study is considered one financial year from pre and one financial year from the post Mergers and Acquisitions. The base year when Mergers and Acquisitions was held is considered as zero. Ratio Analysis and t-test was used as a tool in the study. The findings of the study showed the high growth rate which is observed in the financial performance of the Kotak Mahindra Bank after the Mergers and Acquisitions.

**Key words :** Mergers and Acquisitions, Financial Performance, Kotak Mahindra Bank and ING Vysya Bank

### Introduction

The banking quarter is one of the most vital device of the national development, occupies a unique location in a state's financial system. monetary development of the us of a is clear thru the steadiness of the banking machine Indian banks are the dominant economic intermediaries in India and have made suitable progress for the duration of the worldwide financial disaster; it's miles evident from its annual credit growth, profitability and trends in NPAs.

### Mergers and Acquisition in Indian Banking Sector

The Banking system of India began in 1770 and the first financial institution turned

into the Indian financial institution known as the financial institution of Hindustan. Later on, a few extra banks just like the bank of Bombay-1840, the financial institution of Madras-1843 and the financial institution of Calcutta-

1840 were established beneath the constitution of British East India enterprise. Those Banks have been merged in 1921 and took the shape of a brand new bank called the Imperial financial institution of India. For the improvement of banking centers inside the rural areas the Imperial financial institution of India partly nationalized on 1 July 1955, and named as the kingdom financial institution of India alongside its eight associate banks

(at present 7). Afterward, the state bank of Bikaner and the state financial institution of Jaipur merged and fashioned the kingdom bank of Bikaner and Jaipur. The Indian banking quarter may be divided into two eras, the pre liberalization technology and the put up liberalization era. In pre liberalization era government of India nationalized 14 Banks on 19 July 1969 and afterward 6 extra commercial Banks had been nationalized on 15 April 1980.

#### **Kotak Mahindra Bank**

Kotak Mahindra Bank is an Indian private sector bank headquartered in Mumbai, Maharashtra, India.

Kotak Mahindra Bank has a network of 1,348 branches across 675 locations and 2,051 ATMs in the country. In 2014, Kotak Bank acquired ING Vysya Bank in a deal valued at ₹15,000 crore (US\$2.2 billion). With the merger, total employment will jump to almost 40,000, and the count of branched reached 1261. Post the merger, ING Group, which controlled ING Vysya Bank, will own a 7% share in Kotak Mahindra Bank. In 2016, it was the third largest private bank in India by market capitalization.

#### **ING Vysys Bank**

ING Vysya bank was a privately owned Indian multinational financial institution primarily based in Bangalore, with retail, wholesale, and private banking systems shaped from the 2002 purchase of a fairness stake in Vysya bank through the Dutch ING institution. As of March 2013, ING Vysya turned into the seventh largest private quarter bank in India with property totaling ₹54,836 crore (US\$eight.1 billion) and running a pan-India network of over 1,000 shops, consisting of 527 branches, which serviced over million customers. ING group, the best-rating institutional shareholder, held a forty four% fairness stake in ING Vysya bank, observed with the aid of Aberdeen Asset management, personal equity company C

Paper ID: UGC 48846-921  
hrys Capital, Morgan Stanley, and Citigroup, respectively. ING Vysya have been ranked the "most secure Banker" by using the brand new Indian express and amongst "pinnacle 5 maximum depended on personal quarter Banks" via the financial times. On 20 November 2014, in an all-stock amalgamation, ING Vysya bank decided to merge with Kotak Mahindra bank, growing the fourth biggest personal quarter financial institution in India. On 1 April 2015, the Reserve bank of India accepted the merger. On 15 can also 2016 the complete merger method turned into finished.

#### **Review Of Literature**

The followings Review of Literatures are divided into the two categories i.e. INTERNATIONAL REVIEW OF LITERATURE and NATIONAL REVIEW OF LITERATURE:

#### **International Review Of Literature**

##### **Ammar, Ahmad And Muhammad, Nadeem (2015), Mergers & Acquisitions And Banks Performance In Pakistan**

Pakistan is one of these developing international locations in which regulation and order and safety issues are the major problems. Financial occasions aren't best because of which several firms are doing merger and acquisition to recover their economic overall performance. This paper showed that the overall performance of the banks in Pakistan are expanded after mergers and acquisitions. Mergers and acquisitions are taken into consideration as impartial variable and monetary performance become taken into consideration as structured variable. The effects confirmed that there may be adverse relationship between banks' overall performance as well as Mergers and Acquisitions.

**National Review Of Literature**

**Goyal, K.A. and Joshi,Vijay (2012), MERGER And Acquisition In Banking Industry: A Case Study Of Icici Bank Ltd.**

This examine confirmed that the case of ICICI financial institution Ltd. wherein how an association can end up the market chief through adopting the strategic tools i.e. mergers and acquisitions. The publish-merger integration process is a difficult and hard assignment. It comes together with long lists of activities and tasks that need to be fulfilled within a short time and in part with incomplete information (e.g. formation of recent groups and departments). There are many possibilities to exploit and many choices to take. On the give up diverse demanding situations and problems are divided into 3 segment's i.e. premerger phase, acquisition phase and put up-merger phase that may assist to make the plan for the future increase of the banks.

**Need Of The Study**

In the present scenario, Mergers and Acquisitions is only the best way to expand the business as well as to reduce the risk. Banking sector is one the sector which is mainly involve in Mergers and Acquisitions to increase the growth of the business and expand the business all over the world. In this study, researcher wants to know the performance of the merged bank which is helpful for the further study.

**Objective Of The Study**

- To analyze Pre and Post Mergers effects of the Kotak Mahindra Bank and ING Vysya Bank.
- To study post-Merger financial effects of the Kotak Mahindra Bank and ING Vysya Bank.

**Hypothesis Of The Study**

H<sub>01</sub> - There is no significant difference between pre and post Mergers & Acquisitions on financial performance of Kotak Mahindra Bank and ING Vysya Bank.

**Research Methodology**

- The researcher has done an explanatory as well as analytical research which is focusing on the pre and post financial performance of the selected banks.
- The data is collected from the secondary sources such as various websites, journal etc.
- For the analysis purpose, data are taken one year from pre and one year from post of mergers and acquisitions of the selected banks. The merged year have been taken as base year and considered as zero.
- Kotak Mahindra Bank and ING Vysya Bank are taken in the study.
- Ratios are only used to measure the pre and post financial performance of Kotak Mahindra Bank.

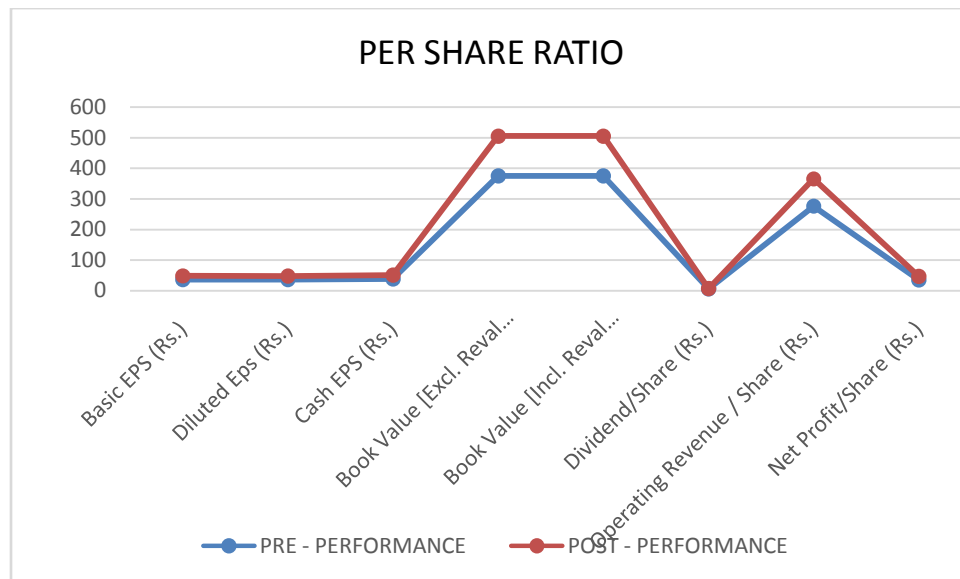
**Analysis Of The Study**

- To check the financial performance of the Kotak Mahindra Bank and ING Vysya Bank have been divided into the Per Share Ratio and Key Performance Ratio.

**Per Share Ratios**

RATIO	PRE - PERFORMANCE	POST - PERFORMANCE
Basic EPS (Rs.)	36.61	11.42
Diluted Eps (Rs.)	36.02	11.40
Cash EPS (Rs.)	37.91	12.96

Book Value [Excl. Reval Reserve]/Share (Rs.)	374.87	130.63
Book Value [Incl. Reval Reserve]/Share (Rs.)	374.87	130.63
Dividend/Share (Rs.)	6.00	0.50
Operating Revenue / Share (Rs.)	275.94	89.32
Net Profit/Share (Rs.)	34.87	11.39



**interpretation:** Earning Per Share is divided into the followings but in the study only three EPS are considered i.e. Basic EPS, Diluted EPS and Cash EPS in which Basic EPS or Primary EPS is calculated by using the number of shares that have been issued and held by investors. The basic EPS are presently in the market and can be traded. Diluted EPS involves a complex calculation that determines how many shares would be outstanding if all

exercisable [warrants](#), options, etc. were converted into shares at a point in time, generally the end of a quarter. [Cash EPS](#) is operating cash flow (not [EBITDA](#)) divided by diluted shares outstanding. Generally, cash EPS is more important than other EPS numbers, because it is a "purer" number. The basic EPS of Pre – performance of Kotak Mahindra Bank and ING Vysya Bank is lower than the Post – performance of Kotak Mahindra Bank after the

merger indicated that the Kotak Mahindra Bank trying to generating the greater earning on the gross basic. Dilute EPS is lower which showed that accessing of low financial health of the bank. Cash EPS is also lower that showed the lower percentage of a firm's share price that is not immediately accessible for spending on activities such as **research and development, mergers and acquisitions**, purchasing assets, paying down debt, buying back shares and making **dividend** payments to shareholders. Dividend per Share is lower which indicated that that company's return value to the shareholders is lower due to the Mergers and Acquisitions. Operating Revenue per share is lower which indicated that lower cash generated by bank after the Mergers and Acquisitions. Net profit per share showed the

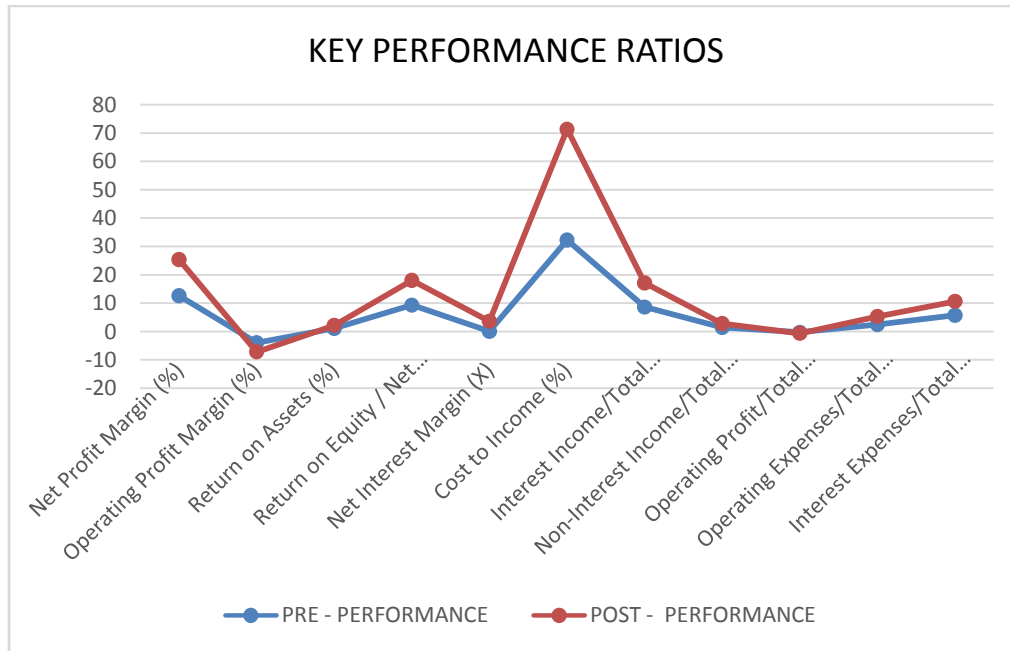
Paper ID: UGC 48846-921  
lower which indicated that the Kotak Mahindra Bank trying to improving the position of the bank in the market and also trying to generate the funds from the public.

The critical t-value at the  $p = 0.05$  significance level for a two tailed test is 2.36 and calculated t-value was 2.56. The calculated t-value is larger than the critical t-value so, the null hypothesis is rejected. This showed that there is no significance difference between pre and post Mergers and Acquisitions on the Per Share Ratio of Kotak Mahindra Bank and ING Vysya Bank. After the Mergers and Acquisitions between these two banks have no improving in the Per Share Ratio in which banks have to increase their earnings from investors as well as shareholders.

#### Key Performance Ratios

Ratio	Pre - Performance	Post - Performance
Net Profit Margin (%)	12.63	12.75
Operating Profit Margin (%)	-4.02	-3.18
Return on Assets (%)	1.08	1.08
Return on Equity / Net worth (%)	9.30	8.72
Net Interest Margin (X)	0.03	3.58
Cost to Income (%)	32.31	39.07

Interest Income/Total Assets (%)	8.61	8.52
Non-Interest Income/Total Assets (%)	1.43	1.35
Operating Profit/Total Assets (%)	-0.34	-0.27
Operating Expenses/Total Assets (%)	2.47	2.84
Interest Expenses/Total Assets (%)	5.71	4.93



**Interpretation:** Key Performance Indicator (or KPI) is a metric which is used to determine how you are performing against your business objectives. Net Profit Margin is used to determine the effectiveness converting into profit which is higher that showed lower risk and increment in the profit margin. Operating Profit Margin is reduce that showed the overall generated profit is used to fulfil the operating cost of the bank. Return on Assets is still the same which gave an idea of efficiently using

banks' assets to generate earnings of the bank. Return on Equity is lower that showed less efficient management is in utilizing its equity base and the lower return is to investors. Net Interest Margin is greater showed that the bank can take an optimal decision related to the expenses which can be paid after the returns which is generated by investments. Cost to Income is greater showed that bank have capacity to meet out cost generated by the bank. Interest Income is greater showed that

bank can interest from various sources through investments. Operating Profit is slightly improving showed that profit is left after paying all the expenses such as rent etc. Operating Expenses is increases showed that the bank have capacity to paid the overall expenses. Interest Expenses is increasesshowed that the bank have capacity to bearing the debt over the profitability of the bank.

The critical t-value at the  $p = 0.05$  significance level for a two tailed test is 2.23 and calculated t-value was 1.06. The calculated t-value is lie under the significance level so, the null hypothesis is accepted. This showed that there is significance difference between pre and post Mergers and Acquisitions on the Key Performance Ratio of Kotak Mahindra Bank and ING Vysya Bank. After the Mergers and Acquisitions have improving their performance against the banks objectives.

### Conclusion

The purpose of this paper is to examine the MERGERS AND ACQUISITIONS: A STUDY ON PRE AND POST FINANCIAL PERFORMANCE OF THE KOTAK MAHINDRA BANK. The analyze in the study is that there is slow rate of per share ratio which is increasing in the pre and post-performance after mergers and acquisitions. Thus Kotak Mahindra Bank needs to be increase their investment through investors as well as shareholders, this is only for increasing Earning per Share. In Key Performance ratio in which Net Profit Margin, Net Interest Margin, Interest Income and Operating Expenses etc. are good in the performance of the Kotak Mahindra Bank. The overall result of the Kotak Mahindra Bank is that financial performance of the bank is improving day to day and Earning per Share is also increasing but at the lower rate. The Kotak Mahindra Bank will be grasp the market in upcoming year.

### References

1. Ammar, A., & Muhammad, N. (2015). MERGERS & ACQUISITIONS AND BANKS PERFORMANCE IN PAKISTAN. *Journal of Business Management and Economics*, 28-32.
2. Goyal, K., & Joshi, V. (2012). MERGER AND ACQUISITION IN BANKING INDUSTRY: A CASE STUDY OF ICICI BANK LTD. *International Journal of Research in Management*, 30-40.
3. Liargovas, P., & Repousis, S. (2011). THE IMPACT OF MERGERS AND ACQUISITIONS ON THE PERFORMANCE OF THE GREEK BANKING SECTOR: AN EVENT STUDY APPROACH. *International Journal of Economics and Finance*, 89-100.
4. Tamragundi, A., & Devarajappa, S. (2016). IMPACT OF MERGERS ON INDIAN BANKING SECTOR: A COMPARATIVE STUDY OF PUBLIC AND PRIVATE SECTOR MERGED BANKS. *International Journal of Research in Management, Social Sciences & Technology*, 1-18.

### Webilography

- <https://en.wikipedia.org>
- [www.moneycontrol.com](http://www.moneycontrol.com)
- [www.kotak.com](http://www.kotak.com)
- [www.economictimes.com](http://www.economictimes.com)