A

GRAND PROJECT REPORT

"THE IMPACT OF MERGER AND ACQUISITION ON SHAREHOLDER'S WEALTH"

A grand Project report submitted in Partial Fulfillment of award of POST GRADUATE DIPLOMA IN PROJECT MANAGEMENT

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I, hereby declare that this Project report entiteled "*THE IMPACT OF MERGER AND ACQUISITION ON SHAREHOLDER'S WEALTH*" is a bonafide recored of the project work carried out by me during the acadmic year 2021-2023,in fulfilment of the requirements for the award of **POST GRADUATE DIPLOMA IN PROJCT MANAGEMENT** of MIT School of Distance Education.

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Acknowledgement

I Would like to take this opportunity to express my sincere thanks and gratitude to **Dr .Jayant Panigrahi** of **MIT SCHOOL OF DISTANCE EDUCATION, PUNE** for giving me an opportunity to do my project on your esteemed organization and it has indeed been a great learning and enjoyable experience .

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Executive Summary

In the recent past, the Indian banking system has been undergoing major changes that have affected both its structure and the nature of strategic interaction among banking institutions. Different strategies have been adopted to tackle the demands of this new operating environment, one such strategy having been consolidation via mergers and acquisitions. The Government and the Reserve Bank of India are in favor of this change and consequently arises a desire to study this aspect in detail. Considering the maturity of certain international markets an attempt would be made to obtain certain practices from them as well. However the report takes cognizance of the fact that Mergers and Acquisitions (M&A) is highly environment dependant and hence there is a constant focus on this aspect while pertaining to practices. It is observed that the banking industry is moving from traditional savings-cum-lending functions to other services as well such as Bank-assurance and securities trading. In recent times, banks have also diversified their activities to cover a wide range of activities. They arrange remittance of funds from one place to another, they act as agent of their customers in certain activities like payment of subscription, and they also act as guarantors for their customers. Thus banks in India need to change in form and structure so as to adapt to meet these changing scenarios of being a total financial services provider and for this a preferred route ought to be inorganic growth due to time advantages and hence mergers and acquisitions for consolidation.

In the recent times, there have been numerous reports in the media on the Indian Banking Industry. Reports have been on a variety of topics. The topics have been ranging from issues such as user friendliness of Indian banks, preparedness of banks to meet the fast approaching Basel II deadline1, increasing foray of Indian banks in the overseas markets2 targeting inorganic growth. Reports from the Istern markets of increased M&A activity have also aroused a deep sense of keenness in the authors to compare the various aspects of M&A in the Banking sector in India and the international arena.

This study analyses four mergers in the Indian banking sector to capture the returns to shareholders as a result of the merger announcements using the event study methodology (Brown and Warner, 1980, 1985; and MacKinlay, 1997) and short term& long term impact of merger using T-test & EVA method. These are mergers of the Times Bank with the HDFC Bank, the Bank of Madura with the ICICI Bank, the Global Trust Bank with the Oriental Bank of Commerce, and the Bank of Punjab with the Centurion Bank. The aim is to understand the shareholder wealth effects of bank mergers.

.**Objective of the study:**

The various objectives are-

- To study the impact of merger announcement on shareholders wealth.
- To study the short term impact of merger.
- To study the long term impact of merger.

Scope of study:

This dissertation covers research over two periods- **At the time when merger was announced and at the time when merger was actually completed.** The study has been made with regard to two sectors of banks- **Public sector banks & Private sector banks**

Approach:

This dissertation covers financial aspects of mergers and data regarding this can be obtained from various reports of RBI, BSE and respective bank websites so secondary data has been used for the purpose of study.

Impact:

In the Indian banking context the effect of mergers is not seen over a short period of time. Around the time of the merger the market stock price returns pre merger and post merger do not shown much of the difference so as to conclude a significant effect of the merger

Also with the given sample it was observed that all the banks did do well after the merger and the value was added .During the year of the merger it was observed that the EVA value was reduced and then in the year following the merger it was high again. This is clear from the fact the money which is spend on the merger effects its bottom-line and so the EVA is reduced but in the following years when the merger benefits where achieved the EVA increases by a considerable value.

Suggestions:

RBI should activate the Prompt Corrective Mechanism which helps in identifying the sick banks and the timing of the merger may be advanced to avoid total collapse of the bank. This will also help the bidder banks to formulate appropriate strategies which may mitigate the dilution in market value of equity consequent upon merger. To ensure the availability of financial services to all segments of the population, RBI should approve voluntary mergers conditional upon the disadvantaged segments being unaffected by the process and approval should be linked to specific plans offered by the acquirers to mitigate the extent of financial exclusion.

Dissertation Outline

This report gives an insight into the financial aspects of the mergers in Indian banking sector. This is done by examining the four merger deals of the banks in India during the period of reforms from 1999 to 2006 .This report also uses the empirical methods T-test to study the short term change in the returns of the banks due the merger and EVA (Economic Value added) method to study the efficiencies or benefits achieved due to the merger .Through this report and the sample taken for analysis it has been concluded that the mergers in the banking sector in the post reform period possessed considerable gains which was justified by the EVA of the banks in the post merger period .

This report has been written with this purpose in mind to understand the localized factors. This merger wave which is seen in the Indian banking sector in the present times is the first merger wave and not much has been written about it. The banking industry whose main function was only taking deposits and lending money has moved a long way with banks today offering a large variety services such as banc-assurance, remittances and securities trading. To keep pace with the changing times and to remain competitive in the global arena banks need to change in form and structure. With the lack of time at hand the preferred route is inorganic growth and hence mergers and acquisitions for consolidation.

In the subsequent paragraphs of literature review I will focus of Indian Banking System, the catalysts which are initiating these mergers and motives behind these mergers, the benefits of this consolidation, main deals which have taken place in the present days, consolidation in global banking sector and future of Indian banking sector.

1. Introduction

1. 1. The Indian Banking System

Banking in Historical Perspective:

The origin of banking in India can be traced back to almost the Vedic period. The transformation from pure money lending to proper banking appears to have taken place before the times of Manu. Manu, a great Hindu jurist, has devoted a section of his work explaining the deposits and advances and he even laid down certain rules on rates of interest.

Throughout Mauryan period and later on desi bankers played some role in the economy of the country. However, it was during the Moghul period that indigenous bankers started playing a vital role in lending money and financing of the foreign trade and commerce.

Banking During British Period before Independence:

- The first joint stock bank, namely The General Bank of India was established in 1786.
- Later on Bank of Hindustan and Bengal Bank also came into existence. Bank of Hindustan carried on the business till 1906.
- East India Company established the following three banks, namely The Bank of Bengal in 1809, The Bank of Bombay in 1840, and Bank of Madras in 1843. They were collectively called Presidency Banks and were well functioning independent units.
- The three banks established by the East India Company were amalgamated in 1920 and a new bank called Imperial Bank of India was established.
- A number of private banks had been established by the businessmen from mid of the 19th century onwards. In the surcharged atmosphere of Swadeshi movement, a number of banks with Indian management, namely, Punjab National Bank Ltd., Bank of India Ltd., Canara Bank Ltd, Indian Bank Ltd. etc. were established.
- The Reserve Bank of India was established as the Central bank of the country in 1935 under an act called Reserve bank of India Act. Later on with the passage of the Banking Regulation Act passed in 1949, RBI was brought under government control. Under this Act, RBI was conferred with supervision and control of the banks and licensing powers and the authority to conduct inspections was also given to it.

After Independence :

- In 1955, the Imperial Bank of India was nationalized and was given the name "State Bank of India". It was established under State Bank of India Act, 1955.
- In 1960, RBI was empowered to force the compulsory merger of the weak banks with the strong ones. This led to reduction in the number of banks from 566 in 1951 to about 89 in 1969.
- On July 19, 1969, 14 major banks were nationalized.
- In 1980, another six banks were nationalized, and thus raising the number of nationalized banks to 20.
- On the suggestions of Narsimham Committee, the Banking Regulation Act was amended in 1993 and thus the gates for the new private sector banks were opened.

Present Structure of Indian Banking System

A. Public Sector Banks

- State Bank of India and its 7 associate Banks, together called State Bank Group
- Nationalised Banks (20 in number)
- Regional Rural Banks sponsored by Public sector Banks

B. Private Sector Banks

- Old Generation Private Banks
- New Generation Private Banks
- Foreign Banks in India
- Scheduled Co-operative Banks
- Non Scheduled Banks

C. Co-Operative Sector Banks

- Central Co-operative Banks
- State Co-operative Banks
- Land Development Banks
- Primary agriculture Credit Societies
- Urban Co-operative Banks
- State Land Development Banks

D. Development Banks

- Export-Import Bank of India (EXIM Bank)
- Industrial Finance Corporation of India (IFCI)
- Industrial Development bank of India (IDBI)
- National Bank for Agriculture & Rural Development (NABARD)

At the top of the Indian banking system is the Central bank of India known as Reserve Bank of India. The Reserve Bank of India is responsible for the Indian Banking system since 1935.The commercial banks in India are segregated into public sector banks, private banks and foreign banks. All these banks fall under Reserve Bank of India (RBI) classification of Scheduled Commercial Banks (SCBs). PSBs, Private and Foreign Banks are known as Scheduled Commercial Banks as they are included in the Second Schedule of the Reserve Bank of India Act, 1934). The public sector was wholly owned by the government of India before the reforms. The PSB's are the biggest players in the Indian banking system and they account for 70 % of the assets of SCB's in India.
Indian banking was highly regulated before the reforms of 1991 .In the discussion I segment the Indian banking into an era of pre reforms that is before 1991 and post 1991 reforms which was the reforms era .During the pre reforms era banks were instructed to maintain a high reserve ratio, the interest to be given out by the banks on the deposits and the interest to be charged on loans was also guided by government. Government had created priority sectors and banks had to lend out money to these priority sectors as per the guidelines which was 40 % of the total credit.

This had lead to the growth of the PSB and PSB's accounted for 90.8% of aggregate deposits of SCBs. This was the period of low profitability, increasing number of nonperforming assets and operational inefficiencies .In the post reform era, after the reforms were brought out on the recommendations of the Narasimham Committees I and II, the Indian banking sector started to grow leaps and bounds. This was the time of growth of the private banks like ICICI, Axis Bank, HDFC bank. It is not that merger did not happen in the pre reforms era, they did happen but most of these mergers where directed by RBI .These were generally the mergers in a weak bank which was about to go flat on its tummy was taken over by a strong bank on the directions of RBI .There were around 55 pre reform era mergers .But the underlying motives of the mergers have changed in the present day context. The competitive market dynamics are driving the present day mergers .It will be described in detail about the motives of mergers in the below given paragraphs. Globalization is showing its impact on the Indian Banking system. Another important development which is going to take place is when government will open the banking sector in India .This will bring in large number of foreign player into the sector which will increase the competition.

Indian Banks standing in Global Scenario

Rank in India	**Global Rank**	**Bank Name**
1	64	State bank of India
2	81	ICICI Bank
3	239	Punjab National bank
4	242	HDFC bank
5	263	Bank of India

Source: The **Banker (London), July 2009**

Merger and Acquisition: Introduction

Corporate Restructuring

- ✓ Ownership Restructuring
  - Merger and Acquisition, Leverage Buyout, Strategic Alliances, Joint Ventures etc.
- ✓ Business Restructuring
  - Reorganization of business units (diversification, outsourcing etc.)
- ✓ Asset Restructuring
  - Sale and lease back, securitization of debt, Factoring etc.

Concept:

When the term "merger" is used, it is referred to the merging of two companies, where only one company will continue to exist.

The term "acquisition" refers to the acquisition of assets by one company from another company. In an acquisition, both companies may continue to exist.

Amalgamation

Merger of one or more companies (called amalgamating companies) with another company (called amalgamated company) or merger of two or more companies to form a new company in such a way that all assets and liabilities become the assets and liabilities of the amalgamated company and share holders holding not less than 9/10ths in value of the shares in the amalgamating companies become shareholders of the amalgamated company.

Consolidation

Combination of two or more companies to form a completely new company.

Mergers –Type:

- **Horizontal**:
  - Two firms are merged across similar products or services. Often used as a way for a company to increase its market share by merging with a competing company.

- **Vertical:**
  - Two firms are merged along the value-chain, such as a manufacturer merging with a supplier. Often used as a way to gain a competitive advantage within the marketplace.

- **Conglomerate:**
  - Two firms in completely **different industries** merge, such as a gas pipeline company merging with a high technology company. Usually used as a way to smooth out wide fluctuations in earnings and provide more consistency in long-term growth. Typically, companies in mature industries with poor prospects for growth will seek to diversify their businesses through M&A.

Mergers – Categories:

- **Transnational merger –**
  - When companies are domiciled in different countries;

- **Cross-frontiers merger–**
  - When companies are domiciled in neighboring countries;

- **Downstairs merger-**
  - When “Mother Company” is acquired by “Daughter Company” or subsidiary;

- **Geographic market extension merger –**
  - When companies produce the same type products but supply it on different geographic markets; (close to conglomerate merger)

- ## *Reverse Mergers:*

A small private company acquires a publicly listed company in order to quickly gain access to equity markets for raising capital or a healthy company merging into a Iak company.

Such acquired plc commonly called – **Shell-company**

Reverse mergers are a very popular way for small start-up companies to "go public" without all trouble and expense of an Initial Public Offering (IPO).

For example, Zero.dot, an e-commerce company did a reverse merger with ***Uni –Link***, a publicly listed distributor of diet products. An IPO would cost $ 3 – 5 million and taken over one year. Instead, acquired a public company for $ 300,000 and issued stock to raise capital.

Parties in the Acquisition:

- **Holding company –**

It is a company that holds more than half of the nominal value of the equity capital of another company, or controls the composition of its Board of Directors.

- **Subsidiary company –**

The company with the lesser number of shares is called subsidiary company.

Divestitures and Restructurings:

- **Divestitures:**

  Company sells a piece of itself to another company

- **Equity' carve-out –**

  Company creates e new company out of a subsidiary and the-n sells a minority interest to the public through an IPO

- **Spin off –**

  Company creates a new company out of a subsidiary and distributes the shares of the new company to the parent company's stockholders

- **Split-up –**

  Company is split into two or more companies and shares of all companies are distributed to the original firm's shareholders

1.2. Consolidation in the Financial Sector

Consolidation of business entities, through mergers and acquisitions, is a world-wide phenomenon. The numerous mergers and acquisitions all over the world, including in India, in the real as well as in the financial services sector, appear to be driven by the objective of leveraging the synergies arising from the process of merger and acquisition. However, such structural changes, particularly in the financial system, can also potentially have public policy implications. With this brief backdrop, an overview of consolidation in the Indian financial sector, particularly amongst the banks, development financial institutions and the non-banking financial companies is presented below:

1.3. The Indian Scenario:

The Diversity of Statutory Frameworks

In the context of consolidation in the financial sector in India, a few words about the unique features of the Indian credit institutions and their operating environment can be said. While talking about consolidation in the Indian milieu, it is important to bear in mind that there is diversity of the governing statutes applicable to different entities in the Indian credit system. Further, they are governed by divergent statutory provisions, depending upon the nature of their operations and the form of their organization or ownership.

Thus, while the private sector banks are subject to the provisions of the Banking Regulation Act, 1949, the public sector banks are governed by their respective founding statutes and by those provisions of the Banking Regulation Act which have been made specifically applicable to them.

The urban co-operative banks, on the other hand, are governed by the provisions of the Cooperative Societies Act of the respective State or by the Multi-State Cooperative Societies Act, as also by the provisions of the Banking Regulation Act which are specifically applicable to them.

The development financial institutions (DFIs), which were founded by a statute, attract the provisions of those statutes while the DFIs structured as limited companies, were subject to the provisions of the Companies Act, 1956, but both the types of the DFIs are regulated and supervised by the Reserve Bank under the provisions of the RBI Act, 1934.

The Regional Rural Banks (RRBs) were created under the RRBs Act, 1976 and are regulated by the Reserve Bank but supervised by the NABARD, while the non-banking financial companies are subject to the provisions of the Companies Act, 1956 and are regulated and supervised by the Reserve Bank under the provisions of the RBI Act.

The housing finance companies, which are a sub-set of the NBFC category, are currently regulated and supervised by the National Housing Bank while the rural co-operative credit structure falls within the regulatory and supervisory domain of the NABARD.

History of Consolidation in the Indian Banking Sector

In the context of consolidation in the Indian banking sector, it may be recalled that the Report of the Committee on Banking Sector Reforms (the Second Narasimham Committee - 1998) had suggested, inter alia, mergers among strong banks, both in the public and private sectors and even with financial institutions and NBFCs. Indian banking sector is no stranger to the phenomenon of mergers and acquisition across the banks. Since 1961 till date, under the provisions of the Banking Regulation Act, 1949, there have been as many as 77 bank amalgamations in the Indian banking system, of which 46 amalgamations took place before nationalization of banks in 1969 while remaining 31 occurred in the post-nationalization era. Of the 31 mergers, in 25 cases, the private sector banks were merged with a public sector bank while in the remaining six cases both the banks were private sector banks.

To get a perspective on the recent developments let's look first at what's happened between 1969, when the first set of 14 private banks was nationalized, and now. During these years, the banking landscape changed dramatically. In 1969, India had 89 commercial banks. By March 2004, this number had climbed to 290. In 1969, there were 73 scheduled commercial banks (SCBs). Now, there are 90 of them, excluding the 196 regional rural banks (RRBs). The total number of branches during the three-and-a-half decades jumped over eight-fold, from 8,262 to 69,071. The growth has been phenomenal in rural India where the number of branches zoomed from 1,833 to 32,227. In contrast, the number of branches in the metropolitan cities grew at a slower pace, from 1,503 to 9,750. The total deposits of all scheduled commercial banks shot up by almost 332 times and their advances soared 240.50 times.

Yet, nobody denies that India is under-serviced. A country of 1.1 billion people has only about 250 million account holders. But if one excludes those with multiple accounts, especially in metropolitan and urban bank branches, the number would drastically come down. Despite lazy banking (a term Reserve Bank of India deputy governor Rakesh Mohan coined for commercial bankers who prefer to invest money only in zero risk government securities), the industry has been growing by 15-17 per cent annually, versus the 1-2 per cent growth rate of European banks.

So enormous opportunities exist. India's financial sector is going to boom in a growing economy where millions of people will join the workforce and need bank accounts. Banks will, therefore, need to plan for all this and learn basic survival skills.

Globalization in the context of financial markets does not mean only acquiring the ability to protect their turfs when foreign banks invade India but also going abroad and competing in other markets. One useful prerequisite for that is size.

In terms of size and scale, the big Indian banks are pygmies. The combined assets of the five largest Indian banks - the State Bank of India, ICICI Bank, Punjab National Bank, Canara Bank and Bank of India - on March 31, 2003 were less than the assets of the largest Chinese bank, China Construction Bank, which is roughly 7.4 times the size of the State Bank of India. The Banker's list of the top 1000 banks of the world (July 2004) has 20 Indian banks. Only six of them come in the top 500 group. The State Bank is positioned 82nd, ICICI Bank 268th, Punjab National Bank 313th, Canara Bank 405th, Bank of Baroda 425th and Bank of India 474th. Even in the Asian context, only one Indian bank - State Bank of India - figures in the top 25 banks based on Tier I capital, even though Indian banks offer the highest average return on capital among Asian peers. No wonder the focus is on scale.

The net NPAs of Indian banks have dropped substantially over the last few years not on account of any dramatic improvement in the quality of assets or better credit appraisal and monitoring but because of huge provisioning. So in a rising interest rate scenario, banks will face a double whammy. In the absence of high treasury income, their profitability will be hit and they will not be able to make large provisions to bring down their net NPAs further. If they want to continue to make large provisions for NPAs, their profitability will be squeezed even more. So, the soft underbelly of the Indian banking system may once again be exposed as interest rates rise. By pushing consolidation and merging some of the Iak banks with stronger ones the government is trying to create a situation where it does not need to dole out public money to bail out banks.

Bank Mergers in India

Period	Number of Mergers
Pre-nationalization of banks (1961-1968)	46
Nationalization period (1969-1992)	13
Post-reform period (1993-2009) • Forced Mergers 13 • Voluntary Mergers 5 • Convergence of Financial Institutions in to Banks 2 • Other Regulatory Compulsions 1	21
Total number of mergers	**80**

(Source: Compiled from various publications of RBI)

List of Indian commercial banks merged since January 1990 under the provisions of the Banking Regulation Act 1949

S.No.	Target Bank	Bidder Bank	Year
1.	Bank of Tamilnad Ltd.	Indian Overseas Bank	20.02.1990
2.	Bank of Thanjavur Ltd.	Indian Bank	20.02.1990
3.	Parur Central Bank Ltd.	Bank of India	20.02.1990
4.	Purbanchal Bank Ltd.	Central Bank of India	29.08.1990
5.	Kashi Nath Seth Bank Ltd.	State Bank of India	01.01.1996
6.	Bari Doab Bank Ltd.	Oriental Bank of Commerce	08.04.1997
7.	Punjab co-operative Bank Ltd.	Oriental Bank of Commerce	08.04.1997
8.	Bareilly Corporation Bank Ltd.	Bank of Baroda	03.06.1999
9.	Sikkim Bank Ltd.	Union Bank of India	22.12.1999
10.	Times Bank Ltd.	HDFC Bank Ltd.	26.02.2000
11.	Bank of Madura Ltd.	ICICI Bank Ltd.	10.03.2001
12.	Benaras State Bank Ltd.	Bank of Baroda	20.06.2002
13.	Nedungadi Bank Ltd.	PNB	01.02.2003
14.	South Gujarat Local Area Bank	Bank Of Baroda	25.06.2004
15.	Global Trust Bank Ltd.	OBC	14.08.2004
16.	Bank of Punjab Ltd	Centurion Bank	01.10.2005
17.	IDBI Bank Ltd.	IDBI Ltd.	02.04.2005
18.	The Ganesh Bank of Kurundwad	The Federal Bank Ltd.	02.09.2006
19.	United Istern Bank Ltd.	IDBI Ltd.	03.10.2006
20.	Bharat Overseas Bank	Indian overseas Bank	31.3.2007
21.	The Sangli Bank Ltd	ICICI Bank Ltd. (Voluntary)	19.4.2007
22.	Lord Krishna Bank Ltd.	Centurion Bank of Punjab Ltd. (voluntary)	29.8.2007
23	Centurion Bank of Punjab	HDFC Bank	27.3.2008

1.4. M&A in Global Banking Sector

In the global arena the deregulation of the banking sector had a wide impact on the banking sector. This process started in from 1980s in United States .The deregulation resulted in price competition in the banking sector and also dis-intermediation .As a result of this profit of the banks suffered heavy brunt. They started to look at the avenues to increase their returns and one of the ways was consolidation. In the global banking scenario the Merger and Acquisition has been used for cutting costs and increasing the revenue This trend took pace from 1998 onwards when more than fourth of the merger deals involved banks .(The Economist ,1999).

Even thought this trend started in US but now it has spread to other economics of the world. The reasons for the consolidation in US banking sector were mainly the regulatory changes which aloud interstate ownership of the banks, this gave the banks an avenue to scale up their branches and reap the benefits of the economies of scale and geographical diversification. As the legislature aloud the banks to have other investment services as well, this resulted in increased competition and this was also a prime reason of mergers and acquisition in the US banking sector.

In Japan the reasons of consolidation were driven by technology .The banks wanted to scale up their technology and it did not make sense to buy a very costly technology for only a single small operation bank. This drove the banks to consolidation and which rationalized their purchase of the costly technology .Also this was kind of the safe wall creation to safe guard themselves from the competition which the foreign banks would create when they enter into the Japanese markets.

In the European markets the banking sector is highly concentrated and as the result the European banks are doing a lot of cross border Mergers. From the period from 1st January 1996 to 31 Dec 2005 European banks spend around €682bn for M & A activities around the world. The European banks are growing in trend of acquiring the banks in Eastern Europe .Consolidation is a key word in the banking sector in all economies with somewhat varying reasons or motives of consolidation.

Global trends indicate that US, Europe and Japan lead in this regard

- More than 25 to 30% banks in USA are closed/merged in the last 2 to 3 decades
- Failure of business, removal of inter-state barriers, etc. have led to bank mergers within USA
- Dismantling inter-country barriers through European Union led to bank mergers within Europe
- Structural reforms have given rise to mega-mergers among Japanese corporate and banks

Trends of mega-mergers very much dominate the global scene

The official statistics shows that acquisitions of banking firms accounted for 70% of the value of all financial mergers in the 1990s

The world's biggest ever banking deal happened in October 2007 when the consortium of RBS, Santander and Fortis took over ABN Amro Bank for $101 billion.

- Each member of the trio will grab the bits of ABN AMRO that suit it best.
- RBS will take over ABN's wholesale business as well as its Asian operations.
- Santander will carry off its retail-banking franchises in Brazil and Italy.
- Fortis will take control of the Dutch retail network and ABN's asset-management and private-banking arms.

Asia is rapidly emerging as "the home of growth" and hence a great deal of "M& A" is taking place in Asia.

- M & A in the financial services sector (including insurance) of Asia skyrocketed by 66.0%to $64. 5 bln in 2006 from $38.8 bln in 2005.

Findings of Top 1,000 Banks of the World by the Banker (London), July 2009

- SBI has 64th Rank and ICICI Bank has 81st Rank in Global Rankings.
- Even within the Asia region, the Rank of SBI is 11th and that of ICICI Bank 25th.
- Thus, India's largest banks are relatively smaller compared to other leading banks in Asia.
- For instance, two Chinese Banks -- ICBC and Bank of China have arrived in 7th and 9th places in Global Rankings following huge their IPOs.
- India though the 13th largest economy of the world, does not have a decently sized bank that can compete globally.

Ranking of Global Banks (assets size) on 31.03.09

Current Rank	Previous Rank	BANK	Assets US$m	+ or - (local curr)	Capital US$m
1	(1)	The Royal Bank of Scotland Group plc , Edinburgh , UK	*3,483,179	+30.47%	14,355.33
2	(2)	Deutsche Bank AG , Frankfurt am Main , Germany	*3,068,724	+14.41%	2,035.67
3	(3)	Barclays PLC , London , UK	*2,977,491	+67.27%	3,035.53
4	(4)	BNP Paribas SA , Paris , France	*2,891,948	+22.49%	19,267.10
5	(5)	Crédit Agricole SA , Paris , France	*2,303,497	+16.90%	38,138.50
6	(6)	UBS AG , Zürich , Switzerland	*1,881,246	-11.43%	273.58
7	(7)	JPMorgan Chase Bank National Association , New York , USA	*1,746,242	+32.40%	1,785.00
8	(8)	Société Générale , Paris La Défense , France	*1,574,478	+5.43%	1,011.56
9	(9)	The Bank of Tokyo-Mitsubishi UFJ Ltd , Tokyo , Japan	1,494,350	+6.67%	12,000.15

* Figures are consolidated

Source: The **Banker (London), July 2009**

2. Literature Review

2.1: Catalysis Initiating The Merger

2.2: Benefits of Consolidation

2.3: SWOT Analysis

2.4: Regulations Governing M&A in India

2.5: Future Prospects of M&A in Indian Banking Sector

Some people argue if the merger wave in the Indian banking sector will continue and are there really any benefits of the merger. In the empirical analysis section the benefits of these mergers if any, using the data of 4 mergers happening in Indian banking sector in last 8 years will be analyze .The argument given by these people is that the Indian banking system is under- banked. Some report also argue that instead of consolidation I need expansion .Still in rural India 50 % of the people do not have banks.

But these all arguments can be countered by following argument .In the report present by P.L Beena in 2004 clearly shows the present trend of mergers in the Indian corporate sector since the reforms of 1991.Mergers have been on a increase and they have really benefited the organizations . For any substantial change to occur there has to be the effect of some catalysts which play a big role .Same has been the case of the Indian Banking sector. Adaptability of the system to change is the only way of survival.

In Indian Bank Association Document "Banking Industry: Vision 2010", it is visualized that merger be taken Public Sector Banks, Public Sector Banks and Private Sector Banks be the next logical thing to stay in the market as well as in competitive race.

"Consolidation alone will give banks the muscle, size and scale to act like world-class banks. I have to think global and act local and seek new markets, new classes of borrowers. It is heartening to note that Indian Banks Association is working out a strategy for consolidation among banks. " - P Chidambaram

Mr. Leeladhar, Former Deputy Governor of RBI, while addressing Canara Chamber Of Commerce and Industry at Mangalore, said that *"We are slowly but surely moving from a regime of large number of small banks to small number of large banks."*

The recommendation of Narsimham Committee is also an important reason to think about the mergers. In 1997 it recommends that "there is need to have small number of big banks with few large local area banks instead of having large number of small banks".

2.1. Catalysis Initiating the Merger:

Reforms of 1991

The banking reforms which were taken in 1991 where mainly done to make the banking sector more competitive and fundamentally sound. These reforms also required that the Indian banking system should be in line with the international standards.

Due to the reforms of 1991, there was a big surge in the number of private banks entering into the Indian banking sector and due to this there has been drop in the spread earned by the pubic banks .Over the period of time the banks tried to sustain their growth by expanding in various segments but now things have become so competitive that consolidation is the way forward .There is a clear indication that the forces of competition are playing into the Indian banking sector as well .To safe guard themselves and to remain in the market the banks have started to capture their emerging competitors .And this has started the first merger wave in the banking industry in India.

Increasing Competition and Efficiency

Currently, India has 88 scheduled commercial banks (SCBs) - 28 public sector banks, 29 private banks and 31 foreign banks. They have a combined network of over 53,000 branches and 17,000 ATMs. To remain competitive in such a market space the banks needed to go to the basics of profitability which is increase in the revenue and decrease in the cost. There are two hypotheses regarding the competitiveness effect due to the banking consolidation which lead to the increase in revenue and reduction in cost. The two hypotheses are Structure –conduct – performance paradigm given by Mason (1939) and Bain (1956), and other one is efficient structure hypothesis related to Demsetz (1973) and Peltzman (1977). (Carletti, Hartmann, Spagnolo, 2002)

A merger has two effects on the industry: First, it the market share of the merged firms is increased and as the market share increases so does the poor; second, it leads to gains in these efficiency which in turn results in reduction in the costs of the merged firms and increase in the revenue.

The first effect leads increase in prices. As you are the market leader so it creates a monopoly for you in the market and you can charge high spread for the products from the customer for the services which you provide. Like if a bank is offering 10 products, after merging with a bank which complements its product range it can offer many more products to the customer. And for these services it can charge high value to the customer. In some cases it can even become the monopoly player and this leads to increase in revenue and becomes one of the important catalysts in the for the merger .But banks do not merge only with the increase in revenue in mind as the law of the land protects the monopoly state to occur and thus restricts the high growth in revenue.

The second effect tends to reduce prices. This is because as the size increases the efficiency of the system also increases. This is the effect of economies of scale. The number of branches can also increase which helps the banks increase their spread .Like for example the case of the HDFC and Centurion Bank merger .Centurion Bank is strong with around 390 branches in North and South of India, and HDFC with around 1100 branches mainly in north and Istern India will give the new entity a much wider spread. Also efficiency comes in the system due to wider choice of better suitable human resource for the purpose of doing the job. In fact efficiency at all the 3 levels of people, process and product can be achieved through merger .This lead to decrease in cost which may be passed to the customer so as to increase the customer base.

These standard results in industrial organization apply of course to banking markets as well. This is another reason for the merger of the banks.

Stability

Indian banking system is highly fragmented. Even India's largest bank does not have any standing among the top banks in the world .Only five banks have been able to cross the market capitalization of Rs.50 billion including the Bank of Baroda, State of India, PNB, ICICI, and HDFC. Moreover the trend has also shown that the top 5 banks have been eroding in Ialth and it is getting spread among other banks which are an indication that the stability of the top banks is in question. Even though it may be good to have a fragmented banking state for the customers because of low cost due to lack of any one bank having the monopoly .But for the financial stability of the country it is not good that its banking system is not stable This is another catalyst for the merger of the banks in India

Regulatory Requirement

Indian economy is growing at the rate of 8 – 10 % to maintain such amount of growth Indian banking system needs Rs. 590 billion. An obvious way to meet this requirement would be by industry consolidation.

Basel II which is going to be implemented in all the banks operating in India aims at determining the capital requirement based on risk weighted average of the capital of the bank. As per the Basel II norms banks have to meet the requirements of the capital for the operational risk as well .As a result of these regulatory requirements the banks will have to increase their capital base to support their assets and as per the estimates the additional requirements of capital will be 2-3% of the risk based assets of banks.

Thus, this need to keep the additional capital to meet Basel II norms and to maintain the needs of the growing economy, consolidation of the banks for larger credit pool is also one of the catalysts. Also the trade barriers are getting removed under WTO and Indian Banking System is going to open up for the global competitors by 2009 .As a result of this lot of foreign banks will enter into Indian markets . When these banks will enter India, to keep pace with the fast running financial sector in India these banks will try and grow through inorganic means of merger and acquisition in Indian arena .As a result many Indian banks which are Iak are going to be soft target of these foreign banks. Also big banks in India will have a stiff competition from these foreign banks and to be prepared for such competition the bigger banks in India will fasten the pace of merger and acquisition in Indian banking sector.

Risk

As per the study by Hannan and Pilloff, 2006 the merger also helps the banks to reduce the bankruptcy risk if the merger is carried over in a controlled manner. Craig and Santos also in their research report have validated that risk gets reduced due to the diversification in the merger of the banks .This has been validated by the z score test done on default probability and by stock return volatility

2.2. Benefits of Consolidation

In Business the benefit achieved from the thing is the most important than anything else. Any bank goes in for the merger or acquisition due the benefits which are associated with it .Many reports talk about the benefits achieved, It will be checked empirically if the benefits of the merger in Indian banking sector are really achieved and are they realized over a short period of time. The details for this are given in the empirical methods section below .I have already talked about the motives of the banks to merger and on the lines of these motives, the benefits achieved by the banks after merger are perceived to be as

1. As the single line of business after the merger can be expanded and thus the cost effectiveness is achieved

2. After the merger the bank will have large number of branches and its visibility will be at more places which will help it to build the brand image. Brand plays a big role in increasing the revenue of the bank

3. Due to the merger the banks get an access to large amount of capital base which in effect leads to the greater avenues for the bank to invest money and earn higher rate of return and this increases the bottom line of the banks

4. Also due to the increase in the scale of the deposits the banks can get higher amount of credit at a lower value .The banks credit worthiness also is increased due to the large deposit size

5. The large amount of fixed cost which is required for collecting the data of the customers is rationalized by the increase number of the products sold to the customer base by the merged entity .Thus the per product fixed cost gets reduced

6. Also cross selling of the products to the existing customer base can also help increase the revenue

7. This also helps in the diversifications of the products which help to reduce the risk as well.

2.3. SWOT Analysis

Strength

- Increase in Profitability.
- Fall in cost income of the banks.
- Improvement in technology.
- More financial Resource.
- More customer satisfaction.
- Many resources under one roof.
- Large number of borrowers and depositors.
- Economies of scale
- Tax Saving

Weakness

- Retrenchment and settlement problem of the employees.
- Difficult in integration of different culture banks.
- Problem of excessive staff.
- Inadequate Evaluation of Target
- Large or Extraordinary Debt
- Inability to Achieve Synergy
- Managers Overly Focused on Acquisition

Opportunities

- High competitive strength
- Large scale operation
- Strong Financial sector.
- Easy market penetration
- Increased capital base and customers.
- Advanced Technology
- Basel Norms
- Geographical spread

Threats

- Problem in cultural integration of banks.
- Collapse of small banks.
- Opposition from employee unions.
- Chances of monopoly.
- Customer dissatisfaction
- Marginalization of small customers
- Regulatory hurdle

2.4. Regulations governing Merger and Acquisition in India

- The provision of the Companies Act,1956
- The Foreign Exchange Management Act, 1999.
- The Income Tax Act,1961 and
- The Securities and Controls (Regulations) Act, 1956.
- The Competition Act, 2002
- The Banking Regulation Act 1949

Legal procedures

- **Permission for merger:**

Two or more companies can amalgamate only-when the amalgamation is permitted under their memorandum of association. Also, the acquiring company should have the permission in its object clause to carry on the business of the acquired company. In the absence of these provisions in the memorandum of association, it is necessary to seek the permission of the shareholders, board of directors and the Company Law Board before affecting the merger.

- **Information to stock exchange:**

The acquiring and the acquired companies should inform the stock exchanges (where they are listed] about the merger.

- **Approval of board of directors:**

The board of directors of the individual companies should approve the draft proposal for amalgamation and authorize the managements of the companies to further pursue the proposal.

- **Filing Application in the High Court:**

An application for approving the draft amalgamation proposal duly approved by the board of directors of the individual companies should be made to the High Court.

- **Shareholders and creditors' meetings:**

The individual companies should hold separate meetings of their shareholders and creditors for approving the amalgamation scheme. At least, 75 percent of shareholders and creditors in separate meeting, voting in person or by proxy, must accord [heir approval to the, scheme

- **Sanction by the High Court:**

After the approval of the shareholders and creditors, on the petitions of the companies, the High Court will pass an order, sanctioning the amalgamation scheme after it is satisfied that the scheme is fair and reasonable. The date of the court's hearing will be published in two newspapers, and also, the regional director of the Company Law Board will be intimated.

- **Filing of the Court order:**

After the Court order, its certified true copies will be filed with the Registrar of companies.

- **Transfer of assets and liabilities:**

The assets and liabilities of the, acquired company will be transferred to the acquiring company in accordance with the approved scheme, with effect from the specified date.

- **Payment by cash or securities:**

As per the proposal, the acquiring company will exchange shares and debentures and/or cash for the shares and debentures of the acquired company. These securities will be listed on the stock exchange.

2.5. Future Prospects of M&A in Indian banking Sector

Till now Indian banking sector has remained safeguarded at number of occasions from the crisis in the financial markets, be it the 1997 Asian Crisis or be the resent Sub Prime Crisis where the exposure of the Indian banks as of now seems to be negligible. Indian banking is entering into a new orbit and it is going to change a lot in the next 3 years .During the period of 5 years from 2000 to 2005 the assets of the banking sector grew by $255 billion and the profits grew to $ 5 billion .It is estimated through the news report reports that the total profits will be between $ 10 to $12 billion by 2010 (Sinha, 2006). After 2009 when the Indian banking system opens for the markets player from across the globe things are moving and will starting moving even faster in the Indian banking sector .According to the report by Mckinsey there are 3 potential scenarios which will emerge in the Indian banking sector, which are :-

First a high performance scenario where in the regulatory bodies will not intervene in the working of the banks and leave them independent .The regulatory body will intervene only when it has to safeguard the interests of the customers and maintain the stability of the system.

Second scenario which the report talks about which may evolve is that it will be pro –market but it will also be a little cautious in working for reforms. In this market driven scenario the success of the management of the banks will depend on the upgrading capabilities of the bank which match the market dynamics, Growth and expansion through Merger and acquisition and developing business models to tap the untapped markets. This will be the evolution phase and the sector will emerge as an important driver of economy and Earth by 2010.After the opening up of Indian banking sector in 2009 the foreign backs will catch pace with the fast growing markets in India and will lead the merger wave.

The third scenario which may occur is the stage of stagnation where in policy maker will employ lot of restrictive conditions on the banks and the consolidation activity instead of being driven by market condition will be restrictive .This will impede the growth of the banks.

The future presents both threats and opportunities for the PSBs. The banking industry structure will undergo some basic changes in respect of overall growth capability, risk management potential and competitive pressures. These changes, taken together, will imply an enhanced complexity in the banking industry structure and performance.

In the last few years the Indian GDP has been growing at a fast rate of 7-8%. Demand for industrial and agricultural credit have accordingly grown faster than that in the 1990s and the demand for credit by the retail sector, export sector and the infrastructure sector have been growing at significantly higher rates.

This provides an opportunity as well as a threat for the PSBs. Growth will create flexibility in asset structure, higher capital base and market share and therefore enable PSBs to generate adaptive efficiency.

On the other hand, without efficient adaptation to the growth process, the PSBs cannot sustain their competitive edge and asset leverage and therefore will not be able to exploit the opportunities afforded by the domestic and the international market.

Indian PSBs have long been burdened with the responsibility of development banking through mobilizing deposits at the countryside and providing finance to agriculture and small scale industries at subsidized rates.

It is time to marry the social responsibility of these banks with proper commercial orientation so that they can survive and prosper in an environment of high growth, competition and risks.

For some PSBs today, this implies the need for mergers.

For a bank that has the capacity to grow in terms of its intrinsic comparative advantage but is constrained due to the problems of inter-regional penetration, merger with a similar bank (in terms of comparative advantage and portfolio) will provide an avenue to grow optimally.

Similarly, a bank of the size and experience of SBI can aspire to become a universal bank by acquiring smaller banks with lucrative retail and wholesale portfolio and through strategic alliances with investment banks, insurance companies and asset management firms.

3. Research Methodology

3.1: Research Problem

3.2: Research Objective

3.3: Research Plan

3.3: Research Design

3.4: Data Collection Design

3.5: Sample Design

3.6: Criteria for Selection of Sample

3.7: Data Analysis

3.8: Research Limitation

3.1. Research Problem:

After doing the literature review and understanding the motives of the merger of banks in India and benefits achieved there by, question arises whether these merger are beneficial for banks. The share price movements in the public issues are not noticed very meticulously in the literature survey. The problem encounter in the study is how the twining system of M&A which pairs target banks and source banks. This report gaps lead to the following objectives of the study.

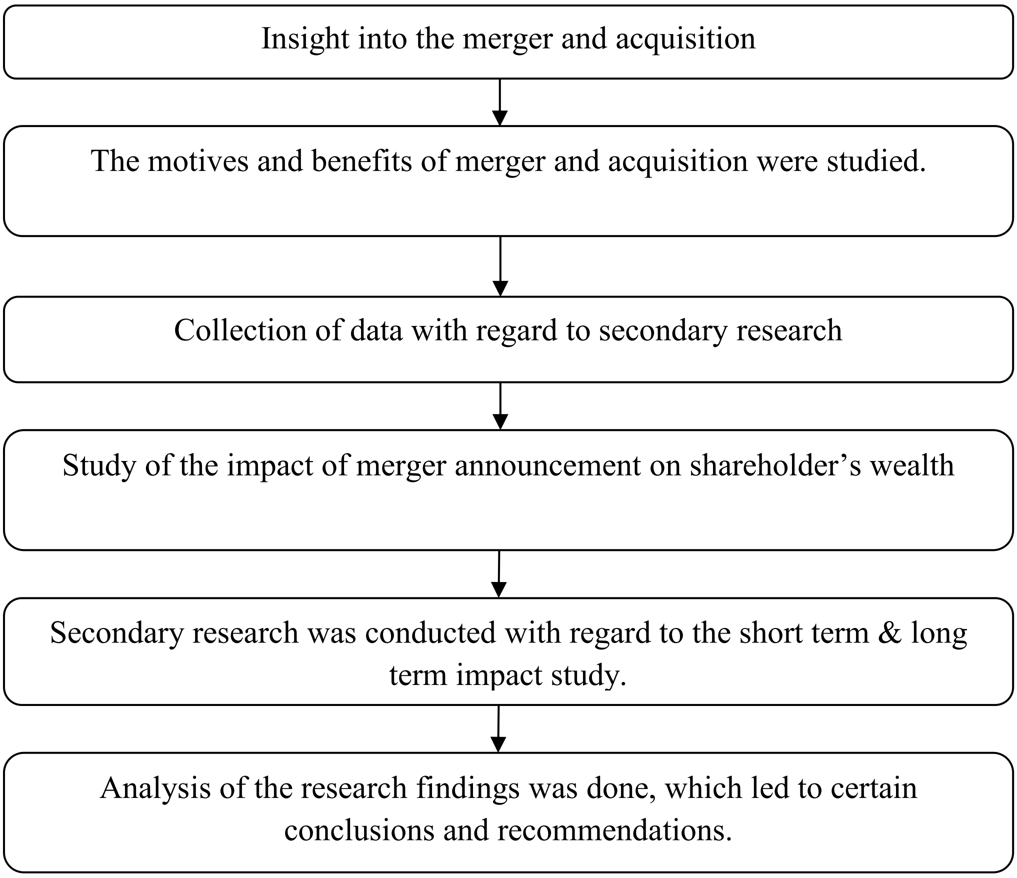
3.2. Research Objective:

Objective of a research work defines the driving force for a research action. It is the focal point around which the whole action revolves. This dissertation was undertaken to fulfil the following objectives:

1. To study the impact of merger announcement on shareholders wealth.
2. To study the short term impact of merger on return.
3. To study the long term impact of merger on return.

3.3 Research plan:

A systematic and planned move to accomplish the research objective is always appreciable in conducting a resourceful research work. My dissertation was also accomplished in a systematic way. The flowchart of my research plan was as follows:



3.4. Research Design:

A research design lays the foundation for conducting the project and ensures that the research plan is conducted efficiently and effectively. This research has been carried out to explore the literature review on the Basel framework and also as to how it has an impact on the Indian banking system. Both primary and secondary research was used. **The research design was an analytical research design.**

3.5. Data collection design:

Secondary data was used to study the impact of merger from financial aspects:

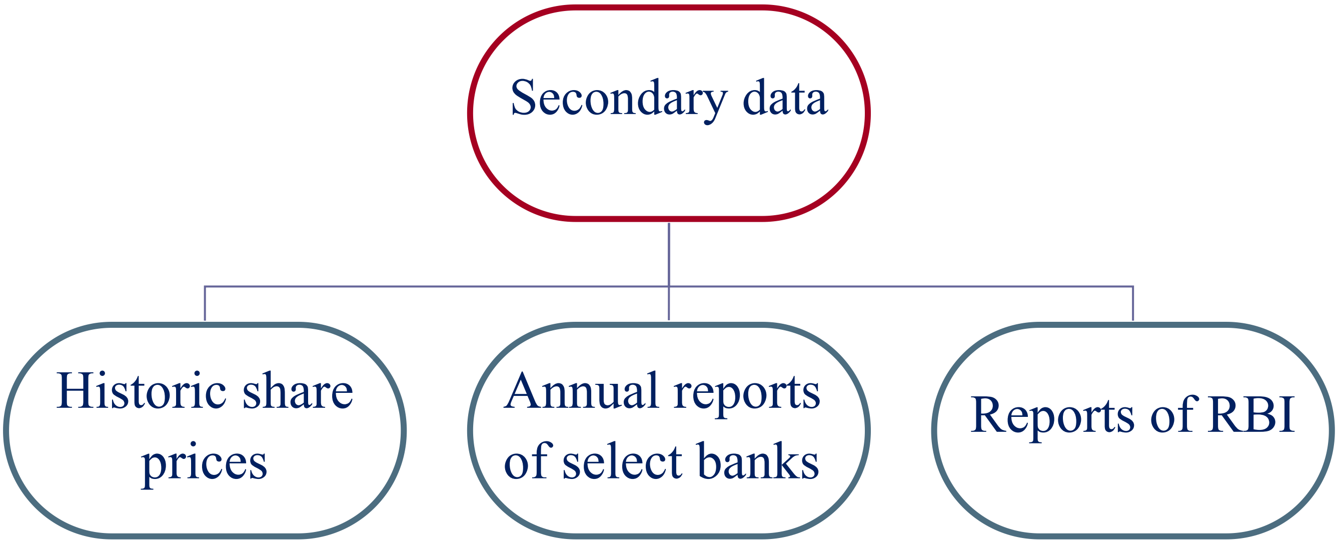


Figure: Techniques of data collection

3.6. Sample Design:

a) **Population:** Scheduled commercial banks in India

b) **Sampling frame:** Banks which have been merged during 1999-2006

c) **Sampling Unit:** Individual Banks

d) **Sample size:** 4

e) **Sampling technique:** Non probability sampling technique – **Convenience Sampling**

3.7. Criteria for selection of sample

To check how many mergers have been profitable to the banks in India the report has short listed 4 deals which have happened in the Indian banking sector from the period 1999 to 2006. The deals which have happened in 2007 have not been included because it would not be possible to study the effect of merger due to the less number of time periods available after 2006 that is post merger years. Also only deals where only two banks have been involved have been selected.

S.No.	Bidder bank	Target bank	Date of announcement
1	HDFC Bank	Times Bank	Nov 26, 1999
2	ICICI Bank	Bank of Madura	Dec 08, 2000
3	OBC Bank	Global Trust Bank	July 26, 2004
4	Centurion Bank	Bank of Punjab	June 20, 2005

3.7. Data Analysis:

After collection of data various empirical methods have been applied on the data to validate or refute the arguments stated in the literature review section and then giving the conclusion on the basis of the observed results .The data required for the analysis is:

1. Returns of the stock of the banks
2. Expected Rate of return for the stock
3. Cumulative abnormal return

Returns of the stock have been calculated by comparing the closing stock price on the t day (Day zero) to the closing stock price of the stock on t-1 day. The expected rate of the return is calculated using the using the capital asset pricing model.

The expected return is calculated as follows:

Expected return = $\alpha + \beta$ * RM

$\alpha + \beta$: these are aspects which are related to an individual stock,

RM= return of market

α alpha is an intercept of minimum rate of return.

β is a beta which implies the systematic risk of a stock.

α & β are calculated by running a linear regression and then I calculate the Abnormal returns

Abnormal Return = Actual return – Expected Return on Stock

After I run a T-TEST at confidence level of 95% to verify if there is any significant change in the CAR calculated. It is this which will indicate the effect of the merger.

Also another test which has been applied to check the financial performance of the banks is the EVA method .Economic Value Added is a measure of the financial performance of the banks. EVA method is the invention of the Stern Steward and Co which was launched in 1989.

How do I calculate the EVA?

EVA is a methodology which links the finance to the competitive strategy framework. It is also an indicator of the value which is created in the stocks of the company.

EVA = Net operating profit of the company (NOPAT) – (Cost of the capital * Total capital employed)

This formula will give us a positive or a negative EVA number. Positive EVA number means that the company is going to create value for its shareholders and negative EVA number means that it is destroying the value of the shareholder .The concept it is build upon is that till the time the business does not give out profits which are more that the cost of the capital till that time business is not profitably and it is making losses. I first calculate the NOPAT which has been calculated as

• NOPAT = EBIT * (1- tax rate)

• Cost of the capital has been calculated as WACC which is weighted average cost of capital. This is the weighted sum of the cost of debt and cost of equity.

• Total Capital Employed has been calculated as the total debt and total equity.

3.9. Tools & Techniques used:

After selecting the deals I applied three empirical methods on it.

The event study methodology (Brown and Warner, 1980 and 1985; Pruitt and Peterson, 1986 ;) has been used to estimate cumulative average abnormal returns (CAR) in a 4-Day window period. The basis for event study analysis is the semi-strong version of the efficient market hypothesis (EMH). It assumes that all publicly available information is incorporated in the stock prices immediately on announcement.

To study the short term impact I applied the t-test and for long term impact I applied EVA (Economic value added method).

Event Study Methodology:

The event study methodology has been extensively used to assess the impact of an announcement of a particular strategy on the firms, stock prices. This analytical approach is well accepted and has been used widely in various disciplines such as finance, accounting, marketing, strategy, e-commerce, and law. The event study methodology assesses whether specific events create abnormal stock returns. Abnormal stock returns are the differences between the observed returns and the estimated returns derived from either market model or mean adjusted return method or market adjusted return method.

The event study methodology used in our analysis is quite straight forward and conventional. To ensure that any information leakage is being captured, the identified merger period includes four days before and four days after the event. The reason for considering such a window is that our objective is to evaluate the impact of the merger on shareholders‟ wealth around the day of the official announcement. Daily adjusted closing prices of stocks and the market index (Sensex) are obtained from CMIE Prowess. Abnormal returns, that indicate the additional impact on stock returns due to an event over and above normal market movements, are computed as follows:

$$AR_{it} = R_{it} - \left[\alpha_i + \beta R_{mt}\right]$$

Where, Rit is the daily return on firm I on day t,
Rmt is the return on the bench mark index,
α and β are OLS regression parameters that are estimated using the market model over the previous period of 150 days.

The abnormal returns are computed for both bidder and target banks and the significance of abnormal returns is tested by calculating the Standard Error (SE) and t- values as follows:

$$SE = \frac{\sum_{i=1}^{n} \left(R_{it} - \alpha - \beta R_{mt}\right)^2}{n-2} \qquad and \quad t = \frac{AR_{it}}{\sqrt{SE}}$$

T-Test

To study the T-Test on the data I selected a time series data of the closing prices of the stock from 1999 to 2007 and then found the return of these stocks. I found the intercept and the slope of these stocks and by applying the CAPM formula I found the expected return on the stocks. Then this expected return was subtracted from the actual return to arrive at the abnormal return .Over the period of 30 days pre and post merger the abnormal returns where found and t-test was applied on these abnormal returns .If the value given by the t-test is less than .05 then the hypothesis which is that the data sets are similar over the period of study is rejected and I conclude that the significant effect of merger is prevalent.

EVA Method

To study the long term effect of merger another indicator is the EVA. I calculated the EVA pre merger, in the year of merger and post merger which gives us the idea of the efficiency of the merger. All the data has been analyzed from the acquiring banks perspective. EVA gives us a clear understanding of the values which the banks create over a period of time .It connects the theories of Finance with the strategy of competitive markets given by Michael Porter. For the operations of the banks the EVA is used as a common measure by many banks like Citi Bank, Barclays etc .Many Indian banks also use EVA to calculate their profits by EVA method like ICICI Bank, HDFC etc which in itself justifies the reason of using EVA for our methodology for calculating the profits of the banks .Whenever the benefits of the decisions taken by the banks are more than the cost involved in its structure, it creates the value for the Bank. Most of the strategies of the banks create value for the bank over a period of sometime which may be in distant future and thus when ever profitability of the bank's merger is to be calculated it should be done through EVA method. There are two sensitive drives of the value creation in the banks .Firstly how fast the funds are moved and how much of these funds create further value which is more than the cost factor of generating these funds which clearly given by the EVA of the banks Another important thing to be understood in terms of the mergers of the banks is difference between the projects and strategies. For projects it is best to calculate the NPV or IRR to check for the feasibility of the projects .For strategies one should check the EVA and the decision of the merger should be based on the EVA calculated from estimation of the strategies of the merger.

3.9. Research Limitations:

In order to present a true and valid picture about the topic it is essential to include and disclose the limitations of this research study. The various limitations were

1. There were very few academic journals available regarding my research. My main source of information the RBI websites and websites of individual banks.

2. Not all information was available on my sample study. At certain instances, I was not able to find information on all banks included in my scope of study.

3. It was very difficult to find data about those banks which do not exist at present.

4. Many accounting fundaments such as Price Earnings, Return of Equity, Return of Net, Book Value do not give a clear understanding of the major variables which are the value drives .These all ratios are prone to window dressing by the mischievous management .Also these measures use the historical data to arrive at the conclusions .EVA also very beautifully raises the point of how the shareholders of the bank expect a certain rate of return for taking the risk of investing in the bank

5. Financial and time constraints were also a limitation.

6. The analysis of project was based on observations and interpretation on the basis of sample survey. Hence they could be slightly biased due to my inability to extract all possible facts despite all efforts.

7. Being a student I undertake this project as a learning experience. I have made many mistakes and then learned from them. I have tried my best to be as authentic and as accurate as possible in the research analysis taking the help of my project mentor on relevant primary and secondary data.

Data Analysis

4.1. The impact of merger announcement on shareholders wealth:

Summary Statistics-Bidder Banks

Bank	α	β	σ	variance	r^2
HDFC Bank	0.0028	0.5121	0.0363	0.0025	0.0010
ICICI	-0.0026	0.5917	0.0445	0.0009	0.1554
OBC	0.0013	1.9050	0.0446	0.0021	0.5730
Centurion	0.0024	1.2486	0.0355	0.0015	0.1062

The table above provides data regarding various statistics of bidder banks taken into the sample.

Summary Statistics-Target Banks:

Bank	α	β	σ	variance	r^2
Times bank	0.0020	0.0651	0.0503	0.0025	0.0010
Bank of Madura	0.0014	0.4753	0.0296	0.0009	0.1554
Bank of Punjab	0.0008	1.2672	0.0391	0.0015	0.1062
Global Trust Bank	0.0031	1.3154	0.0454	0.0021	0.5730

The table above provides data regarding various statistics of target banks taken into the sample.

Abnormal Returns of Target Banks									
Bank	**-4**	**-3**	**-2**	**-1**	**0**	**1**	**2**	**3**	**4**
Times bank	-1.41% *-0.44*	1.16% *0.36*	0.89% *0.28*	-3.43% *-1.07*	21.09% *6.59*	-1.18% *-0.37*	-1.42% *-0.44*	9.14% *2.86*	0.11% *-0.03*
Bank of Madura	7.97% 1.98	7.79% 1.93	7.74% 1.92	7.76% 1.92	7.91% 1.96	7.88% 1.95	7.90% 1.96	8.02% 1.99	8.05% 1.99
Bank of Punjab	-0.67% -0.18	7.01% 1.87	0.00% 0.00	-0.40% -0.11	-8.85% -2.36	0.00% 0.00	-1.39% -0.37	0.15% 0.04	11.50% 0.40
Global Trust Bank	-3.19% -0.67	1.91% 0.40	-0.64% -0.13	-23.07% -4.81	-112.79% -23.51	32.26% -6.72	-1.35% -0.28	1.95% 0.41	12.05% 2.51

This table depicts the abnormal returns of target banks during the window period (-4, 4) and line below the abnormal returns indicates t values corresponding to abnormal returns. t-value greater than 1.96 is significant at 5% level and greater than 2.58 is significant at 1% level

Abnormal Returns of Bidder Banks

Bank	-4	-3	-2	-1	0	1	2	3	4
HDFC Bank	0.02% 0.01	3.14% 1.23	-4.21% -1.65	-1.08% -0.42	8.34% 3.27	8.89% 3.49	7.97% 3.13	5.33% 2.09	6.17% 2.42
ICICI	-0.02% 0	3.22% 0.83	0.84% 0.22	11.40% 2.93	-3.28% -0.84	-3.08% -0.79	-0.95% -0.24	-0.49% -0.13	1.60% 0.41
OBC	0.50% 0.18	-0.59% -0.21	-1.63% -0.58	-0.16% -0.06	-6.46% -2.30	-1.88% -0.67	-2.23% -0.79	-2.95% -1.05	-1.38% -0.49
Centurion	-0.85% -0.27	-0.26% -0.08	0.84% 0.27	0.92% 0.29	-6.48% -2.06	-2.24% -0.71	1.67% 0.53	-0.15% -0.05	1.06% 0.34

This table depicts the abnormal returns of bidder banks during the window period (-4, 4) and line below the abnormal returns indicates t values corresponding to abnormal returns. t-value greater than 1.96 is significant at 5% level and greater than 2.58 is significant at 1% level

4.2. *The short term impact of merger on return.*

Summary Sheet	Abnormal Returns		
Bank	**T-30**	**T**	**T+30**
HDFC Bank	-0.14462	0.451292	0.076485
ICICI	0.098617	-0.01545	-0.00276
OBC	0.159725	-0.15102	0.014852
Centurion	0.06	0.07	0.05

Summary Sheet	T test score
Bank	
HDFC Bank	**0.055042036**
ICICI	**0.772110838**
OBC	**0.12293412**
Centurion	**0.96137473**

These tables depict the abnormal returns of bidder banks during the period (-30, 30) and t values corresponding to abnormal returns. If the value given by the t-test is less than .05 then the hypothesis which is that the data sets are similar over the period of study is rejected

The long term impact of merger on return.

ICICI BANK				
Year	NOPAT	WACC	Total Capital	EVA
2005	8,576.09	0.036811513	146263.23	3191.919
2006	12,137.52	0.041782221	226161.07	2688.008
2007	19,468.72	0.046259922	06429.48	5293.316
OBC				
Year	NOPAT	WACC	Total Capital	EVA
2003	2546.88	0.055662242	33998.86	654.4272
2004	2530.81	0.046639685	41006.56	618.277
2005	2774.29	0.03558413	54069.45	850.2757
Centurion Bank				
Year	NOPAT	WACC	Total Capital	EVA
2004	98.68	0.407160788	366.38	-50.4956
2005	193.32	0.041479367	933.17	154.6127
2006	492.24	0.036978665	1918.11	421.3109
2007	820.33	0.038069236	2996.47	706.2567

This table depicts the value of EVA of bidder banks during the period of merger, 1 year before and after the merger. EVA is calculated as:

NOPAT- WACC*Total Capital

Findings

5.1: Impact of merger announcement on Shareholder's wealth

5.2: Short term & long term Impact of merger after completion

- HDFC and Times Bank
- Oriental Bank of Commerce and Global Trust Bank
- Centurion Bank and Bank of Punjab Deal
- ICICI Bank and Bank of Madura Limited

4.3. Impact of Merger Announcement:

In the case of acquisition of Times Bank by HDFC bank both the bank shareholders have viewed it as a positive signal. At the time of merger, Times Bank was suffering with low profitability and high NPAs; the acquisition by HDFC bank has given relief to both shareholders and depositors of the bank. Similarly HDFC bank has gained out of retail portfolio of the Times Bank and subsequently emerged as largest private sector bank in India in 1999.

In the case of acquisition of Bank of Madura (BOM) by ICICI bank, BOM gained the opportunity of providing various services like treasury management solutions, cash management services to all of its customers. ICICI Bank increased its size by acquiring BOM and reached the position of a large size bank among the private sector banks way back in 1999. The analysis shows that upon the announcement of this merger, there was a significant rise in abnormal returns leading to increase in value for shareholders of BOM, but the shareholders of ICICI bank did not achieve any gains. This is not surprising because shareholders of a troubled bank stand to gain from a merger with a strong bank whereas the same may not be good news from the perspective of the strong acquiring bank.

In the case of amalgamation of Bank of Punjab with Centurion Bank, the amalgamation was an inevitable restructuring for both the banks as both intended to grow but experienced dismal performance. Both the banks came forward to build a growth oriented bank on the basis of each other's strengths. However the event study analysis of stock returns revealed that neither of the banks shareholders considered the merger as a positive event and the announcement led to deterioration in shareholders wealth. It appears that shareholders of both banks would have preferred a merger with a stronger bank and the news of amalgamation with another troubled bank may not have been welcomed by the stock markets.

In the case of acquisition of GTB by OBC, Interestingly GTB shareholders have deeply discounted the merger. As the GTB episode was a serious crisis of bank failure the merger has given confidence to depositors but the merger announcement does not appear to have provided relief to shareholders.

So it can be said that the gains of target banks are higher than bidder banks. Both target and bidder bank shareholders benefited on announcement of mergers. Thus the stock markets welcomed the merger which would lead to enhanced growth prospects for the merged entity and therefore shareholders of both banks benefited out of it.

4.4. Short term and long term impact Of merger after Completion

HDFC and Times Bank

This was the first deal which took place in the Indian banking sector which was market led. Total market value of the deal was 5775.75 Million Rs and it was a total stock deal .As this deal was a friendly deal and was market led so the market perceived it to be a very good deal which would benefit HDFC in a big way .On analysis of the data I check that the deal has created value and shown the effect of the merger even within the short period of 30 days .I studied the stock returns from a period 1999-2000 and applied the t-test on the data to check the abnormal return pre merger and post merger and the value of the t-test came out to be .055 which is indication that the hypothesis is rejected that the pre merger and post merger the abnormal returns have been the same and thus merger has created a significant change in abnormal return .Also t-30 days cumulative abnormal return is -0.14462 and t+ 30 days the value of the cumulative abnormal return is 0.451292 which is clear indication of the value added due to the merger over a short period of time .The abnormal returns turn out to be from negative to positive.

Oriental Bank of Commerce and Global Trust Bank

This takeover of the Global Trust Bank by Oriental Bank of Commerce took place in last week of July .Before this the Global trust bank‘s operations were suspended by the Central bank of India .The GTB‘s bad loans accounted for about fifty of its 32.7 billion rupees of deposits .This deal was driven by the Central bank .At that time OBC was looking for merger options with other banks and RBI decided to merge GTB with OBC to safeguard the interests of the depositors. So at that time OBC took this opportunity and decided to acquire GTB and turn it around in one and a half year .GTB had 103 branches in southern part of India and has a strong retail products in the market which proved to be a value adds for the synergy of the deal .As stated by the bank authorities that the bank deal will have a impact on the bottom-line of the bank and they will turn around the bank in the one and a half years time .This was checked by the author of this report by using the t-test over a period of 30 days i.e. t - 30 and t + 30 .The cumulative abnormal returns turned from 0.159725 ,30 days premerger, to -0.15102 post merger 30 days .The market’s reaction immediately to the deal was not good and they thought that it will affect the bottom-line of Oriental Bank of Commerce .On doing a t-test the merger did not show any gains in the short period run .To understand the gain over a long period and to see if the Oriental Bank was able to turn around the bank in the stated period of time and enjoy the benefits of the merger author calculated the EVA 1 year before merger ,in the year of merger and 1 year after merger and the values as given in table 1 are 654.42, 618.27 and 850.27 .The EVA of the Oriental bank of commerce is a clear indication that due to the merger its EVA had suffered due to the losses of the GTB .But the bank was successful to turn around its acquired bank GTB within a short period of time and started to reap the benefits of the profit made from the merger due to which its EVA increased to 850.27.This is also a clear indication that banks do benefit over a long period of time from merger.

Centurion Bank and Bank of Punjab Deal

Bank of Punjab in order to meet the credit requirements sold 15 % of its shares and this led to a sharp decrease in the stock price of Bank of Punjab .This happened in Feb. 2005. As the basic concept of the merger whenever the company's stock prices drop down drastically then it becomes the target for a acquisition .In this case finally the Centurion bank which wanted to expands its arms in northern part of India and more so in the agricultural belts of Punjab acquired the Bank of Punjab in June,2005 .The combined entity was known as Centurion bank of Punjab and it had 235 outlets with a customer base of 2.2 million .This deal was perceived by the market as the good deal because of the cost factor and the synergies of merger in terms of geographical expansion .To measure the benefits of this deal t –test was run on this deal with the time period of t+30 ,t-30 ,t. This was to check the effect of the merger before and after using the CAPM and t-test and to establish that has merger shown any effect over a short period of time .As per t-test which was done on a sample from time period 1999 – 2007 .The value of t-test for this deal for t+30 ,t-30 is coming out be .96 which is quite high and accepts our hypothesis that the merger has not had a significant effect on the abnormal returns of the bank pre merger and post merger . Cumulative abnormal returns have also not changed over a period of time interval t + 30 and t-30.This shows that over a short period of time merger did not affect the returns.

Then I studied effect of merger over a long period of time that is one year .This was done through the method of EVA .The deal took place in 2005 so I calculate the economic value added by the merger in the year 2004 (the year before the merger), 2005 the year of the merger and 2006(the post merger year) .As per the data observed in Table for the Centurion bank which is acquirer bank had an EVA value of negative 50.49. .In the year of the merger its value increase to 154.61 which is a clear indication that the even the news of the merger of the two banks did create an upsurge it its profitability. To see the long term effect of the merger I observed that the 1 year post merger the value of EVA was 421.31. This was a tremendous increase in the Economic value of the bank which had an intermingled effect of merger news with Lord Krishna Bank which the bank was going to go through. The positive effects of this merger was validated even by the stock market with increase in its stock price by 2.1 percent when the news of merger broke out .This is an indication that merger was successful.

ICICI Bank and Bank of Madura Limited

This deal place in the month of December 2000 .At that time ICICI bank did not have very strong holdings in southern part of India .This deal was done to increase the presence of ICICI in southern India. ICICI bank paid $70 mn min in share swap to buy Bank of Madura limited .This deal made ICICI bank 33 percent bigger than HDFC ,its rival .This deal provided ICICI bank with the synergies that enhanced its brand image ,branches and gave it additional 2.6 million customer and 263 branches in southern India. The t –test give us a value of .27 which again accepts our hypothesis that the merger did not show gains over a short period of 30 days pre and post merger and that the abnormal returns where almost similar .Even though the value of the t-test is coming out to be .27 which is low and some variation is abnormal returns can be seen but it is not significant enough in term of merger point of view. Also the cumulative returns given in the table shows that the values have not changed much which is an indication that within short period of 30 days there was no abnormality of returns pre and post merger. But the gains from the merger were high over the long period of time.

5. Conclusion and Suggestion

This report attempted to provide an analysis of ongoing merger trends in Indian banking from the view point of financial aspects. The trend of consolidation in Indian banking industry has so far been limited mainly to restructuring of weak banks and harmonization of banks and financial institutions. Voluntary mergers demonstrating market dynamics are very few. More voluntary mergers are possible provided the benefits of mergers are derived by all the stakeholders of the banks. Currently the forced mergers may be protecting the interests of depositors but shareholders of both bidder and target banks are not perceived the benefits of merger.

I have examined the merger deals which have happened in the Indian banking sector over the period from 1999 to 2006 in the post reforms period .Through this report I have looked at the various motives and benefits of the merger

The event study analysis results show that both bidder and target banks‟ market value of equity has been reduced on the immediate announcement of mergers. In the case of voluntary mergers the results are mixed.

Through the empirical methods by applying t-test and EVA value calculations the potential of the mergers has been evaluated. This report also validates if the mergers have created any value for its shareholders by checking the value of EVA pre merger and post merger.

Overall with the given sample of mergers in the Indian banking sector , it is clearly indicated that post reform mergers have been efficient for the merging banks .They have create a value for the acquiring banks.

Some conclusions which have been arrived under the given sample are:

1. In the Indian banking context the effect of mergers in not seen over a short period of time. Around the time of the merger the market stock price returns pre merger and post merger do not shown much of the difference so as to conclude a significant effect of the merger

2. Economic value added method is a good method to study the long term effect of the efficiencies of the merger. As the value of the merger lies in its synergies and these synergies are not released over a very short period of time but over a considerable period of time .So EVA gives us a clearer picture of the value which has been added by the merger in the context of Indian banking sector

3. Also with the given sample it was observed that all the banks did do well after the merger and the value was added .During the year of the merger it was observed that the EVA value was reduced and then in the year following the merger it was high again. This is clear from the fact the money which is spend on the merger effects its bottom-line and so the EVA is reduced but in the following years when the merger benefits where achieved the EVA increases by a considerable value.

Based on these results, on the policy side I can suggest that RBI should activate the Prompt Corrective Mechanism which helps in identifying the sick banks and the timing of the merger may be advanced to avoid total collapse of the bank. This will also help the bidder banks to formulate appropriate strategies which may mitigate the dilution in market value of equity consequent upon merger. To ensure the availability of financial services to all segments of the population, RBI should approve voluntary mergers conditional upon the disadvantaged segments being unaffected by the process and approval should be linked to specific plans offered by the acquirers to mitigate the extent of financial exclusion. The ongoing consolidation trends in Indian banking raise some important questions. Is it fair and desirable on the part of RBI to merge the weak banks with well performing banks which destroys the wealth of bidder banks? Being a majority shareholder, the Government of India appears to be ignoring the interest of minority shareholders. This is a serious concern of corporate governance. In the case of forced mergers, *viz.* GTB with OBC the share prices of these two acquired banks have not shown any significant increase even after a substantial time gap from the merger.

6. References

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7. Annexure

8.1: Details of Mergers

8.2. Index Merger & Acquisition

8.3: Historic Share Prices

8.4: Yearly Results (Pre Merger & Post Merger)

7.1. Details of The Mergers:

HDFC and Times Bank:

This deal has been the first merger deal between two new generation private sector banks Times Bank was a new generation private sector bank established by the Times group. As part of HDFC Bank's strategy of attaining great heights it decided to merge with Times Bank. As per the scheme of amalgamation issued by HDFC bank to its shareholder the following were the reasons cited for the merger deal.

1. Branch Network would increase by over 50 percent and thus providing increased geographical coverage.
2. Increase the total number of retail customer accounts so as to increase deposit and loan products.
3 After the merger the bank would be able to use Times Bank's lower cost alternative channels like phone banking, internet banking etc. and thereby the reducing of operating costs.
4. The merger would increase the presence of HDFC bank in the depository participant activities.
5. Improved infra structure facilities and central processing would help in deriving economies of large scale.

- HDFC Bank (1994) Times Bank – (1995)
- Merger w.e.f. 26 February 2000
- Stock swap ratio - 1: 5.75
- Customer base up by 2 Lacs - became 6.5 L
- No. of Branches - 68 to 107
- HDFC Bank had about 65% metro branches
- Times Bank rich in urban branches
- HDFC emerged largest Pvt. bank

Oriental Bank of Commerce and Global Trust Bank

Global Trust Bank popularly known as GTB India’s first new generation private sector bank established its banking business after obtaining RBI license in the year 1990. It started with stringent capital adequacy standards of at least Rs.100 crores to begin with and a technology platform that even foreign banks did not have and above all on a clean slate. The most striking feature of GTB is that it is typically a symbolic new generation private bank that came with the financial liberalization of the 1990s. It was offered permission to enter the industry with the intention of increasing competition, improving efficiency of operations with new technology, offering better services to the customers, and in the process to be a model against low-profit public sector banks.

• Before RBI moratorium it was working with 103 branches and 276 ATMs having more than 8.5 lakh customers.

• As on 30/06/2004, Indian promoters of GTB held a 19.28% stake while the Indian Pubic held a massive 51.28% stake in GTB.

• It is one of the largest private banks placed under RBI moratorium.

The salient features of scheme of merger are as follows:

- All types of deposit accounts of GTB shall be transferred to OBC.
- All GTB employees shall continue in service with OBC.
- All assets and liabilities of GTB will be transferred to OBC.
- OBC shall take all available steps considering the circumstances of each case of equity holders to demand and enforce the payment of the amounts due with interest at six per cent per annum for the period of the default.

ICICI Bank and Bank of Madura Limited

ICICI Bank, after having been scouting for long time to acquire a private sector bank, had held talks with Global Trust Bank and Centurion Bank and has finally merged with Bank of Madura at a swap ratio of 2:1 i.e., two shares of ICICI Bank for each share of BoM. The deal has created one of the biggest entities in the private sector with the merged entity having total assets of Rs.16,000 crore as on September 2000. The share exchange ratio was worked out by Deloitte, Haskins and Sells, which acted as independent valuers to the transaction. DSP Merrill Lynch Ltd had acted as advisors to BoM while Kotak Mahindra Capital Company advised ICICI Bank on the merger process.

BoM had opted for the merger with a purview of consolidation and size as major requirements in the banking industry. This was necessary in terms of capital, capital base, mitigating risk and ability to absorb risk.

The deal works out in favor of the BoM shareholders, given the current market valuation of the ICICI stock. The merger is expected to add to the shareholder value, besides providing technology-based, modern banking services to customers.

The merger between ICICI Bank and Bank of Madura (BoM) is a remarkable one. The pre--merger market capitalization of ICICI Bank was roughly Rs.2500 crore while BoM was at roughly Rs.100 crore. BoM is known to have a poor asset portfolio.

As a benchmark calculation, however, suppose I pretend that there are no synergies, and focus on a purely financial evaluation of the merged entity. This is not easy to do using conventional accounting measures. Instead, arguments based on option pricing theory yield useful insights.

In applying these ideas to ICICI Bank and to BoM, I need to believe that the stock market effectively processes information to produce estimates of the price and volatility of the shares of both these banks. This assumption is suspect, because both securities have poor stock market liquidity. Hence, I should be cautious in interpreting the numbers shown here. There are many other aspects in which this reasoning leans on models, which are innately imperfect depictions of reality.

Centurion Bank and Bank of Punjab Deal

Bank of Punjab (BoP) and Centurion Bank (CB) have been merged to form Centurion Bank of Punjab (CBP) in a share swap ratio of 9:4. This means, for every four shares of Rs 10 of Bank of Punjab, its shareholders will receive nine shares of Re 1 of Centurion Bank.

Chairman of CB, Rana Talwar and MD Shailendra Bhandari became the chairman and MD of the new entity respectively. ED of BoP Tejbir Singh became ED of CBP. The merger will be subject regulatory and shareholder approvals.

After the merger, the paid up capital of the merged entity was around Rs 128 crore and the net worth be Rs 692 crore. After the merger, the bank had a total assets of Rs 9,395 crore and deposits of Rs 7,837 crore. The merger changed the holding pattern in the bank. Bank Muscat, which holds 31% in CB, will now hold 25% in the merged bank. The holdings of Capital Corporation and Sabre Capital, which were 14% and 5.4% respectively in CB will come down to 11% and 4.4% respectively in the new bank. At the same time, 27% holding of Tejbir Singh in BOP, came down to 5% in the merged bank.

RBI has approved merger of Centurion Bank and Bank of Punjab effective from October 1, 2005. The merger is at a swap ratio 9:4 and the combined bank is will be called Centurion Bank of Punjab. The merger of the banks had a presence of 240 branches and extension counters, 386 ATMs, about 2.2 million customers. As on March 2005, the net worth of the combined entity is Rs 696 crore and the capital adequacy ratio is 16.1 per cent

In the private sector, nearly 30 banks are operating. The top five control nearly 65% of the assets. Most of these private sector banks are profitable and have adequate capital and have the technology edge.

Due to intensifying competition, access to low-cost deposits is critical for growth. Therefore, size and geographical reach become the key for smaller banks. The choice before smaller private banks is to merge and form bigger and viable entities or merge into a big private sector bank. The merger of Bank of Punjab and Centurion Bank is sure to encourage other private sector banks to go for the M&A road for consolidation.

7.2. M&A Index

The following annexure have been taken from the Bloomberg. They give us the information about the deal date, value and other information about the deals which happened in the Indian banking sector from the year 1999 to 2006.


<HELP> for explanation.
<MENU> to return
Index MA

More Deal Info | Target Info | Acquirer Info | Acquisition Detail

Target:Global Trust Bank GLTB IN Price:
Industry:Commer Banks Non-US SIC Code: COML BANK
Country:India

Acquirer:Oriental Bank Of Commerce OBC IN Price: 173.45 INR
Industry:Commer Banks Non-US SIC Code: COML BANK
Country:India

Announced Date: 7/26/04
Completion Date: 8/27/04 % owned:
Status: Completed % acquired: 100.00

Currency: INR
Annd tot. value: Announced premium:
Final premium:
Paym't Type: Undisclosed Arbitrage profit:
Cash Terms: Cash Value:
Stock Terms: Comp Bid Prem:
Net Debt: Comp Bid Date:
Nature of Bid: Friendly Action ID:15262417

GOVERNMENT OF INDIA SCHEME OF AMALGAMATION EFFECTIVE 8/14/04.
RECORD DATE FOR DETERMINING SHAREHOLDERS 8/31/04.

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2008 Bloomberg Finance L.P.
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M&A DEAL MULTIPLES

Target Bank of Punjab/India BOP IN
Acquirer Centurion Bank of Punjab Ltd CBOP IN

Premium 6.42% Total Value 3517.5261 Mln
Percent Sought 100.00 Equity Value 3517.5261 Mln
Announce Date 6/20/05 Currency INR
Completion Date 1/ 3/06

Deal Multiples Equity	Deal Multiples Total	Target Fundamentals as of	3/31/05
1.46	1.46	Stockholder Equity	2411.87
0.92	0.92	Revenue	3840.93
		Net Income	-612.45
		Income B/F XO	-612.45
1.06	1.06	Market Cap	3333.75
		EBITDA	
		EBIT	
1.08	1.08	Enterprise Value	3268.20
5.78	5.78	Net Income + Deprec.	608.40
		Cashflow from Ops.	-70.10
		Free Cashflow	-378.37
		FFO	
0.07	0.07	Total Assets	49051.68
1.46	1.46	Book Value	2411.87

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2008 Bloomberg Finance L.P.
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Index MA
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More Deal Info
Target Info
Acquirer Info
Acquisition Detail
Target:Bank of Punjab/India BOP IN Price:
Industry:Commer Banks Non-US SIC Code: COML BANK NEC
Country:India
Acquirer:Centurion Bank of Punjab Ltd CBOP IN Price: 44.5 INR
Industry:Regional Banks-Non US SIC Code: COML BANK NEC
Country:India
Announced Date: 6/20/05
Completion Date: 1/ 3/06 % owned:
Status: Completed % acquired: 100.00
Currency: INR
Annd tot. value: 3517.5261 Mln Announced premium: 6.42%
Final tot. val: 4583.2500 Mln Final premium: -.91%
Paym't Type: Stock Arbitrage profit:
Cash Terms: Cash Value:
Stock Terms: 2.250000 Aqr sh./Tgt sh. Comp Bid Prem:
Net Debt: Comp Bid Date:
Nature of Bid: Friendly Action ID:18503960
COMBINED ENTITY TO BE NAMED CENTURION BANK OF PUNJAB.
Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2008 Bloomberg Finance L.P.
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Target Info
Acquirer Info
Acquisition Detail
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BOM IN
Price:
Industry:Commer Banks Non-US
Country:India
Acquirer:ICICI Bank Ltd
ICICIBC IN
Price: 836.5 INR
Industry:Money Center Banks
Country:India
Announced Date: 12/11/00
Completion Date: 3/14/01
Status: Completed
% owned:
% acquired: 100.00
Currency: INR
Annd tot. value: 3425.5117 Mln
Final tot. val: 3323.8198 Mln
Paym't Type: Stock
Cash Terms:
Stock Terms: 2.000000 Aqr sh./Tgt sh.
Net Debt:
Nature of Bid: Friendly
Announced premium: 220.79%
Final premium: .57%
Arbitrage profit:
Cash Value:
Comp Bid Prem:
Comp Bid Date:
Action ID:6105833
RESERVE BANK OF INDIA APPROVAL 2/27/01.
Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2008 Bloomberg Finance L.P.
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7.3. List of Historic Share Prices

Scrip Code:32174 **Company**::ICICI BANK L **For the Period**:1-Dec-2000 to 1-Jan-2001

Date	Open Price	High Price	Low Price	Close Price	Weighted Average Price	No. of Shares	No. of Trades	Total Turnover (Rs.)	* Spread (Rs.) H - L	* Spread (Rs.) C - O
1 December 2000	147.10	148.25	139.10	140.35	143.16	131171	1050	18,778,938.00	9.15	-6.75
4 December 2000	143.95	147.00	143.25	145.05	145.42	69297	540	10,077,238.00	3.75	1.10
5 December 2000	145.25	147.00	145.00	145.25	146.00	40701	372	5,942,272.00	2.00	0.00
6 December 2000	149.00	154.90	148.00	150.25	150.34	152408	1698	22,913,617.00	6.90	1.25
7 December 2000	149.50	155.50	148.05	151.40	152.14	80116	1192	12,189,243.00	7.45	1.90
8 December 2000	153.00	171.50	152.00	169.85	162.19	263807	2243	42,788,057.00	19.50	16.85
11 December 2000	180.00	183.00	158.00	165.30	168.71	788204	6043	132,980,562.00	25.00	-14.70
12 December 2000	163.00	163.50	152.10	159.70	157.12	650622	5564	102,228,399.00	11.40	-3.30
13 December 2000	157.00	159.20	155.10	158.95	157.72	161089	1625	25,407,529.00	4.10	1.95
14 December 2000	157.00	160.00	155.90	157.50	157.54	138419	1385	21,806,732.00	4.10	0.50
15 December 2000	157.00	158.90	152.50	157.20	155.91	395227	2928	61,620,969.00	6.40	0.20
18 December 2000	154.10	158.25	153.30	157.05	156.40	143374	1120	22,423,537.00	4.95	2.95
19 December 2000	157.00	158.85	155.50	157.90	157.44	81377	765	12,811,750.00	3.35	0.90
20 December 2000	158.00	158.00	152.10	157.20	155.22	143789	1219	22,319,596.00	5.90	-0.80
21 December 2000	155.00	156.50	152.25	154.25	154.37	142271	1146	21,962,201.00	4.25	-0.75
22 December 2000	154.00	156.95	152.30	155.40	154.94	186765	1284	28,938,126.00	4.65	1.40
26 December 2000	152.00	154.95	138.80	142.50	144.78	191604	1349	27,741,196.00	16.15	-9.50
27 December 2000	140.00	144.50	133.30	140.95	138.60	119612	1094	16,577,935.00	11.20	0.95
28 December 2000	140.10	153.40	140.00	150.50	148.04	214121	1607	31,697,707.00	13.40	10.40
29 December 2000	152.00	155.00	147.00	150.55	150.45	154193	1218	23,197,596.00	8.00	-1.45
1 January 2001	153.50	153.50	147.50	148.50	149.67	49225	566	7,367,568.00	6.00	-5.00

* Spread
H - L -> High - Low
C - 0 -> Close - Open

Scrip Code:32174 **Company**::ICICI BANK L **For the Period**:1-Mar-2001 to 1-Apr-2001

Date	Open Price	High Price	Low Price	Close Price	Weighted Average Price	No. of Shares	No. of Trades	Total Turnover (Rs.)	* Spread (Rs.)	
									H - L	C - O
1 March 2001	179.25	205.75	179.25	205.70	202.04	1016833	5340	205,436,286.00	26.50	26.45
2 March 2001	209.00	213.80	179.35	188.10	195.61	491344	4318	96,111,245.00	34.45	-20.90
5 March 2001	188.90	200.00	180.00	193.50	189.12	491036	3954	92,865,607.00	20.00	4.60
7 March 2001	193.00	199.40	182.00	186.55	187.31	359429	3515	67,324,441.00	17.40	-6.45
8 March 2001	190.00	195.00	185.15	192.10	191.68	227084	2793	43,526,641.00	9.85	2.10
9 March 2001	191.55	194.00	185.00	191.20	189.03	154134	1807	29,136,542.00	9.00	-0.35
12 March 2001	185.00	187.00	162.25	172.05	175.10	106618	1512	18,668,288.00	24.75	-12.95
13 March 2001	170.10	171.00	144.55	159.05	154.70	165836	1851	25,655,432.00	26.45	-11.05
14 March 2001	158.00	174.80	151.30	168.45	160.04	417159	2159	66,761,280.00	23.50	10.45
15 March 2001	165.40	194.00	157.45	185.65	179.44	208139	2048	37,349,006.00	36.55	20.25
16 March 2001	180.20	183.90	164.80	167.80	172.16	166151	1898	28,604,397.00	19.10	-12.40
19 March 2001	160.20	175.00	160.00	163.35	167.92	78822	1024	13,235,412.00	15.00	3.15
20 March 2001	166.75	166.75	156.00	162.35	160.42	96136	1626	15,422,616.00	10.75	-4.40
21 March 2001	157.55	160.00	155.00	157.60	157.47	64768	1210	10,198,755.00	5.00	0.05
22 March 2001	160.00	170.15	151.45	163.80	160.14	169363	1939	27,122,204.00	18.70	3.80
23 March 2001	161.05	172.00	160.00	162.70	166.45	172962	2672	28,788,758.00	12.00	1.65
26 March 2001	165.90	178.00	161.25	174.80	172.29	157916	2401	27,207,985.00	16.75	8.90
27 March 2001	174.10	178.50	173.20	174.50	175.78	75908	1144	13,343,143.00	5.30	0.40
28 March 2001	178.00	185.00	176.00	178.40	180.12	73114	912	13,169,176.00	9.00	0.40
29 March 2001	176.00	183.00	176.00	181.15	179.76	43946	737	7,899,561.00	7.00	5.15
30 March 2001	180.00	180.20	162.60	165.40	167.86	172302	1926	28,922,901.00	17.60	-14.60

* Spread
H - L -> High - Low
C - 0 -> Close - Open

Scrip Code 532174

Scrip Code:180 **Company**::HDFC BANK LT **For the Period**:25-Oct-1999 to 25-Nov-1999

Date	Open Price	High Price	Low Price	Close Price	Weighted Average Price	No. of Shares	No. of Trades	Total Turnover (Rs.)	* Spread (Rs.) H - L	C - O
25 October 1999	103.00	103.50	95.50	96.35	98.45	301286	805	29,662,927.00	8.00	-6.65
26 October 1999	98.00	98.00	95.40	96.25	96.50	81310	349	7,846,589.00	2.60	-1.75
27 October 1999	97.00	98.00	96.00	97.50	96.87	139421	374	13,505,393.00	2.00	0.50
28 October 1999	96.50	97.75	93.05	94.00	95.41	81527	372	7,778,503.00	4.70	-2.50
29 October 1999	93.90	93.90	87.10	91.10	90.84	191062	737	17,356,775.00	6.80	-2.80
1 November 1999	93.00	93.00	89.50	89.55	90.85	135012	400	12,266,124.00	3.50	-3.45
2 November 1999	91.00	93.75	89.00	93.50	91.75	139844	460	12,830,841.00	4.75	2.50
3 November 1999	93.90	96.25	93.90	95.50	95.24	255618	575	24,346,273.00	2.35	1.60
4 November 1999	94.10	95.00	93.55	94.00	93.93	55504	159	5,213,589.00	1.45	-0.10
5 November 1999	93.30	95.00	93.30	93.75	93.98	56095	300	5,271,738.00	1.70	0.45
7 November 1999	95.00	96.50	94.95	95.00	95.56	22980	137	2,196,005.00	1.55	0.00
9 November 1999	93.00	94.75	93.00	93.75	93.67	24000	101	2,248,075.00	1.75	0.75
11 November 1999	93.95	93.95	93.00	93.50	93.25	25747	118	2,400,973.00	0.95	-0.45
12 November 1999	93.10	93.95	92.00	93.90	92.63	49251	243	4,562,030.00	1.95	0.80
15 November 1999	93.40	93.75	91.65	91.65	92.22	17970	99	1,657,128.00	2.10	-1.75
16 November 1999	91.50	93.00	91.20	92.50	91.98	16886	108	1,553,135.00	1.80	1.00
17 November 1999	92.50	93.00	91.50	91.50	91.47	22155	118	2,026,493.00	1.50	-1.00
18 November 1999	91.10	91.45	89.05	91.45	90.64	50361	158	4,564,562.00	2.40	0.35
19 November 1999	91.05	92.10	91.00	91.10	91.15	47150	212	4,297,802.00	1.10	0.05
22 November 1999	90.75	95.80	90.75	95.00	94.06	79199	290	7,449,707.00	5.05	4.25
24 November 1999	94.20	95.30	91.35	92.00	92.10	127004	334	11,697,475.00	3.95	-2.20
25 November 1999	91.50	92.50	91.00	92.00	91.50	106600	225	9,753,470.00	1.50	0.50

* Spread
H - L -> High - Low

Scrip Code:500315 **Company**::Oriental Bank **For the Period**:22-Sep-2004 to 22-Oct-2004

Date	Open Price	High Price	Low Price	Close Price	Weighted Average Price	No. of Shares	No. of Trades	Total Turnover (Rs.)	* Spread (Rs.) H - L	C - O
22 September 2004	243.00	251.90	242.00	250.00	248.59	610625	4955	151,798,004.00	9.90	7.00
23 September 2004	249.00	254.70	245.35	246.65	251.42	443033	4193	111,387,629.00	9.35	-2.35
24 September 2004	247.25	248.80	243.00	245.90	246.36	133432	1704	32,872,945.00	5.80	-1.35
27 September 2004	246.00	246.00	240.15	244.05	243.57	105832	1385	25,777,769.00	5.85	-1.95
28 September 2004	243.10	244.25	240.00	240.90	241.22	117875	1042	28,433,255.00	4.25	-2.20
29 September 2004	242.30	244.30	240.20	242.30	242.40	82304	972	19,950,243.00	4.10	0.00
30 September 2004	243.00	245.00	240.00	240.95	242.48	78241	1295	18,971,556.00	5.00	-2.05
1 October 2004	242.50	245.90	238.00	244.80	242.33	51980	1027	12,596,462.00	7.90	2.30
4 October 2004	249.00	249.00	244.85	247.85	247.12	117679	1341	29,080,566.00	4.15	-1.15
5 October 2004	249.00	258.40	249.00	257.25	254.19	332413	3709	84,494,865.00	9.40	8.25
6 October 2004	259.60	263.45	251.55	252.90	259.42	193425	2710	50,177,569.00	11.90	-6.70
7 October 2004	254.00	262.00	252.00	259.50	258.06	168325	2236	43,437,663.00	10.00	5.50
8 October 2004	259.00	260.95	252.20	253.85	255.47	246605	2464	62,999,782.00	8.75	-5.15
9 October 2004	254.00	257.90	252.15	253.05	253.86	19185	478	4,870,361.00	5.75	-0.95
11 October 2004	255.70	258.25	251.35	252.70	255.10	96679	1395	24,662,418.00	6.90	-3.00
12 October 2004	255.50	255.50	239.15	240.50	243.14	244808	2196	59,523,008.00	16.35	-15.00
14 October 2004	243.00	243.00	236.55	237.95	240.09	155673	1678	37,375,642.00	6.45	-5.05
15 October 2004	240.50	242.00	237.00	238.75	239.97	132824	1921	31,873,666.00	5.00	-1.75
18 October 2004	241.50	242.00	236.50	237.05	239.65	58078	942	13,918,300.00	5.50	-4.45
19 October 2004	239.80	243.00	236.50	241.35	238.57	58766	872	14,019,729.00	6.50	1.55
20 October 2004	242.50	244.00	240.65	243.00	242.47	81906	1071	19,859,864.00	3.35	0.50
21 October 2004	243.50	244.00	240.50	241.90	241.97	39220	702	9,490,213.00	3.50	-1.60

* Spread
H - L -> High - Low
C - O -> Close - Open

Scrip Code:500315 **Company:**:Oriental Bank **For the Period**:21-Aug-2004 to 21-Sep-2004

Date	Open Price	High Price	Low Price	Close Price	Weighted Average Price	No. of Shares	No. of Trades	Total Turnover (Rs.)	* Spread (Rs.)	
									H - L	C - O
23 August 2004	229.90	229.90	215.85	221.30	220.63	305056	3452	67,305,675.00	14.05	-8.60
24 August 2004	220.40	225.50	220.40	223.20	223.79	114886	1241	25,710,899.00	5.10	2.80
25 August 2004	223.10	229.35	223.00	227.15	227.01	124028	1440	28,155,106.00	6.35	4.05
26 August 2004	226.30	231.30	226.30	228.35	228.42	182913	1840	41,780,682.00	5.00	2.05
27 August 2004	231.00	234.50	228.50	232.15	232.08	221122	2128	51,318,781.00	6.00	1.15
30 August 2004	233.00	235.65	230.00	232.65	233.03	250130	1545	58,288,396.00	5.65	-0.35
31 August 2004	235.00	237.00	230.25	232.90	232.83	271448	2050	63,200,615.00	6.75	-2.10
1 September 2004	233.30	236.50	231.10	235.90	233.75	629185	3483	147,070,992.00	5.40	2.60
2 September 2004	237.45	238.85	232.20	233.05	235.61	495722	3334	116,797,397.00	6.65	-4.40
3 September 2004	235.05	238.95	233.00	237.80	235.64	950787	5337	224,041,278.00	5.95	2.75
6 September 2004	239.45	243.40	237.35	238.30	240.70	339200	3741	81,645,352.00	6.05	-1.15
7 September 2004	239.10	245.00	236.65	244.35	241.80	406532	4040	98,298,540.00	8.35	5.25
8 September 2004	244.95	246.65	241.75	242.45	243.27	255040	2225	62,042,751.00	4.90	-2.50
9 September 2004	243.45	243.45	235.50	238.05	239.30	138516	1347	33,146,680.00	7.95	-5.40
10 September 2004	238.00	239.80	234.00	238.35	236.94	99804	1245	23,647,733.00	5.80	0.35
13 September 2004	235.65	238.25	233.00	236.10	235.93	128966	1357	30,427,065.00	5.25	0.45
14 September 2004	236.50	237.80	236.00	236.55	236.38	88234	804	20,856,699.00	1.80	0.05
15 September 2004	239.40	240.90	236.00	236.25	237.33	137429	1261	32,616,356.00	4.90	-3.15
16 September 2004	237.00	242.00	234.10	240.75	238.20	121804	1205	29,013,595.00	7.90	3.75
17 September 2004	242.90	245.00	241.00	242.80	242.88	185083	2023	44,953,210.00	4.00	-0.10
20 September 2004	242.80	243.00	237.75	240.00	240.18	221733	2786	53,254,837.00	5.25	-2.80
21 September 2004	240.60	242.40	236.50	240.85	237.15	1978601	2807	469,234,450.00	5.90	0.25

* Spread
H - L -> High - Low
C - O -> Close - Open

Scrip Code:500315 **Company**::Oriental Bank **For the Period**:20-Jul-2004 to 20-Aug-2004

Date	Open Price	High Price	Low Price	Close Price	Weighted Average Price	No. of Shares	No. of Trades	Total Turnover (Rs.)	* Spread (Rs.)	
									H - L	C - O
20 July 2004	250.00	258.40	246.80	254.95	253.08	234361	3495	59,311,079.00	11.60	4.95
21 July 2004	257.00	264.00	255.00	260.10	260.04	270331	3474	70,297,915.00	9.00	3.10
22 July 2004	264.20	269.50	262.65	264.90	266.76	270662	3456	72,200,500.00	6.85	0.70
23 July 2004	266.95	268.00	257.50	262.85	262.10	251514	3180	65,921,404.00	10.50	-4.10
26 July 2004	257.00	283.00	247.25	267.20	268.91	3923326	31298	1,055,025,740.00	35.75	10.20
27 July 2004	270.00	273.50	245.10	246.95	257.19	1963195	16021	504,905,500.00	28.40	- 23.05
28 July 2004	240.10	250.85	238.10	242.20	245.09	2309925	17488	566,146,014.00	12.75	2.10
29 July 2004	244.00	246.55	239.60	241.65	242.95	638076	6267	155,020,507.00	6.95	-2.35
30 July 2004	241.70	244.90	237.15	239.30	240.12	711150	7354	170,760,742.00	7.75	-2.40
2 August 2004	242.00	244.00	237.50	239.15	239.52	628397	4161	150,516,563.00	6.50	-2.85
3 August 2004	240.70	242.75	234.60	236.60	239.41	495370	5690	118,598,374.00	8.15	-4.10
4 August 2004	236.00	237.50	232.50	235.00	234.56	313237	3627	73,472,608.00	5.00	-1.00
5 August 2004	235.25	243.50	235.25	241.80	240.58	419028	4635	100,809,508.00	8.25	6.55
6 August 2004	243.00	245.80	238.70	240.40	241.81	448006	5274	108,333,536.00	7.10	-2.60
9 August 2004	240.00	242.50	235.50	241.55	240.76	231009	2455	55,617,486.00	7.00	1.55
10 August 2004	241.75	245.00	238.50	240.90	241.64	278506	3205	67,299,204.00	6.50	-0.85
11 August 2004	241.50	241.50	235.60	237.10	239.47	326822	2372	78,263,724.00	5.90	-4.40
12 August 2004	235.00	238.90	234.00	235.25	235.71	178490	1945	42,072,582.00	4.90	0.25
13 August 2004	234.00	235.50	227.50	232.30	230.68	508751	4478	117,358,950.00	8.00	-1.70
16 August 2004	234.20	235.70	231.00	233.85	233.89	126728	2026	29,640,050.00	4.70	-0.35
17 August 2004	235.95	237.90	231.05	233.00	233.88	837017	2471	195,762,630.00	6.85	-2.95
18 August 2004	233.00	234.45	229.00	229.85	232.00	111477	1440	25,862,121.00	5.45	-3.15
19 August 2004	230.00	232.50	227.25	231.30	229.83	107087	1792	24,611,987.00	5.25	1.30
20 August 2004	232.00	232.00	226.25	227.50	228.36	68177	1084	15,568,901.00	5.75	-4.50

* Spread
H - L -> High - Low
C - O -> Close - Open

Scrip Code:180 **Company:**:HDFC BANK LT **For the Period**:26-Nov-1999 to 26-Dec-1999

Date	Open Price	High Price	Low Price	Close Price	Weighted Average Price	No. of Shares	No. of Trades	Total Turnover (Rs.)	* Spread (Rs.) H - L	* Spread (Rs.) C - O
26 November 1999	93.00	99.35	93.00	99.35	97.06	444546	1030	43,149,713.00	6.35	6.35
29 November 1999	103.90	107.25	103.10	107.25	106.72	389542	703	41,572,395.00	4.15	3.35
30 November 1999	110.00	115.80	110.00	115.80	114.83	296601	848	34,058,674.00	5.80	5.80
1 December 1999	119.00	125.05	113.00	122.00	119.53	867901	2974	103,739,543.00	12.05	3.00
2 December 1999	124.00	131.75	124.00	131.75	129.87	532286	1898	69,127,111.00	7.75	7.75
3 December 1999	135.00	142.25	135.00	142.25	140.18	401575	1485	56,293,820.00	7.25	7.25
6 December 1999	145.25	153.60	145.25	153.60	152.20	761995	2394	115,979,021.00	8.35	8.35
7 December 1999	157.80	161.80	148.00	154.00	155.02	1081871	4138	167,712,724.00	13.80	-3.80
8 December 1999	155.00	157.00	143.00	151.00	148.72	719776	2685	107,043,923.00	14.00	-4.00
9 December 1999	150.50	163.05	145.50	161.05	157.17	948633	3604	149,096,973.00	17.55	10.55
10 December 1999	161.90	166.00	153.90	158.70	158.43	509687	2318	80,747,987.00	12.10	-3.20
13 December 1999	158.90	160.00	152.50	156.00	155.78	374368	1331	58,319,769.00	7.50	-2.90
14 December 1999	156.50	158.00	151.10	153.40	153.71	400114	1483	61,502,262.00	6.90	-3.10
15 December 1999	155.90	165.65	147.75	165.65	162.16	526491	1544	85,376,429.00	17.90	9.75
16 December 1999	174.80	178.85	172.90	178.85	178.03	337136	649	60,019,496.00	5.95	4.05
17 December 1999	184.40	192.80	182.00	186.50	186.46	513773	2069	95,800,120.00	10.80	2.10
20 December 1999	189.95	189.95	175.10	177.00	181.06	306788	1494	55,545,806.00	14.85	-12.95
21 December 1999	177.00	178.00	172.15	177.00	175.29	224674	954	39,382,718.00	5.85	0.00
22 December 1999	177.00	184.00	175.50	175.70	178.85	180261	840	32,239,921.00	8.50	-1.30
23 December 1999	177.00	178.00	167.00	168.00	171.99	145061	806	24,949,444.00	11.00	-9.00
24 December 1999	169.00	169.00	158.00	160.50	161.64	220565	954	35,651,913.00	11.00	-8.50

* Spread
H - L -> High - Low
C - O -> Close - Open

7.4. *Yearly Results (Pre merger & Post merger)*

HDFC Bank

Yearly Results ------------------ in Rs. Cr. ------------------

	Mar '97	Mar '98	Mar '99	Mar '00	Mar '01
Sales Turnover	**161.74**	**240.80**	**376.08**	**679.87**	**1,259.46**
Other Income	31.59	62.01	68.07	125.35	185.53
Total Income	**193.33**	**302.81**	**444.15**	**805.22**	**1,444.99**
Total Expenses	**41.84**	**60.22**	**83.10**	**209.63**	**376.18**
Operating Profit	**119.90**	**180.58**	**292.98**	**470.24**	**883.28**
Profit On Sale Of Assets	--	--	--	--	--
Profit On Sale Of Investments	--	--	--	--	--
Gain/Loss On Foreign Exchange	--	--	--	--	--
VRS Adjustment	--	--	--	--	--
Other Extraordinary Income/Expenses	--	--	--	--	--
Total Extraordinary Income/Expenses	--	--	--	--	--
Tax On Extraordinary Items	--	--	--	--	--
Net Extra Ordinary Income/Expenses	--	--	--	--	--
Gross Profit	**151.49**	**242.59**	**361.05**	**595.59**	**1,068.81**
Interest	87.18	137.55	229.18	374.28	753.75
PBDT	64.31	105.04	131.87	221.31	315.06
Depreciation	6.28	10.69	15.02	26.46	--
Depreciation On Revaluation Of Assets	--	--	--	--	--
PBT	58.03	94.35	116.85	194.85	315.06
Tax	17.53	31.20	34.45	74.81	104.94
Net Profit	**40.50**	**63.15**	**82.40**	**120.04**	**210.12**
Prior Years Income/Expenses	--	--	--	--	--
Depreciation for Previous Years Written Back/ Provided	--	--	--	--	--
Dividend	--	--	--	--	--
Dividend Tax	--	--	--	--	--
Dividend (%)	**--**	**--**	**--**	**--**	**--**
Earnings Per Share	**2.03**	**3.16**	**4.12**	**4.93**	**8.63**
Book Value	--	--	--	--	--
Equity	200.00	200.00	200.00	243.28	243.60
Reserves	43.98	85.13	138.93	508.24	669.49
Face Value	10.00	10.00	10.00	10.00	10.00

Source : Asian CERC

ICICI Bank

Yearly Results ------------------ in Rs. Cr. ------------------

	Mar '98	Mar '99	Mar '00	Mar '01	Mar '02
Sales Turnover	**259.70**	**544.05**	**852.87**	**1,242.13**	**2,151.93**
Other Income	85.05	93.87	194.05	220.34	574.66
Total Income	**344.75**	**637.92**	**1,046.92**	**1,462.47**	**2,726.59**
Total Expenses	**93.38**	**97.74**	**141.36**	**398.28**	**877.87**
Operating Profit	**166.32**	**446.31**	**711.51**	**843.85**	**1,274.06**
Profit On Sale Of Assets	--	--	--	--	--
Profit On Sale Of Investments	--	--	--	--	--
Gain/Loss On Foreign Exchai	--	--	--	--	--
VRS Adjustment	--	--	--	--	--
Other Extraordinary Income/Expenses	--	--	--	--	--
Total Extraordinary Income/Expenses	--	--	--	--	--
Tax On Extraordinary Items	--	--	--	--	--
Net Extra Ordinary Income/Expenses	--	--	--	--	--
Gross Profit	**251.37**	**540.18**	**905.56**	**1,064.19**	**1,848.72**
Interest	136.44	425.51	666.95	837.67	1,558.92
PBDT	114.93	114.67	238.61	226.52	289.80
Depreciation	28.27	17.53	24.79	--	--
Depreciation On Revaluation Assets	--	--	--	--	--
PBT	86.66	97.14	213.82	226.52	289.80
Tax	36.44	33.78	108.52	65.42	31.50
Net Profit	**50.22**	**63.36**	**105.30**	**161.10**	**258.30**
Prior Years Income/Expenses	--	--	--	--	--
Depreciation for Previous Yea Written Back/ Provided	--	--	--	--	--
Dividend	--	--	--	--	--
Dividend Tax	--	--	--	--	--
Dividend (%)	**--**	**--**	**--**	**--**	**--**
Earnings Per Share	**3.04**	**3.84**	**5.35**	**7.31**	**4.22**
Book Value	--	--	--	--	--
Equity	165.00	165.00	196.82	220.36	612.55
Reserves	101.75	143.33	952.69	1,092.26	5,632.41
Face Value	10.00	10.00	10.00	10.00	10.00

Source : Asian CERC

Bank of Madura

Yearly Results	------------------ in Rs. Cr. ------------------				
	Mar '96	Mar '97	Mar '98	Mar '99	Mar '00
Sales Turnover	**53.38**	**78.51**	**80.92**	**68.05**	**370.21**
Other Income	51.56	52.15	88.78	98.57	98.72
Total Income	**104.94**	**130.66**	**169.70**	**166.62**	**468.93**
Total Expenses	**79.81**	**83.81**	**110.29**	**105.89**	**107.39**
Operating Profit	**-26.43**	**-5.30**	**-29.37**	**-37.84**	**262.82**
Profit On Sale Of Assets	--	--	--	--	--
Profit On Sale Of Investments	--	--	--	--	--
Gain/Loss On Foreign Exchange	--	--	--	--	--
VRS Adjustment	--	--	--	--	--
Other Extraordinary Income/Expenses	--	--	--	--	--
Total Extraordinary Income/Expenses	--	--	--	--	--
Tax On Extraordinary Items	--	--	--	--	--
Net Extra Ordinary Income/Expenses	--	--	--	--	--
Gross Profit	**25.13**	**46.85**	**59.41**	**60.73**	**361.54**
Interest	--	--	--	--	266.09
PBDT	25.13	46.85	59.41	60.73	95.45
Depreciation	14.00	20.67	25.22	30.60	--
Depreciation On Revaluation Of Assets	--	--	--	--	--
PBT	11.13	26.18	34.19	30.13	95.45
Tax	--	--	--	--	49.87
Net Profit	**11.13**	**26.18**	**34.19**	**30.13**	**45.58**
Prior Years Income/Expenses	--	--	--	--	--
Depreciation for Previous Years Written Back/ Provided	--	--	--	--	--
Dividend	--	--	--	--	--
Dividend Tax	--	--	--	--	--
Dividend (%)	**--**	**--**	**--**	**--**	**--**
Earnings Per Share	**9.59**	**22.55**	**29.05**	**25.60**	**38.73**
Book Value	--	--	--	--	--
Equity	11.61	11.61	11.77	11.77	11.77
Reserves	90.41	112.13	141.41	165.66	203.93
Face Value	10.00	10.00	10.00	10.00	10.00

Source : Asian CERC

Oriental Bank of Commerce

Yearly Results ------------------ in Rs. Cr. ------------------

	Mar '02	Mar '03	Mar '04	Mar '05	Mar '06
Sales Turnover	**3,040.47**	**3,294.69**	**3,300.54**	**3,571.90**	**4,118.92**
Other Income	473.91	540.97	721.71	505.20	552.77
Total Income	**3,514.38**	**3,835.66**	**4,022.25**	**4,077.10**	**4,671.69**
Total Expenses	**876.55**	**1,010.21**	**1,031.91**	**1,195.88**	**1,192.94**
Operating Profit	**2,163.92**	**2,284.48**	**2,268.63**	**2,376.02**	**2,925.98**
Profit On Sale Of Assets	--	--	--	--	--
Profit On Sale Of Investments	--	--	--	--	--
Gain/Loss On Foreign Exchange	--	--	--	--	--
VRS Adjustment	--	--	--	--	--
Other Extraordinary Income/Expenses	--	--	--	--	--
Total Extraordinary Income/Expenses	--	--	--	--	-246.00
Tax On Extraordinary Items	--	--	--	--	--
Net Extra Ordinary Income/Expenses	--	--	--	--	--
Gross Profit	**2,637.83**	**2,825.45**	**2,990.34**	**2,881.22**	**3,478.75**
Interest	2,068.40	2,089.94	1,844.74	2,048.22	2,513.85
PBDT	569.43	735.51	1,145.60	833.00	964.90
Depreciation	--	--	--	--	--
Depreciation On Revaluation Of Assets	--	--	--	--	--
PBT	569.43	735.51	1,145.60	833.00	964.90
Tax	248.88	278.56	459.53	72.19	161.74
Net Profit	**320.55**	**456.95**	**686.07**	**760.81**	**803.16**
Prior Years Income/Expenses	--	--	--	--	--
Depreciation for Previous Years Written Back/ Provided	--	--	--	--	--
Dividend	--	--	--	--	--
Dividend Tax	--	--	--	--	--
Dividend (%)	**--**	**--**	**--**	**--**	**--**
Earnings Per Share	**16.65**	**23.73**	**35.63**	**39.51**	**32.06**
Book Value	--	--	--	--	--
Equity	192.54	192.54	192.54	192.54	250.54
Reserves	1,427.19	1,916.80	2,484.26	3,134.47	4,920.24
Face Value	10.00	10.00	10.00	10.00	10.00

Source : Asian CERC

Centurion Bank of Punjab

Yearly Results	------------------ in Rs. Cr. ------------------				
	Mar '03	Mar '04	Mar '05	Mar '06	Mar '07
Sales Turnover	**371.34**	**333.79**	**346.09**	**803.20**	**1,268.53**
Other Income	79.88	62.98	64.46	248.86	405.44
Total Income	**451.22**	**396.77**	**410.55**	**1,052.06**	**1,673.97**
Total Expenses	**207.25**	**265.00**	**217.23**	**623.03**	**791.45**
Operating Profit	**164.09**	**68.79**	**128.86**	**180.17**	**477.08**
Profit On Sale Of Assets	--	--	--	--	--
Profit On Sale Of Investments	--	--	--	--	--
Gain/Loss On Foreign Exchange	--	--	--	--	--
VRS Adjustment	--	--	--	--	--
Other Extraordinary Income/Expenses	--	--	--	--	--
Total Extraordinary Income/Expenses	--	--	--	62.51	--
Tax On Extraordinary Items	--	--	--	--	--
Net Extra Ordinary Income/Expenses	--	--	--	--	--
Gross Profit	**243.97**	**131.77**	**193.32**	**429.03**	**882.52**
Interest	269.30	203.82	168.21	404.43	698.95
PBDT	-25.33	-72.05	25.11	24.60	183.57
Depreciation	--	--	--	--	--
Depreciation On Revaluation Of Assets	--	--	--	--	--
PBT	-25.33	-72.05	25.11	24.60	183.57
Tax	0.03	33.09	--	-0.69	62.19
Net Profit	**-25.36**	**-105.14**	**25.11**	**25.29**	**121.38**
Prior Years Income/Expenses	--	--	--	--	--
Depreciation for Previous Years Written Back/ Provided	--	--	--	--	--
Dividend	--	--	--	--	--
Dividend Tax	--	--	--	--	--
Dividend (%)	**--**	**--**	**--**	**--**	**--**
Earnings Per Share	**--**	**--**	**0.25**	**0.18**	**0.77**
Book Value	--	--	--	--	--
Equity	152.47	56.75	101.32	140.83	156.69
Reserves	-132.31	48.10	367.25	776.93	1,214.90
Face Value	10.00	10.00	1.00	1.00	1.00

Source : Asian CERC

Bank of Punjab

Yearly Results	------------------ in Rs. Cr. ------------------				
	Mar '01	Mar '02	Mar '03	Mar '04	Mar '05
Sales Turnover	**340.41**	**363.18**	**353.39**	**339.94**	**328.60**
Other Income	42.82	117.30	134.84	132.42	69.06
Total Income	**383.22**	**480.48**	**488.23**	**472.36**	**397.66**
Total Expenses	**115.34**	**149.48**	**194.43**	**214.50**	**289.42**
Operating Profit	**225.07**	**213.70**	**158.96**	**125.44**	**39.18**
Profit On Sale Of Assets	--	--	--	--	--
Profit On Sale Of Investments	--	--	--	--	--
Gain/Loss On Foreign Exchange	--	--	--	--	--
VRS Adjustment	--	--	--	--	--
Other Extraordinary Income/Expenses	--	--	--	--	--
Total Extraordinary Income/Expenses	--	--	--	--	--
Tax On Extraordinary Items	--	--	--	--	--
Net Extra Ordinary Income/Expenses	--	--	--	--	--
Gross Profit	**267.89**	**331.00**	**293.80**	**257.86**	**108.24**
Interest	227.06	273.07	254.61	211.82	193.68
PBDT	40.83	57.92	39.19	46.05	-85.43
Depreciation	--	--	--	--	--
Depreciation On Revaluation Of Assets	--	--	--	--	--
PBT	40.83	57.92	39.19	46.05	-85.43
Tax	6.01	22.20	7.35	9.05	-24.19
Net Profit	**34.82**	**35.72**	**31.84**	**37.00**	**-61.24**
Prior Years Income/Expenses	--	--	--	--	--
Depreciation for Previous Years Written Back/ Provided	--	--	--	--	--
Dividend	--	--	--	--	--
Dividend Tax	--	--	--	--	--
Dividend (%)	**--**	**--**	**--**	**--**	**--**
Earnings Per Share	**3.32**	**3.40**	**3.03**	**3.52**	**--**
Book Value	--	--	--	--	--
Equity	105.00	105.00	105.00	105.00	105.00
Reserves	74.31	86.34	109.58	--	79.25
Face Value	10.00	10.00	10.00	10.00	10.00

Source : Asian CERC