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FINANCIAL PERFORMANCE ANALYSIS IN BANKING SECTOR – A PRE & POST MERGER PERSPECTIVE

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ABSTRACT

The banking sector is one of the most important instrument of the national development, occupies a unique place in a nation's economy. Economic development of the country is evident through the soundness of the banking system. Deregulation in the financial market, market liberalization, economic reforms have witnessed astounding changes in banking industry leading to incredible competitiveness and technological sophistication leading to a new era of in banking. Since then, every bank is relentless in their endeavor to become financial strong and operationally efficient and effective.

The current paper evaluates the performance of the selected two banks based on the financial ratios from the perspective of pre and post merger. To analyze the impact of merger paired t-test was applied to the various financial ratios for before and after merger data. Based on the analysis of Indian overseas bank data, it can be concluded that Net profit margin, Operating profit margin, Return on capital employed, Return on equity and Debt-Equity ratio there is significant difference but no significant difference with respect to Gross profit margin. Based on the analysis of HDFC bank data it can be concluded that Net profit margin, Operating profit margin, Return on capital employed, Return on equity and Debt-Equity ratio there is no significant difference in these ratios before after merger. But significant difference with respect to Gross profit margin.

INTRODUCTION

The banking sector is one of the most important instrument of the national development, occupies a unique place in a nation's economy. Economic development of the country is evident through the soundness of the banking system. Deregulation in the financial market, market liberalization, economic reforms have witnessed astounding changes in banking industry leading to incredible competitiveness and technological sophistication leading to a new era of in banking. Since then, every bank is relentless in their endeavor to become financial strong and operationally efficient and effective. Indian banks are the dominant financial intermediaries in India and have made good progress during the global financial crisis; it is evident from its annual credit growth, profitability and trends in NPAs.

Companies' growth is possible in two ways, organic or inorganic. Organic growth is also referred as internal growth, occurs when the company grows from its own business activity using funds from one year to expand the company the following year. Such growth is a gradual process spread over a few years but firms want to grow faster. Inorganic growth is referred as external growth and considered as a faster way to grow which is most preferred.

Inorganic growth occurs when the company grows by merger or acquisition of another business. The main motive behind the Merger is to create synergy, that is one plus one is more than two and this rationale beguile the companies for merger at tough times. Merger and Acquisitions help the companies in getting the benefits of greater market share and cost efficiency. For expanding the operations and cutting costs, Banks are using Merger and Acquisitions as a strategy for achieving larger size, increased market share, faster growth, and synergy for becoming more competitive through economies of scale.

Mergers and Acquisition in Indian Banking Sector

The Banking system of India started in 1770 and the first Bank was the Indian Bank known as the Bank of Hindustan. Later on, some more banks like the Bank of Bombay-1840, the Bank of Madras-1843 and the Bank of Calcutta-1840 were established under the charter of British East India Company. These Banks were merged in 1921 and took the form of a new bank known as the Imperial Bank of India. For the development of banking facilities in the rural areas the Imperial Bank of India partially nationalized on 1 July 1955, and named as the State Bank of

India along with its 8 associate banks (at present 7). Later on, the State Bank of Bikaner and the State Bank of Jaipur merged and formed the State Bank of Bikaner and Jaipur.

The Indian banking sector can be divided into two eras, the pre liberalization era and the post liberalization era. In pre liberalization era government of India nationalized 14 Banks on 19 July 1969 and later on 6 more commercial Banks were nationalized on 15 April 1980. In the year 1993 government merged The New Bank of India and The Punjab National Bank and this was the only merger between nationalized Banks, after that the numbers of nationalized Banks reduced from 20 to 19. In post liberalization regime, government had initiated the policy of liberalization and licenses were issued to the private banks, which lead to the growth of Indian Banking sector. The second Narasimham Committee (1998) had suggested mergers among strong banks, both in the public and private sectors. The facts and figures of mergers in Indian banking sector is as follows. During pre-nationalization period from 1961 to 1968, 46 mergers have taken place, in the nationalized period from 1969 to 1992 the number of mergers were 13. During the post reform period i.e. starting from 1993 to 2006, 21 mergers have taken place out which 13 were forced mergers, 5 were voluntary merger, 2 were convergence of financial institution in to bank and 1 was due other regulatory compulsions.

The Indian Banking Industry shows a sign of improvement in performance and efficiency after the global crisis in 2008-09. The Indian Banking Industry is having far better position than it was at the time of crisis. Government has taken various initiatives to strengthen the financial system. The economic recovery gained strength on the back of various monetary policy initiatives taken by the Reserve Bank of India.

REVIEW OF LITERATURE

Past academic studies examined impact of merger in banking sector by adopting one of the two following competing approaches. The first approach relates to long-term evaluation i.e. performance resulting from mergers by analyzing the accounting information such as return on capital, profitability ratios and efficiency ratios. An alternative approach is to analyze the merger gains in stock price performance of the bidder and the target firms around the announcement event. In such case a merger is assumed to create value if the combined value of the bidder and target banks increases on the announcement of the merger and the consequent stock prices reflect potential net present value of acquiring banks. The current paper follows the former method and tries to find some empirical evidence for the same.

Azhagaiah & Kumar (2011), in their study tested hypothesis concerning whether there is significant improvement in the corporate performance of Indian manufacturing corporate firms following the merger event using paired t-test. The study findings indicate that Indian corporate firms involved in M&A have achieved an increase in the liquidity position, operating performance, profitability, and reduce financial and operating risk. In another study they examined a sample consisting of 20 acquiring firms during the period 2007. They concluded that corporate firms in India appear to have performed better financially after the merger, as compared to their performance in the pre-merger period.

Azhagaiah and Sathish Kumar (2011), in their study related to short-run profitability of acquirer firms in India, selected 10 acquiring firms from chemical industry evaluated them based ratios such as Gross profit ratio, Operating profit ratio and Net profit ratio. Based on 3 years data before and after merger they concluded that there has been an increase in OPR, GPR, and NPR. The study finally indicates that there is a significant positive impact of M&A on the short-run post-merger profitability of acquirer firms of the chemical industry in India.

Antony Akhil (2011), in an analysis *"Post-merger profitability of selected banks in India"* examined the impact of the banks merged in India from 1999 to 2011. Between 1999 and 2011, around 18 M&A took place in the Indian banking sector. The study samples were six acquirer banks selected, three of them were public sector banks and three were private sector banks. The study used paired t-test. The study findings indicate that there is a significant difference in the profitability ratios, like (growth of total assets ratio, growth of net profit ratio, return on assets ratio, return on equity ratio, and net interest margin ratio) of banks in the post-merger scenario.

Deo and Shah (2011), in a work entitled *"Shareholder wealth effects to merger announcements in Indian industry"* addressed the financial implications of the acquirer and target shareholders wealth in the Indian information technology industry (IT) that occurred from January 2000 to June 2010. The study which consisted of a sample of 28 merger announcements both by independent and controlling bidder firms, applied a constant market model to evaluate acquirer and target shareholders wealth. The study findings indicate that merger announcements in the IT sector have no significant impact on the bidder portfolio. M&A create significant positive abnormal returns for target shareholders only.

Dutta and Dawn (2012), in a paper "Merger and acquisitions in Indian banks after liberalisation: An analysis" investigates the performance of merged banks in terms of its growth of total assets, profits, revenue, deposits, and number of employees. The performance of merged banks is compared taking four years of prior-merger and four years of post-merger. The study findings indicate that the post-merger periods were successful and saw a significant increase in total assets, profits, revenue, deposits, and in the number of employees of the acquiring firms of the banking industry in India.

A book titled, "Mergers & Acquisitions in the Banking Sector -The Indian Scenario", written by Selvam. M (2007) has analyzed the implications of stock price reactions to mergers and acquisitions activities taken place in banking industry with special reference to private and public sector banks. He concluded that the share prices are market sensitive and majority of the banks went for branch expansion and this has affected profitability to some extent and it resulted in unhealthy competition among the players.

Pramod & Reddy (2007) evaluated that the impact of merger on the operating performance of acquiring firms in different industries by using pre and post financial ratio to examine the effect of merger on firms. They selected all mergers involved in public limited and traded companies in India between 1991 and 2003, result suggested that there were little variation in terms of impact as operating performance after mergers. They concluded that particularly banking and finance industry had a slightly positive impact on profitability. Nevertheless, pharmaceutical, textiles and electrical equipments sector and showed the marginal negative impact on operative performance. However, some of the industries had a significant decline in terms of both profitability and return on investment and assets after merger.

Tambi (2005) evaluated the impact of mergers on the performance of a corporation of India. However, the theoretical assumption says that mergers improve the overall performance of the company due to increased market power and synergy impacts. He has evaluated selected banks using three parameters – PBITDA, PAT and ROCE - for any change in their before and after values by comparison of means using t-test. The results of his study indicate that mergers have failed to contribute positively.

Vardhana Pawaskar (2001) studied the impact of mergers on corporate performance. It compared the pre- and post- merger operating performance of the corporations involved in merger between 1992 and 1995 to identify their financial characteristics. The study identified the profile of the profits. The regression analysis explained that there was no increase in the post- merger profits. The study of a sample of firms, restructured through mergers, showed that the merging firms were at the lower end in terms of growth, tax and liquidity of the industry. The merged firms performed better than industry in terms of profitability.

Based on the above review of literature the following hypothesis is developed so as to test it.

HYPOTHESIS

Mergers and Acquisition improves the financial performance of the banks.

OBJECTIVES OF THE STUDY

1. To analyze the impact of merger of Bharat Overseas Bank on the financial performance of Indian Overseas Bank.
2. To analyze the impact of merger of Centurian Bank of Punjab on the financial performance of HDFC Bank.

SCOPE OF THE STUDY

The current study chose one public sector bank and one private sector bank to evaluate the financial performance of banks from the perspective of pre and post merger. The public sector bank Indian Overseas Bank and Bharat Overseas Bank, has been evaluated taking in to consideration four years pre and post merger. The private sector HDFC bank and Centurian Bank of Punjab has been evaluated taking in to consideration three years pre and post merger.

RESEARCH METHODOLOGY

The performance of the banks has been evaluated based on the following financial measures:

- Gross Profit Margin = Gross Profit/Sales × 100
- Net Profit Margin = Net Profit/Sales × 100
- Operating Profit Margin = Operating Profit/Sales × 100
- Return on Capital Employed (ROCE) =Net Profit/Total Assets × 100
- Return on Equity (ROE) =Net Profit/Equity Share Holder's Funds × 100
- Debt Equity Ratio = Total Debt/ Share Holder Equity

To analyze the impact of merger, pre and post merger data of the above ratios is considered excluding the year of merger in each case.

Paired t-test: is applied to find whether there is significant difference in ratios before and after merger of the selected two banks

Source of Information: The data is collected from the website www.moneycontrol.com.

Merger of the Indian Overseas Bank (acquirer bank) and Bharat Overseas Bank (acquired bank) on 31 Mar, 2007

About Indian Overseas Bank: Indian Overseas Bank (IOB) was founded on 10th February 1937 by Shri M Ct M Chidambaram Chettyar, with the twin objectives of specialising in foreign exchange business and overseas banking, with 3 branches at Chennai, Karaikudi and Rangoon. It was nationalized in the year 1969 having 208 with an asset mix of Rs.156 crores. In the year 2000 IOB has tied up with Dabur-All State Insurance to market the joint venture's life insurance products. Merger of Bharat overseas bank with IOB is of first of its kind as the merger was between public sector bank and private sector bank. Bharat Overseas Bank was originally designed to anchor Indian banks' overseas operations. The provocation was the Thai government asking Indian Overseas Bank to close its Bangkok branch in 1969 after its nationalisation. The government withstood the Thai pressure for four years and in 1973, following an RBI initiative, six private banks teamed up with Indian Overseas Bank to form Bharat Overseas Bank. Indian Overseas Bank owns 30 per cent in Bharat Overseas Bank. The other stockholders with their respective proportion of holding is as follows. Bank of Rajasthan -16%, Vysya Bank -14.66%, Federal Bank - 10.67%, Karur Vysya Bank 10%, South Indian Bank -10 and Karnataka Bank - 8.67%. The Indian government has now reached an understanding with Thailand. The RBI has allowed Krung Thai Bank Public Co to set up shop in India and Thailand is ready to reciprocate the gesture. So, there will be no problem in Indian Overseas Bank taking over Bharat Overseas Bank. RBI norms require commercial banks to have an equity base of Rs 300 crore. Besides, they must have a diversified holding with no single entity owning more than a 5 per cent stake. In March 2005, Indian Overseas Bank had an asset base of Rs 50,815 crore and capital of Rs 544.80 crore. Bharat Overseas Bank's asset base is Rs 3,214 crore on a capital base of Rs 15.75 crore. Its net worth is, however, Rs 198.39 crore against Indian Overseas Bank' Rs 2,575 crore.

The current status of IOB as on March 31, 2012 is, the Total income stood at Rs 19,578.13 crore as against Rs 13,326.56 crore registered during the same period last financial year. For the full year, the total business grew by 24 per cent to Rs 3,21,707 crore from Rs 2,59,020 crore. IOB has planned to achieve total business of Rs 3,85,000 crore to Rs 4,00,000 lakh crore this fiscal. IOB has more than 2650 domestic branches, 3 extension counters. Indian

Overseas Bank has an ISO certified in-house Information Technology department, which has developed the software that 2650 branches use to provide online banking to customers; the bank has achieved 100% networking status as well as 100% CBS status for its branches. IOB also has a network of about 1433 ATMs all over India. It offers internet Banking and Mobile Banking and is one of the banks that the Govt. of India has approved for online payment of taxes.

Table 1. Financial Ratios of Indian Overseas Bank Pre & Post Merger

Financial Ratios	**Before merger 4 years**				**After merger 4 years**			
	As on 31Mar' 2003 (-4)	As on 31Mar '2004 (-3)	As on 31Mar' 2005 (-2)	As on 31Mar ' 2006 (-1)	As on 31Mar' 2008 (+1)	As on 31Mar' 2009 (+2)	As on 31Mar' 2010 (+3)	As on 31Mar' 2011 (+4)
Gross Profit Margin	77.4438	78.4867	77.6338	75.4544	87.1424	89.7961	79.4379	79.0634
Net Profit Margin	11.9366	13.6586	16.4858	17.7778	15.0891	13.7510	6.9000	8.8628
Operating Profit Margin	62.5294	58.7574	57.3971	58.9277	77.0069	73.9548	68.2796	68.9398
Return on Capital Employed	1.0111	1.0836	1.2818	1.3197	1.1803	1.0950	0.5392	0.5999
Return on Equity	93.5477	94.1189	119.5595	143.7849	220.6938	243.3535	129.7650	173.3339
Debt-Equity Ratio	83.3061	77.4817	82.2906	94.1005	166.4449	195.7859	219.8548	265.9945

Source: Financial statement of Indian Overseas Bank retrieved from moneycontrol.com

Analysis: The table 1 presents the data of various financial ratios of Indian overseas bank. In the pre merger scenario for the considered 4 years, the following financial ratios Gross profit margin, Operating profit margin and Debt equity ratio exhibited mixed trend but whereas the Net profit margin, Return on capital employed and Return on equity showed an increasing trend.

In the post merger scenario, it was observed that Gross profit margin, Net profit margin, Operating profit margin and Return on capital employed showed decreasing trend for the considered period but Return on equity and Debt equity ratio showed a mixed trend.

Table 2. Analysis of Financial Ratios of Indian Overseas Bank

		Mean	**S.D**	**t-value**	**p-value**
Gross Profit Margin	Pre	77.254	1.28	-2.147	0.121
	Post	83.859	5.43		
Net profit Margin	Pre	14.964	2.65	3.871	**0.031***
	Post	11.150	3.89		
Operating Profit Margin	Pre	59.402	2.19	-4.530	**0.020***
	Post	72.045	4.16		

Table 2. Analysis of Financial Ratios of Indian Overseas Bank (Contd…)

		Mean	S.D	t-value	p-value
Return on Capital Employed	Pre	1.174	0.15	3.362	**0.044***
	Post	0.853	0.33		
Return on Equity	Pre	112.752	23.98	-4.389	**0.022***
	Post	191.786	50.60		
Debt-Equity Ratio	Pre	84.294	7.13	-5.486	**0.012***
	Post	212.020	42.09		

Note: *Significant at 5 percent

Table 2 presents the descriptive statistics and analysis of the various ratios of Indian overseas bank. The average ratios of Gross profit margin, Operating profit margin, Return on equity and Debit equity ratio of post merger was found to be more compared before merger. This indicates that in the post merger scenario the financial performance of the Indian overseas bank has improved in terms of these ratios. However, the mean ratios of Net profit margin and Return on capital employed of post merger were found to be less compared to pre merger.

To know whether there is significant difference in the financial ratios before and after merger, paired t-test is applied using SPSS. The summary of the analysis presented in table 2. The Net profit margin, Operating profit margin, Return on capital employed, Return on equity and Debt-Equity ratio the p-value is less than 5 percent, it can be concluded that there is significant difference in these ratios before after merger. For Gross profit margin the p-value was greater than 5 percent so it can be concluded that there is no significant difference before and after merger.

Merger of HDFC bank Ltd. (acquirer bank) and Centurian Bank of Punjab (acquired bank) on 23 May, 2008

About HDFC Bank: In 1994, as a part liberalisation of banking industry by RBI the Housing Development Finance Corporation Limited (HDFC) was the first private bank to receive approval in principle. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited'. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995. The Bank provides a wide range of banking and financial services including commercial banking and treasury operations. The Bank has one overseas wholesale banking branch in Bahrain, a branch in Hong Kong and two representative offices in UAE and Kenya. The Bank has two subsidiary companies, namely HDFC Securities Ltd and HDB Financial Services Ltd. The Bank has three primary business segments, namely banking, wholesale banking and treasury. The retail banking segment serves retail customers through a branch network and other delivery channels. This segment raises deposits from customers and makes loans and provides other services with the help of specialist product groups to such customers. The wholesale banking segment provides loans, non-fund facilities and transaction services to corporate, public sector units, government bodies, financial institutions and medium-scale enterprises. The treasury segment includes net interest earnings on investments portfolio of the Bank. The Bank's shares are listed on the Bombay Stock Exchange Limited and The National Stock Exchange of India Ltd. The Bank's American Depository Shares (ADS) are listed on the New York Stock Exchange

(NYSE) and the Bank's Global Depository Receipts (GDRs) are listed on Luxembourg Stock Exchange.

In the year 1999, the Bank launched online, real-time Net Banking. In February 2000, Times Bank Ltd, owned by Bennett, Coleman & Co. / Times Group amalgamated with the Bank Ltd. This was the first merger of two private banks in India. The Bank was the first Bank to launch an International Debit Card in association with VISA (Visa Electron). In the year 2001, they started their Credit Card business. Also, they became the first private sector bank to be authorized by the Central Board of Direct Taxes (CBDT) as well as the RBI to accept direct taxes. During the year, the Bank made a strategic tie-up with a Bangalore-based business solutions software developer, Tally Solutions Pvt Ltd for developing and offering products and services facilitating on-line accounting and banking services to SMEs. During the year 2001-02 the bank was listed on the New York Stock Exchange. Also, they made the alliance with LIC for providing online payment of insurance premium to the customers. During the year 2006-07, they commenced direct lending to Self Help Groups. Also, they opened a dedicated branch for lending to SHGs, in Thudiyalur village (Tamil Nadu).

On May 23, 2008, the merger of Centurion Bank of Punjab with HDFC Bank which is considered as one of the biggest merger in domestic banking was formally approved by Reserve Bank of India to complete the statutory and regulatory approval process. The shareholders of Centurion Bank of Punjab received 1 share of HDFC Bank for every 29 shares of CBoP. The merger has been advantageous to HDFC Bank in terms of increased branch network, geographic reach, and customer base, and a bigger pool of skilled manpower. In October 2008, the bank opened their first overseas commercial branch in Bahrain. The branch offers the bank's suite of banking services including treasury and trade finance products for corporate clients and wealth management products for Non-resident Indians. As on 31st March, 2012 the authorized share capital of the Bank is Rs. 550 crore. The paid-up capital as on the said date is Rs. 469,33,76,540. The net profit is Rs. 5,167 crore, with Total deposits of Rs. 246,706 crore, and Total advances of Rs.195,420 crore. The bank is having a strong network with number of branches are 2544 of which 70% of bank branches are outside metro areas and 8913 ATMs in 1399 cities.

Analysis: The following table 3 presents the data of various financial ratios of HDFC bank. In the pre merger scenario for the considered 3 years, the following financial ratios Gross profit margin and showed a declining trend, Return on equity and Debit equity ratio exhibited increasing trend. However, Operating profit margin and Return on capital employed showed mixed trend.

Table 3. Financial Ratios of HDFC Bank

HDFC Bank	**Before Merger 3 years**			**After merger 3 years**		
	As on 31 Mar'2005 (-3)	As on 31 Mar'2006 (-2)	As on 31 Mar'2007 (-1)	As on 31 Mar'2009 (+1)	As on 31 Mar'2010 (+2)	As on 31 Mar'2011 (+3)
Gross Profit Margin	74.1718	71.1233	69.9402	74.7621	74.6645	76.2925
Net profit Margin	21.5148	19.4572	16.5690	13.7454	18.2322	19.7026
Operating Profit Margin	53.1167	46.0083	47.9309	54.6142	51.1214	54.5386

Table 3. Financial Ratios of HDFC Bank (Contd….)

HDFC Bank	Before Merger 3 years			After merger 3 years		
	As on 31 Mar'2005 (-3)	As on 31 Mar'2006 (-2)	As on 31 Mar'2007 (-1)	As on 31 Mar'2009 (+1)	As on 31 Mar'2010 (+2)	As on 31 Mar'2011 (+3)
Return on Capital Employed	1.2941	1.1846	1.2511	1.2249	1.3255	1.4156
Return on Equity	214.7799	278.0800	357.3843	527.7516	644.1844	843.9674
Debt-Equity Ratio	134.3883	192.7486	222.6535	342.0413	393.9357	479.2908

Source: Compilation from financial statement of Banks retrieved from moneycontrol.com

In the post merger scenario, it was observed that Gross profit margin, Net profit margin, Return on capital employed, Return on equity and Debt equity ratio showed increasing trend for the considered period of 3 years but Gross profit margin and Operating profit margin showed a mixed trend.

Table 4 presents the descriptive statistics and analysis of the various ratios of HDFC bank. The mean values of almost all the ratios Gross profit margin, Operating profit margin, Return on equity, Return on capital employed and Debit equity ratio except Net profit margin was found to be more after merger compared before merger. This indicates that in the post merger scenario the financial performance of HDFC bank has improved in terms of these ratios.

To know whether there is significant difference in the financial ratios before and after merger, paired t-test is applied using SPSS.

Table 4. Analysis of Financial Ratios of HDFC Bank

		Mean	Std. Deviation	t-value	p-value
Gross Profit Margin	Pre	71.745767	2.182425	-4.480	**0.046***
	Post	75.239700	0.913057		
Net profit Margin	Pre	19.180333	2.484497	4.185	0.053
	Post	17.226733	3.103269		
Operating Profit Margin	Pre	49.018633	3.676916	-2.825	0.106
	Post	53.424733	1.995103		
Return on Capital Employed	Pre	1.243267	0.055169	-1.492	0.274
	Post	1.322000	0.095398		
Return on Equity	Pre	283.414733	71.451720	-2.923	0.100
	Post	671.967800	159.928253		
Debt-Equity Ratio	Pre	183.263467	44.890558	-3.365	0.078
	Post	405.089167	69.301347		

Note: *Significant at 5 percent

Source: Financial statement of HDFC Bank retrieved from moneycontrol.com

The summary of the analysis presented in table 4. Except Gross profit margin all other ratios Net profit margin, Operating profit margin, Return on capital employed, Return on equity and Debt-Equity ratio the p-value is greater than 5 percent, it can be concluded that there is no significant difference in these ratios before after merger.

CONCLUSION

The banking industry is one of the rapidly growing industries in India. It has transformed itself from a sluggish business entity to a dynamic industry. The growth rate in this sector is remarkable and it has become the most preferred banking destinations for international investors. In the last two decades, there have been paradigm shift in Indian banking industries. The Indian banking sector is growing at an astonishing pace. A relatively new dimension in the Indian banking industry has accelerated through mergers and acquisitions. Mergers in banking sector are a form of horizontal merger because the merging entities are involved in the same kind of activity. By the way of Mergers and acquisitions in the banking sector, the banks can achieve significant growth in their operations, minimize their expenses to a considerable extent and also competition is reduced because merger eliminates competitors from the banking industry. Based on the analysis of 4 years pre and post merger financial ratios merger data of Indian overseas bank, it can be concluded that Net profit margin, Operating profit margin, Return on capital employed, Return on equity and Debt-Equity ratio there is significant difference but no significant difference with respect to Gross profit margin. Based on the analysis of 3 years financial ratios pre and merger data of HDFC bank data it can be concluded that Net profit margin, Operating profit margin, Return on capital employed, Return on equity and Debt-Equity ratio there is no significant difference in these ratios before after merger. However, significant difference with respect to Gross profit margin.

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