POST MERGER FINANCIAL PERFORMANCE ANALYSIS

OF HDFC BANK

Project Report

Submitted by

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Under the guidance of

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In partial fulfilment of requirements for award of the degree of
Bachelor of Commerce

ST. TERESA'S COLLEGE (AUTONOMOUS), ERNAKULAM
COLLEGE WITH POTENTIAL FOR EXCELLENCE
Nationally Re-Accredited at 'A++' Level (4th Cycle)

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CERTIFICATE

This is to certify that the project report titled **"POST MERGER FINANCIAL PERFORMANCE ANALYSIS OF HDFC BANK"** submitted by **HAFSA HUSSAIN E D, KARTHIKA P M, KRISHNAPRIYA P H** towards partial fulfilment of the requirements for the award of degree of Bachelor of Commerce is a record of Bonafide work carried out by them during the academic year 2023-24.

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DECLARATION

We, Hafsa Hussain E D, Karthika P M and Krishnapriya P H do hereby declare that this dissertation entitled**, "POST MERGER FINANCIAL PERFORMANCEANAYSIS OF HDFC BANK "** has been prepared by us under the guidance of Neena**,** Assistant Professor, Department of Commerce, St Teresa's College, Ernakulam.

We also declare that this dissertation has not been submitted by us fully or partly for the award of any Degree, Diploma, Title or Recognition before.

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Date: **KARTHIKA P M**

KRISHNAPRIYA P H

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1.1. INTRODUCTION

Because of the fast-Changing business world, many organizations face difficulty in attaining quality and superiority in the area of operations. The main aim of every business is to develop a high margin. The commercial growth of the organizations can be done internally and externally. The internal development of the organizations can be accomplished by the process of introducing or growing new products, by extending the limit of existing products, improving sales, replacing outdated technology etc. The external development can be accomplished by merging or acquiring the existing organizations. For external development, mergers and acquisition are very essential.

The mergers and acquisition deal are the most vital event in an organizations lifespan and has an important impact on the organization's activities and operations. The mergers and acquisitions transactions facilitate an organization to develop faster than other organizations that relay on the casual development, permit them to enter in to the new markets, create new customers, increase their extension by acquiring a set of complimentary items, purchase a series of R&D products, license, patents or trade innovations, maintain a downstream or upstream market by suppliers, decrease competitions, maintain the cost, maintain the access to capital etc.

The term merger is referred to the merging of two companies wherein one new company is formed. The term acquisition is the acquiring of assets by one company from another company. However, in an acquisition, the acquiring company will continue to remain in the business and the target company will be integrated with the acquiring company, thereby the existence of the acquired company ceases after the merger. A merger includes preparation and initial negotiations, transfers all involving financial, legal and human implications. It is not a process that one undertakes lightly. Before initiating a merger, one may wish to consider the reasons for choosing to merge in relation to the negatives and positives, and it will bring to the business. Usually once the decision is made to buy or sell, the search for the right candidate has begun.

Like all business entities, banks need to safeguard against risks, as well as exploit obtainable opportunities indicated by existing and expected trends. M&A in the banking sector are on the increase within the recent past, each globally and in India. Consolidation has been considered as a serious strategic tool and it has become worldwide development, driven by apparent edges of scale-economies, geographical diversification, lower costs through branch and workers rationalization, cross-border enlargement and market share concentration.

Consolidation in the banking sector is very important in terms of mergers and acquisitions for the growing Indian banking industry. The important part over here is that why do we need consolidation in Indian banking and what is the challenges ahead. The role of the central government is also very necessary to be analysed in the entire process as they play a crucial role in the policy formulation required for the growth of Indian banking.

HDFC bank and HDFC Ltd are two major players in the Indian banking and financial service sector. HDFC bank founded in 1994, is one of the largest private sector banks in India, known for its extensive range of banking products and services. HDFC, established over four decades ago, is a leading housing finance company that provides loans and financial solutions for homebuyers. HDFC bank and HDFC are merging to create a stronger financial entity by leveraging their strengths. The goal is to better serve customer needs and adapt to industry changes. The merger combines HDFC bank's banking infrastructure with HDFC's housing finance customer base, leading to synergistic benefits for both.

1.2. STATEMENT OF PROBLEM

The problem statement of the study was to examine the impact of merger and acquisition activities on the financial performance of bank and whether the merger improved the efficiency or not. Also, the study focuses on the topic that whether the merger and acquisition activities can be recommended as a measure to improve the financial performance. After this merger HDFC securities, HDFC AMC, HDFC Ergo GIC, HDFC Capital Advisors and HDFC Life Insurance have become the key subsidiaries of HDFC Bank. Maintaining HDFC's unique culture poses a challenge due to the significant difference in employee numbers between HDFC and HDFC Bank. The merger condition includes the absorption of all HDFC employees, aiming to introduce HDFC's customer-centric culture in to HDFC Bank. On June 30, the boards of HDFC Limited, a leading housing finance company, and HDFC Bank, one of India’s largest private sector Banks, approved they effect date of merger as July 1 2023 and fixed july13 2023, as record date for determining the shareholders of HDFC Ltd.

On February 26 2000, Times Bank Ltd merged with HDFC Bank Ltd. It was the first friendly major in the Indian banking space and the first through a swape route. It catapulted HDFC Bank in to the big league in terms of business as well as market valuation. This was an appetizer for HDFC Bank. The present study focuses on the impacts of merger and the analysis of post-merger financial operations and profitability of HDFC Bank.

1.3. SIGNIFICANCE OF THE STUDY

In the 1960s India saw a series of bank mergers overseen by the Reserve Bank of India. Starting from 566 reporting commercial banks in 1951, the number dwindled to 292 by the end of 1961, further dropping to 200 in 1966, and finally reaching 85 by the close of 1969. These mergers were facilitated by banking sector reforms, which eased restrictions on asset portfolio distribution. Additionally, advancements in information technology provided an impetus for banks to consolidate and expand their operations. It's important to note that these mergers were not primarily aimed at immediate cost-cutting, efficiency improvement, or profit enhancement. The underlying belief was that efficiency and profits would naturally improve as economies of scale came into play. However, there was also a potential downside. Mergers could lead to higher fees for services, particularly if effective competition was lacking, or if smaller banks mimicked the behaviour of larger entities. HDFC Bank has a strong presence in urban and semi-urban areas, while HDFC Ltd has a wider reach across both urban and rural markets. The merger allows for geographic expansion, enabling the combined entity to tap into previously untapped markets and cater to a more diverse customer base. It also aimed at creating a stronger financial entity by leveraging their strengths. The main purpose of this study is to analyse the impacts of this merger and to assess if the bank has attained its goals and gained advantages from this merger.

1.4: RESEARCH OBJECTIVES

1.To analyse the financial performance of HDFC Bank using ratio analysis.

2.To compare the pre- and post-merger effect on the financial operations of HDFC Bank.

3.To study the challenges faced by HDFC Bank after merger.

4.To seek the response of various stakeholders of HDFC Bank on the benefits of merger.

1.5 SCOPE OF THE STUDY

Scope of the study on post-merger financial analysis of HDFC Bank would encompasses a comprehensive examination of key financial metrics and indicators before and after the merger. This analysis would involve assessing the bank's profitability, liquidity, asset quality, efficiency and overall financial health. Additionally, studying market reactions, including changes in stock price, market share, and investor sentiment, would be crucial in understanding the merger's impact on the bank's financial performance. Furthermore, investigating operational synergies resulting from the merger, such as cost reductions, revenue enhancements, and economies of scale, would provide insights into the efficiency gains achieved post-merger. Customer satisfaction and retention rates could also be evaluated to gauge the of merger on the bank's relationship with its client base.

1.6: RESEARCH DESIGN AND METHODOLOGY

1.6.1 RESEARCH DESIGN

Designing research on the merger of HDFC Bank, or any other financial institution, is a complex task that typically involves a multidisciplinary approach. Such research would encompass various aspects, including financial analysis, legal considerations, customer perspectives, and more. This study is both descriptive and analytical in nature.

1.6.2 RESEARCH METHODOLOGY

- Quantitative Analysis: Analyzing numerical data to measure the impact of the merger on key performance indicators. This helps to determine the value of a financial asset, such as a stock or option.
- Qualitative Analysis: Qualitative analysis is studying the profile and performance of the bank and studying what policy they adopt and what role merger and acquisition play.
- Mixed-Methods Approach: Combining both quantitative and qualitative methods for a comprehensive understanding.

1.6.3 DATA SOURCES USED FOR THE STUDY

Secondary Data Sources

Secondary data is the form of data which is already present in the market and was collected by some other persons. Secondary data sources are pre-existing information collected by someone else for a different purpose. Secondary data is easy to collect and the time involved in secondary data is less than the primary data. Data relating to bank is collected from the records and websites of the bank. For ratio analysis some of the figures are collected from screener.

1.6.4 TOOLS FOR DATA ANALYSIS

- Ratio Analysis
- Regression Analysis
- Graphical Analysis

1.7 LIMITATIONS OF STUDY

- The study is restricted to a period of 5 years only.

- Limited time, budget or access to certain resources can impact the depth and scope of the research.
- The analysis is based only upon the annual reports of HDFC banks.
- This study may not be extensive enough to cover all the ratios to be considered in evaluating the financial soundness of the bank accurately.

1.8 OPERATIONAL DEFINITIONS

Merger:

"A merger is an agreement that units two existing companies into one new company. There are several types of mergers and also several reasons why companies' complete mergers. It is done to expand a company's reach, expand into new segments, or gain market shares. All of these are done to increase shareholder value."

"A merger is a voluntary fusion of two companies on broadly equal terms into one new legal entity. The firms that agree to merger are roughly equal in term of size, customers, scale of operations, etc. For this reason, the term "merger of equal" is sometimes used."

1.9 CHAPTERISATION

Chapter 1- Introduction

Chapter one would be on introduction which would cover the brief aspects about merger of HDFC Bank. The main objective of this chapter would include the aims and objectives of research, the hypothesis which has been framed, purpose of the research and future area of the research. This chapter consists of statement of problem, research objectives, scope of the study, research methodology and design, limitations of the study, etc.

Chapter 2- Literature review

This chapter deals with review of literature which includes previous studies conducted on the topic Fintech in the global scenario.

Chapter 3- Theoretical framework

This chapter deals with theoretical framework. It collects and compiles information relating to the topic.

Chapter 4- Company profile

This chapter deals with the profile of HDFC Bank. History of HDFC Bank, its evolution and growth are described.

Chapter 5- Data analysis and interpretations

In this chapter data is analyzed and interpreted based on various information collected from secondary sources.

Chapter 6- Summary, Findings and Recommendations

It is the summary of the findings and recommendations. It contains the final conclusion of the study.

2. REVIEW OF LITERATURE

2.1) Mishra (2006) conferred about whether merger is a right option to expand the business or not. He had studied about the mergers in Indian banking sector. The author had talked about the various options which are available to expand the business. But nowadays mergers and acquisitions are most interesting strategy to grow the business. If one bank which is financially sick, close the business, will be very catastrophic for the society as well as the economy. Hence, it is strategy of the sick banks to merge with the healthy one and survive in the society to provide support to the economy which result in eradication of shareholder's wealth of the acquirer bank.

2.2) H G Rekha (2007) had discussed the effect of mergers on shareholder's wealth. The research result is based on the horizontal merger of 13 cases for 5 years (1993-1998). The research find that the target companies have gained more than 100 % when mergers are happening between a profitable company and a sick company. Simultaneously, when merger is taking place between two profitable companies the shareholders of the target company are getting the higher rate of return. But the researchers also concluded that the shareholders of both the companies (merger between a profitable and a sick company) had experienced an immediate dilution in earning after the merger happened. At last, the research concluded that the mergers do create shareholders wealth especially of Target Company's.

2.3) Deo and Shah (2011) in their work had studied 28 mergers announcement based on Indian Information Technology Industry during January, 2000 to June, 2010. They had used market models to evaluate the shareholder's wealth of both acquirer and target companies. The study suggested that merger announcement in Indian IT sector do not have any significant impact on the bidder portfolio. And, mergers and acquisitions do create significant positive return for the target company's shareholders only.

2.4) 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 Indian banking sector. The study samples were six acquirer banks selected, three of them were public sector banks and three of them were private sector banks. The study used paired t-test. The study findings indicate there is a significant difference in the profitable ratios, like (growth of total assets ratio, growth of net profit ratio, return on assets ratio, return on equity ratio, and net interest merging ratio) of banks in the post- merger scenario.

2.5) Dutta Dawn (2012) in a paper "Merger and acquisitions in Indian banks after liberalization: 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 by taking four years of prior-merger periods were successful and saw a significant increase in total assets, profits, revenue, deposits and in number of employees of the acquiring firms of the banking industry in India.

2.6) Porwal and Baghla (2012) in their paper titled "Mergers and Acquisitions Announcements and Stock Price Behaviour: Testing for Efficient Market Hypothesis" , had studied the effect of merger announcement on the company's stock prices based on event studies methodology. 21 Indian companies which are all listed in BSE had taken into study. The study revealed that the announcement of merger and acquisition does not have any impact on the moment of the share price. Simultaneously, the announcement event does not create any significant abnormal return for the shareholders.

2.7) Sai and Sultana (2013) evaluate that the performance of the selected two banks based on the financial ratios from the perspective of pre- and post-merger. To analyse 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 was significant difference but no significant difference with respect to Gross Profit Margin.

2.8) Soni and Jain (2013) compared pre- and post-merger of banks with use of financial ratios – Gross Profit Margin, Net Profitt Margin, Operating Profit Margin, Return on Capital Employed, Return on Equity and Debt Equity Ratio. This study shows the changes represents in the acquired firms based on financial parameters. The tools used t-test for testing the statistical significance and effect of Merger and Acquisitions on the performance of banks to be concluded that the banks have been positively affected by the event of Merger and Acquisition.

2.9) Gurbaksh Singh, Sunil Gupta (2015) conducted a study on, "An Impact of Mergers and Acquisitions on Productivity and Profitability of Consolidation Banking Sector in India". The current paper examined the performance, strengthens and weakness of the sample two banks i.e., one public and one private sector banks based on the financial ratios from the perspective of pre- and post-merger grounds. The collection of data covers financial performance of selected banks from 2004-05 to 2014-15. The study concluded that the banks have been positive effects when distinguished between pre-merger and post-merger period.

2.10) Tamra gundi & Deva Rajappa (2016) examined in their study titled, "Impact on Indian Banking Sector: A comparative study of public and private sector merged banks" the impact of mergers on performance of selected commercial banks in India. The study concludes that, merger is a useful strategy, through this bank can expand their operations, serve larger customer base, increases profitability, liquidity and efficiency but the overall growth and financial illness of the bank can't be solved from mergers.

2.11) Praveen S Kampar (2019) in his paper "Study on consolidation and merger of public sector banks in India (issues and challenges) examine the implications and challenges from merger of Indian Banks.

2.12) Rajendran P (2019) analysed the performance of HDFC Bank. Researcher explained about HDFC Bank's history. Current ratio, cash position ratio, debt equity ratio, proprietary ratio was good. The study finds that part of the working capital of the bank was financed by long-term funds. Researcher concluded with a result as HDFC Bank was the largest private sector in India and its financial performance was strong during the period.

2.13) Nandhini Thakuelr (2020) The study conducted on financial statement analysis of HDFC Bank with the time period of 2013 to 2018. The tools used in this study were ratio analysis, cash and fund flow analysis. The objective is to measure the efficiency of various properties of bank. Researcher finds that bank's financial performance was strong and suggested to providing more housing loans to the development of the citizen of India.

2.14) S. Muruganantham and S.K. Nerdish (2021) "The study on the financial performance analysis of HDFC Ltd" analysed financial performance through ratio analysis and examined financial position with the use of different ratios. The objective of the study is to study the growth aspect of HDFC Bank and measure its financial results. The study has been made on various aspects of the bank like interest, loans, assets, expenses, deposits, etc. The findings of the study reveals that the bank has minority issues in managing the deposits and all other aspects are going well.

3.1 INTRODUCTION TO BANKING

In banking system was is as old as early Vedic period. The book of Manu contains reference regarding deposit advances, pledge policy of loan and rate of interest. From the beginning of 20th century banking has been so developed that in fact, has come to called "LIFE BLOOD" of trade and commerce.

Banking refers to a financial activity to manage and safeguard your hard-earned money. Banks cater to all sorts of individuals, small businesses, and large corporations. Banks offer financial management products, including various types of accounts and loans. Banking is the backbone of the modern financial system, encompassing institutions that facilitate financial transactions, manage risks, and provide a range of services to individuals, businesses, and governments. A bank is a financial institution that accepts the deposits from the public and creates a demand deposit while simultaneously making loans. Lending activities can be directly performed by the bank or indirectly through capital markets. Due to the importance of banks in the financial stability and the economy of a country, most jurisdiction exercise a high degree of regulations over bank. Most countries have institutionalised a system known as fractional reserve banking under which bank hold liquid assets equal to only a portion of their current. Modern banking of India originated in last decade of the 18th century. Among the first bank were the bank of Hindustan, which was established in 1770 and liquidated in 1829-32; and the general bank of India, established in 1786 but failed in 1791.

3.2 HISTORY OF BANKING ON INDIA

The history of banking in India dates back thousands of years, with evidence of banking activities found in ancient texts and archaeological remains. The history of banking began with the first prototype banks, that is, the merchants of the world, who gave grain loans to farmers and traders who carried goods between cities. This was around 2000 BC in Assyria, India and Sumer. Later, in ancient Greece and during the Roman Empire, lenders based in temples gave loans, while accepting deposits and performing the change of money. Archaeology from this period in ancient China and India also shows evidence of money lending. Banking in India forms the base for the economic development of the country. Major changes in the banking system and management have been seen over the years with the advancement in technology, considering the needs of people. The History of Banking in India dates back to before India got independence in 1947 and is a key topic in terms of questions asked in various Government exams. In this article, we shall discuss in detail the evolution of the banking sector in India.

Pre Independence-Period (1786-1947) The first bank of India was the "Bank of Hindustan", established in 1770 and located in the then, Indian capital, Calcutta. However, this bank failed to work and ceased operations in 1832. During the Pre Independence period over 600 banks had been registered in the country but only a few managed to survive. Following the path of Bank of Hindustan, various other banks were established in India. They were:

● The General Bank of India (1786-1791)

● Oudh Commercial Bank (1881-1958)

● Bank of Bengal (1809)

● Bank of Bombay (1840)

● Bank of Madras (1843)

During the British rule in India, The East India Company had established three banks: Bank of Bengal, Bank of Bombay and Bank of Madras and called them the Presidential Banks. These three banks were later merged into one single bank in 1921 which was called the "Imperial Bank of India." The Imperial Bank of India was later nationalised in 1955 and was named The State Bank of India, which is currently the largest public sector Bank. If we talk of the reasons as to why many major banks failed to survive during the during the pre-independence period, following conclusions can be drawn:

● Indian account holders had become fraud prone

● Lack of machines and technology

● Human errors & time consuming

● Less facilities

● Lack of proper management skills

Following the Pre Independence period was the post-independence period which observed some major changes in the banking industry scenario and has till date developed a lot.

Post Independence Period (1947-1991) At the time, when India got independence, all the major banks of the country were led privately which was a cause of concern as the people belonging to rural areas were still dependent on money lenders for financial assistance. With an aim to solve this problem, the then Government decided to nationalise the Banks. These banks were nationalised under the Banking Regulation Act, 1949 and the Reserve Bank of India was nationalised in 1949. Following it was the formation of State Bank of India in 1955 and other 14 banks were nationalised between the time duration of 1969 to 1991. These were the banks whose national deposits were more than 50 crores. Note: The Regional Rural Banks in India were established in the year 1975 for the development of rural areas in India. Candidates can get the list of RRBs in India at the linked article.

Given below is the list of these 14 Banks nationalised in 1969:

1. Allahabad Bank
2. Bank of India
3. Bank of Baroda
4. Bank of Maharashtra
5. Central Bank of India
6. Canara Bank
7. Dena Bank
8. Indian Overseas Bank
9. Indian Bank
10. Punjab National Bank
11. Syndicate Bank

12. Union Bank of India

13. United Bank

14. UCO Bank

In the year 1980, another 6 banks were nationalised taking the number to 20 banks. These banks included:

1. Andhra Bank

2. Corporation Bank

3. New Bank of India

4. Oriental Bank of Comm.

5. Punjab & Sind Bank

6. Vijaya Bank

Apart from the above mentioned 20 banks, there were seven subsidiaries of SBI which were nationalised in 1959:

1. State Bank of Patiala

2. State Bank of Hyderabad

3. State Bank of Bikaner & Jaipur

4. State Bank of Mysore

5. State Bank of Travancore

6. State Bank of Saurashtra

7. State Bank of Indore

All these banks were later merged with the State Bank of India in 2017, except for the State Bank of Saurashtra, which was merged in 2008 and State Bank of Indore, which was merged in 2010.

Liberalisation Period (1991-Till Date) Once the banks were established in the country, regular monitoring and regulations need to be followed to continue the profits provided by the banking sector. The last phase or the ongoing phase of the banking sector development plays a very important role. To provide stability and profitability to the Nationalised Public sector Banks, the Government decided to set up a committee under the leadership of Shri. M Narasimham to manage the various reforms in the Indian banking industry. The biggest development was the introduction of Private sector banks in India. RBI gave license to 10 Private sector banks to establish themselves in the country.

These banks included:

1. Global Trust Bank

2. ICICI Bank

3. HDFC Bank

4. Axis Bank

5. Bank of Punjab

6. IndusInd Bank

7. Centurion Bank

8. IDBI Bank

9. Times Bank

10. Development Credit Bank

The other measures taken include:

● Setting up of branches of the various Foreign Banks in India

● No more nationalisation of Banks could be done

● The committee announced that RBI and Government would treat both public and private sector banks equally

● Any Foreign Bank could start joint ventures with Indian Banks

● Payments banks were introduced with the development in the field of banking and technology

● Small Finance Banks were allowed to set their branches across India

● A major part of Indian banking moved online with internet banking and apps available for fund transfer.

Thus, the history of banking in India shows that with time and the needs of people, major developments have been done in the banking sector with an aim to prosper it.

3.3 MERGER AND AQUISITIONS

Merger and acquisition (M&A) refer to the consolidation of companies through various financial transactions. In a merger, two companies combine to form a new entity, while in an acquisition, one company purchases another, either through buying its assets or shares. M&A deals are often pursued to achieve strategic objectives such as expanding market share, gaining access to new technologies, or achieving cost synergies.

Legally speaking, a merger requires two companies to consolidate into a new entity. with a new ownership and management structure (ostensibly with members of each firm). The more common distinction to differentiating a deal is whether the purchase is friendly (merger) or hostile (acquisition). Mergers require no cash to complete but dilute each company's individual power. Typically, mergers are done to reduce operational costs, expand into new markets, boost revenue and profits. Mergers are usually voluntary and involve companies that are roughly the same size and scope.

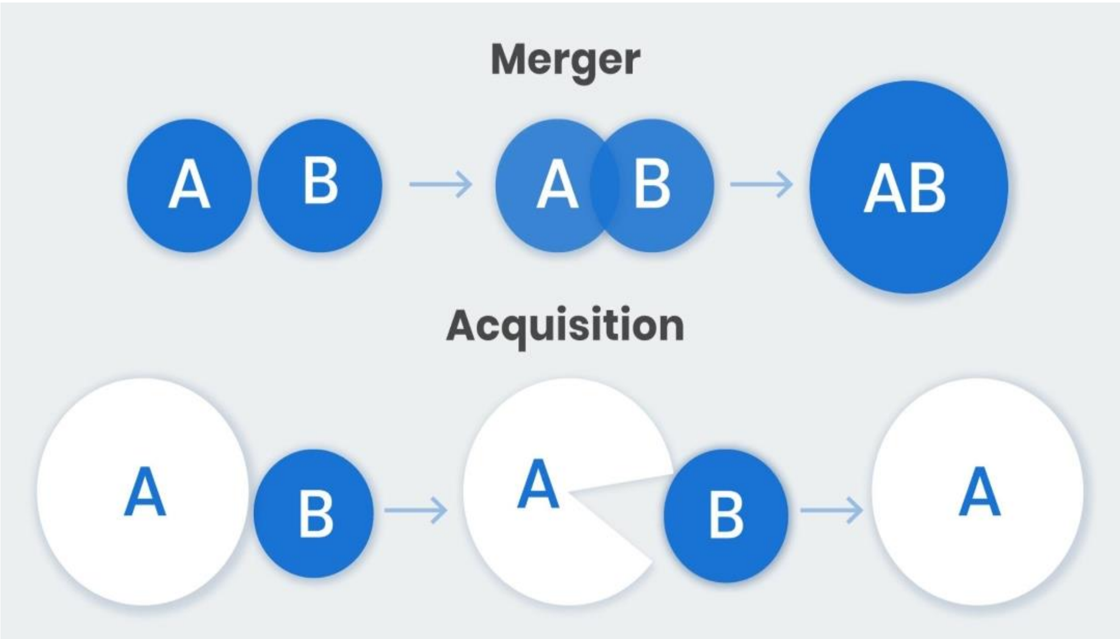


Figure.3.3 Merger and acquisition diagram

3.4 MERGER

A merger is a business transaction where two companies combine to form a new entity. In a merger, the assets, liabilities, and operations of both companies are consolidated, resulting in a single, larger entity. Mergers can take various forms, such as a merger of equals, where two companies of similar size join forces, or an acquisition, where one company absorbs another. Mergers are often pursued to achieve strategic goals such as expanding market presence, diversifying product offerings, or increasing operational efficiencies.

DEFINITION

A merger is a business transaction in which two or more companies combine their operations, assets, and resources to form a new entity or to integrate into an existing one. This consolidation is typically pursued to achieve strategic objectives such as expanding market reach, increasing efficiency, reducing competition, or achieving cost savings. Mergers can take various forms, including mergers of equals, where companies of similar size join forces, or acquisitions, where one company absorbs another.

3.5 AQUISITIONS

Acquisitions refer to the process by which one company purchases another company, either through buying its assets or shares. In an acquisition, the acquiring company gains control over the acquired company's operations, assets, and liabilities. Acquisitions can be strategic moves aimed at expanding market share, acquiring new technologies, accessing new markets, or gaining other competitive advantages. These transactions are a core part of mergers and acquisitions, a career path in corporate law or finance that focuses on the buying, selling and consolidation of companies. Acquisitions are typically made in order to take control of, and build on, the target company’s strengths and capture synergies.

3.6 TYPES OF MERGERS

There are several types of mergers, each with its own characteristics and strategic objectives. Some common types include:

- **Horizontal Merger:** This involves the consolidation of companies operating in the same industry and at the same stage of the production process. Horizontal mergers aim to increase market share, reduce competition, and achieve economies of scale.

- **Vertical Merger: -** In a vertical merger, companies operating at different stages of the production or distribution process combine. For example, a manufacturer may merge with a supplier or a distributor. Vertical mergers can streamline operations, reduce costs, and improve coordination between different stages of production.

- **Conglomerate merger:** Conglomerate mergers involve companies that operate in unrelated industries or markets. The goal of a conglomerate merger is often to diversify the business's revenue streams, reduce risk, or capitalize on synergies between different businesses.

- **Market-extension merger:** In this type of merger, companies that sell similar products or services in different geographic markets combine. Market-extension mergers aim to expand combined company's customer base and market reach.

- **Product-extension Merger:** Product-extension mergers involve companies that produce complementary products or services. By merging, these companies can offer a broader range of products to their customers and cross-sell to existing customer bases.

- **Congeneric merger:** Congeneric mergers occur between companies that serve the same customer base but offer different products or services. These mergers can help companies leverage their existing customer relationships to sell additional products or services.

Each set of merger has its own advantages and challenges, and the choice depends on the nature, size and strategic goals of the companies involved.

3.7 BENEFITS OF M&A

1. A Larger Market Share

One of the most obvious benefits is the increased market share a merger or acquisition can bring. By hoovering up other organizations within your industry, you're ensuring a greater slice of the total market is yours. Take the now-infamous merging of Exxon and Mobil in 1998. The two were already the first and second-largest oil producers in the United States before merging. Following the deal, the organization had a huge market share and saw shares increase by 293%

2. Access to Industry-Leading Talent

The more niche a job market, the greater the lengths an organization will go to get the very best individuals. Sometimes, the only way to ensure the best talent works for you is by acquiring or merging with another company. This practice is particularly common when brand new technologies take markets by storm. If there's only a short list of people who can utilize that tech, then you risk falling behind if they work for your competitors

3. Exploring New Markets

Despite the challenges of today's landscape, growth remains the number one priority for CEOs in 2021. One of the fastest ways to grow is to enter a new market and reach customers who were previously inaccessible. However, global expansion isn't a simple process. Managing cultural differences, language barriers and international regulations can be problematic when establishing a new entity. To get around this, some organizations acquire a business already operating in their desired market

4. Lower Costs, Increased Profit

The hope for any M&A is it'll lead to fewer costs and higher profits. By operating on a bigger scale, organizations can increase access to capital and reduce costs thanks to stronger bargaining positions with suppliers. As operations grow exponentially, companies can also benefit from the higher volume of stock they'll work with. By working with bigger volumes, organizations can negotiate better deals.

5.Favorable Taxes

Acquiring a company based in another country can result in a wide range of benefits, including lucrative markets and access to new talent. Plus, many governments offer tax reductions once M&A are complete. This means you can enjoy all of the benefits of entering a new market while simultaneously taking advantage of favourable tax rates. Certain countries are very popular with M&A thanks to the taxation laws in place there

6. Diversification

It’s good business practice to have as diverse a portfolio as possible. A key benefit of an acquisition is to bring other tools, products and services under your organization's umbrella. Take Facebook, for example. The social media behemoths have realized certain demographics weren’t engaging with their platform. So, what did they do? They sought out those demographics and acquired the platforms they were engaged with (Instagram and WhatsApp).

7. Cornering Future Value

Sometimes it’s difficult to see which companies will thrive and which will fail in the future. However, it’s often quite straightforward. Some of the biggest deals of all time were carried out because it was obvious what the future held. Take Disney’s acquisition of Marvel in 2009. Although no one could have predicted the scale of success that would follow, Marvel had just released Iron Man in 2008 which made half a billion dollars at the box office.

8. Support During Tough Periods

Business is survival of the fittest and tough market conditions can bring even the biggest organizations down. During especially challenging periods, mergers and acquisitions often increase because pooling resources is an effective way of waiting out the storm. Take the 2008 financial crisis, for example. With conditions so poor, many banks merged to protect themselves over the next few years. Better to merge with another bank than fall into obscurity.

9. Denying Your Rivals

Sometimes, an acquisition is carried out in part to prevent a competitor from doing the same thing. Huge organizations are always jostling for an edge over their rivals.

Acquiring or merging with another company can boost their need to establish themselves as the leader within their industry. With so many important benefits, it’s easy to see why M&A are so popular. If you’re thinking of following the same course of action, make sure to grab our free.

3.8 DRAWBACKS OF MERGER:

1. Loss of jobs

Mergers can result in redundancies and layoffs as companies streamline operations.

2.Regulatory hurdles

Mergers may face scrutiny from antitrust regulators, delaying or even blocking the deal.

3. Brand dilution

Merging brands may lead to confusion or loss of identity among customers.

4. Disruption to stakeholders

Suppliers, customers, and partners may be affected by changes in the merged company's strategy or operations.

5. Raises prices of products or services

A merger results in reduced competition and a larger market share. Thus, the new company can gain a monopoly and increase the prices of its products or services.

6. Creates gaps in communication

The companies that have agreed to merge may have different cultures. It may result in a gap in communication and affect the performance of the employees.

7. Creates unemployment

In an aggressive merger, a company may opt to eliminate the underperforming assets of the other company. It may result in employees losing their jobs. Therefore, the chances for unemployment will increase.

8. Prevents economies of scale

In cases where there is little in common between the companies, it may be difficult to gain synergies. Also, a bigger company may be unable to motivate employees and achieve the same degree of control. Thus, the new company may not be able to achieve economies of scale.

3.9 MERGERS IN BANKING SECTION

In the banking sector, a merger refers to the consolidation of two or more banks or financial institutions into a single entity. This can occur for various reasons, such as to achieve economies of scale, expand market share, improve competitiveness, or streamline operations. Bank mergers can take different forms, including mergers of equals, where banks of similar size combine, or acquisitions, where one bank absorbs another. Bank mergers are subject to regulatory approval and can have significant implications for customers, employees, shareholders, and the overall banking landscape.

Mergers in banking may occur for various strategic reasons, such as achieving economies of scale, expanding market presence, enhancing competitiveness, or addressing regulatory requirements. Merging banks typically undergo a regulatory approval process and must navigate complex integration challenges to ensure a smooth transition and realization of synergies. In the banking sector, a merger refers to the consolidation of two or more banks or financial institutions into a single entity. This consolidation involves the combination of their operations, assets, liabilities, and resources under one corporate structure. Mergers in banking may occur for various strategic reasons, such as achieving economies of scale, expanding market presence, enhancing competitiveness, or addressing regulatory requirements. Merging banks typically undergo a regulatory approval process and must navigate complex integration challenges to ensure a smooth transition and realization of synergies.

4.1 ORIGIN OF HDFC

Figure 4.1: HDFC logo

HDFC Bank, one of India's largest private sector banks, was established in 1994. It was promoted by the Housing Development Finance Corporation (HDFC), India's premier housing finance company. HDFC Bank was set up to provide banking services and products to retail, corporate, and institutional clients. Over the years, it has grown rapidly to become a significant player in the Indian banking industry, known for its innovative products, customer-centric approach, and robust technology infrastructure. Its first corporate office and a full-service branch at Sandoz House, Worli were inaugurated by the then Union Finance Minister, Singh. As of 1 June 2023, the bank's distribution network was at 8,344 branches and 19,727 ATMs across 3,811 cities. It has installed 430,000 POS terminals and issued 23.5 million (23.5 million) debit cards and 12 million (12 million) credit cards in FY 2017.It has a base of 1,77,000 permanent employees as of 1 June 2023.

4.1 SUBSIDIARIES

HDFC's key associate and subsidiary companies included HDFC Bank, HDFC Life Insurance Company, HDFC ERGO General Insurance Company, HDFC Asset Management Company ,and HDFC Capital Advisors.

HDFC Bank: HDFC holds 26.14% of shares in HDFC Bank. HDFC Bank sources home loans for HDFC for a fee. The key business areas of HDFC Bank are wholesale and retail banking and treasury operations.

HDFC Life Insurance Company: HDFC holds approx. 48.7% of shares in HDFC Life and is the sole promoter of the company, as of May 2023.

HDFC Asset Management Company: HDFC formed HDFC Mutual Fund as a joint venture with Standard Life Investments in 1999. HDFC Asset Management Company is the investment manager of HDFC Mutual Fund's scheme.

HDFC ERGO General Insurance Company : HDFC formed this General Insurance company with ERGO Insurance Group. HDFC holds 50.5% and ERGO holds 26% of the shares.

HDFC Capital Advisors : Established in 2016, HDFC Capital Advisors is a private equity real estate firm. As of April 2023, HDFC holds 90% stake in the company while Abu Dhabi Investment Authority holds the remaining 10%.

4.1.2 FORMER SUBSIDIARIES AND ASSOCIATES

HDFC Cedila Financial Services: HDFC Credila is a non-banking finance company and was the first Indian lender to exclusively focus on education loans. The company lends to under-graduate and post-graduate students studying in India or abroad. HDFC held about 90% shares in this company. In 2023, HDFC sold a majority stake in HDFC Credila to a consortium of private equity firms, led by Baring EQT and ChrysCapital, for ₹9,060 crore (US$1.1 billion).

HDFC RED: Launched in 2010, HDFC held a 100% stake in HDFC RED, a real estate online listings platform operating under HDFC Developers Ltd.

GRUH Finance: HDFC held approx. 59% in GRUH, a housing finance company offering loans to individuals for purchase, construction and renovation of dwelling units.

4.1.3 PRINCIPAL COMPETITORS

Bank's competitors and similar companies include Axis Bank, ICICI Bank, IndusInd Bank, Punjab National Bank and Bank of Baroda, Federal Bank, Yes Bank.

4.2 GROWTH OF HDFC

India's largest private sector lender reported a net profit growth of 33 percent year-on-year (YoY) to ₹16,372 crore in the third quarter of FY24. The bank's net interest income (NII) in Q3FY24 rose 24 percent YoY to ₹28,470 crore. The endeavour to reach all customers across India has contributed to an increase in branches to 6,342 as at the year end. This together with our ability to understand and fulfil customers' financial needs along with management of customer relationships has led to an overall increase of 16.8% in Deposits and 20.8% in Advances. The continuous monitoring of costs and building of operational efficiencies has resulted in only a marginal increase of 0.60% in the Cost to Income Ratio to 36.9%. The asset mix of the Bank has shifted to high rated but low yielding segments.

4.3 FINANCIAL RESULTS OF HDFC

Distribution Network

HDFC Bank is headquartered in Mumbai. As of September 30, 2019, the Bank's distribution network was at 5,314 branches across 2,768 cities. All branches are linked online on a real- time basis. Customers across India are also serviced through multiple delivery channels such as Phone Banking, Net Banking, Mobile Banking, and SMS based banking. The Bank's expansion plans take into account the need to have a presence in all major industrial and commercial centres, where its corporate customers are located, as well as the need to build a strong retail customer base for both deposits and loan products. Being a clearing / settlement bank to various leading stock exchanges, the Bank has branches in centres where the NSE/ BSE have a strong and active member base. The Bank also has a network of 13,514 ATMs across India. HDFC Bank's ATM network can be accessed by all domestic and international Visa/MasterCard, Visa Electron / Maestro, Plus / Cirrus and American Express Credit / Charge cardholders.

Management

HDFC Bank's Board of Directors comprises eminent individuals with a wealth of experience in public policy, administration, industry and commercial banking. Senior executives representing HDFC Ltd. are also on the Board.
Various businesses and functions in the Bank are headed by senior executives with work experience in India and abroad. They report to the Managing Director. The Bank is focussed on recruiting and retaining the best talent in the industry as it believes that its people are a competitive strength.

Technology

HDFC Bank operates in a highly automated environment in terms of information technology and communication systems. All the bank's branches have online connectivity, which enables the bank to offer speedy funds transfer facilities to its customers. Multi-branch access is also provided to retail customers through the branch network and Automated Teller Machines. (ATMs).
The Bank has made substantial efforts and investments in acquiring the best technology available internationally, to build the infrastructure for a world class bank. In terms of core banking software, the Corporate Banking business is supported by Flex cube, while the Retail Banking business by Fin ware, both from i-flex Solutions Ltd. The systems are open, scalable and web-enabled.
The Bank has prioritised its engagement in technology and the internet as one of its key goals and has already made significant progress in web-enabling its core businesses. In each of its businesses, the Bank has succeeded in leveraging its market position, expertise and technology to create a competitive advantage and build market share.
Businesses

HDFC Bank caters to a wide range of banking services covering commercial and investment banking on the wholesale side and transactional / branch banking on the retail side. The bank has three key business segments:

Wholesale Banking

The Bank's target market is primarily large, blue-chip manufacturing companies in the Indian corporate sector and to a lesser extent, small & mid-sized corporates and agri-based businesses. For these customers, the Bank provides a wide range of commercial and transactional banking services, including working capital finance, trade services, transactional services, cash management, etc. The bank is also a leading provider of structured solutions, which combine cash management services with vendor and distributor finance for facilitating superior supply chain management for its corporate customers. Based on its superior product delivery / service levels and strong customer orientation, the Bank has made significant inroads into the banking consortia of a number of leading Indian corporates including multinationals, companies from the domestic business houses and prime public sector companies. It is recognised as a leading provider of cash management and transactional banking solutions to corporate customers, mutual funds, stock exchange members and banks.

Treasury

Within this business, the bank has three main product areas Foreign Exchange and Derivatives, Local Currency Money Market & Debt Securities, and Equities. With the liberalisation of the financial markets in India, corporates need more sophisticated risk management information, advice and product structures. These and fine pricing on various treasury products are provided through the bank's Treasury team. To comply with statutory reserve requirements, the bank is required to hold 25% of its deposits in government securities. The Treasury business is responsible for managing the returns and market risk on this investment portfolio.

Retail Banking

The objective of the Retail Bank is to provide its target market customers a full range of financial products and banking services, giving the customer a one-stop window for all his/her banking requirements. The products are backed by world-class service and delivered to customers through the growing branch network, as well as through alternative delivery channels like ATMs, Phone Banking, Net Banking and Mobile Banking.

The HDFC Bank Preferred program for high-net-worth individuals, the HDFC Bank Plus and the Investment Advisory Services programs have been designed keeping in mind needs of customers who seek distinct financial solutions, information and advice on various investment avenues. The Bank also has a wide array of retail loan products including Auto Loans, Loans against marketable securities, Personal Loans and Loans for Two-wheelers. It

is also a leading provider of Depository Participant (DP) services for retail customers, providing customers the facility to hold their investments in electronic form.

HDFC Bank was the first bank in India to launch an International Debit Card in association with VISA (VISA Electron) and issues the MasterCard Maestro debit card as well. The Bank launched its credit card business in late 2001. By March 2015, the bank had a total card base (debit and credit cards) of over 25 million. The Bank is also one of the leading players in the "merchant acquiring" business with over 235,000 Point-of-sale (POS) terminals for debit / credit cards acceptance at merchant establishments. The Bank is well positioned as a leader in various net based B2C opportunities including a wide range of internet banking services for Fixed Deposits, Loans, Bill Payments, etc.

4.4 RATINGS

Credit Rating

The Bank has its deposit programs rated by two rating agencies - Credit Analysis & Research Limited (CARE) and Fitch Ratings India Private Limited. The Bank's Fixed Deposit programme has been rated 'CARE AAA (FD) [Triple A] by CARE, which represents instruments considered to be "of the best quality, carrying negligible investment risk". CARE has also rated the bank's Certificate of Deposit (CD) programme

"PR 1+" which represents "superior capacity for repayment of short-term promissory obligations". Fitch Ratings India Pvt. Ltd. (100% subsidiary of Fitch Inc.) has assigned the "AAA (ind)" rating to the Bank's deposit programme, with the outlook on the rating as "stable". This rating indicates "highest credit quality" where "protection factors are very high"

The Bank also has its long term unsecured, subordinated (Tier II) Bonds rated by CARE and Fitch Ratings India Private Limited and its Tier I perpetual Bonds and Upper Tier II Bonds rated by CARE and CRISIL Ltd. CARE has assigned the rating of "CARE AAA" for the subordinated Tier II Bonds while Fitch Ratings India Pvt. Ltd. has assigned the rating "AAA (ind)" with the outlook on the rating as "stable". CARE has also assigned "CARE AAA [Triple A]" for the Banks Perpetual bond and Upper Tier II bond issues. CRISIL has assigned the rating "AAA / Stable" for the Bank's Perpetual Debt programme and Upper Tier II Bond issue. In each of the cases referred to above, the ratings awarded were the highest assigned by the rating agency for those instruments.

Corporate Governance Rating

The bank was one of the first four companies, which subjected itself to a Corporate Governance and Value Creation (GVC) rating by the rating agency, The Credit Rating Information Services of India Limited (CRISIL). The rating provides an independent assessment of an entity's current performance and an expectation on its "balanced value creation and corporate governance practices" in future. The bank has been assigned a 'CRISIL GVC Level 1rating which indicates that the bank's capability with respect to wealth creation for all its stakeholders while adopting sound corporate governance practices is the highest.

4.5 INTERNATIONAL BANKING

HDFC Bank offers a range of international banking services tailored to meet the needs of individuals and businesses engaged in global transactions. These services include foreign currency accounts, international fund transfers, trade finance solutions, foreign exchange services, and personalized advisory services to navigate the complexities of international finance. With a strong network of correspondent banks and strategic alliances, HDFC

Bank facilitates seamless cross-border transactions and provides efficient solutions for managing international financial requirements. The Bank's international presence includes branches in 4 countries and 3 representative offices in Dubai, London and Singapore offering Home Loan products to Non-Resident Indians and Persons of Indian Origin.

4.6 AWARDS AND RECOGNITION

2016: Best Banking Performer, India in 2016 by Global Brands Magazine Award.

2018: Company of the year: The Economic Times Corporate Excellence Awards.

2019: Ranked 1st in 2019 BrandZ Top 75 Most Valuable Indian Brands HDFC Bank was featured for the 6th consecutive year.

2020: Best Bank in India: Euromoney Awards.

2021: Best bank in India: Finance Asia Country Awards.

2022: Best Bank in India: Euromoney Awards for Excellence 2022.

4.7 SERVICES OFFERED BY THE COMPANY

- Personal Banking
- Accounts & Deposits
- Loans
- Cards
- Investments & Insurance
- NRI Banking
- Remittances
- Wholesale Banking

4.5 DETAILS OF HDFC MERGER

HDFC Bank merged with Times Bank in February 2000. This was the first merger of two private banks in the New Generation private sector banks category. Times Bank was established by Bennett, Coleman and Co. Ltd., commonly known as The Times Group, India's largest media conglomerate. In 2008, Centurion Bank of Punjab (CBoP) was acquired by HDFC Bank. HDFC Bank's board approved the acquisition of CBoP for ₹95.10 billion in one of the largest mergers in the financial sector in India. In 2021, the bank acquired a 9.99% stake in FERBINE, an entity promoted by Tata Group, to operate a pan-India umbrella entity for retail payment systems, similar to the National Payments Corporation of India. In September 2021, the bank partnered with Paytm to launch a range of credit cards powered by Visa. On 4 April 2022, HDFC Bank announced a merger with the Housing Development Finance Corporation. Upon the completion of the merger, HDFC became the fourth-largest bank in the world by market capitalization. The effective date of the merger was set to be 1 July 2023. After the merger takes place, HDFC, a housing financing corporation, will transfer its home loan portfolio to HDFC Bank. Also, the bank is giving home financing company depositors the choice of either withdrawing their money or renewing their deposits with the private sector bank at the interest rate that the bank is currently offering.

4.6 BENEFITS OF HDFC MERGER

- Merger reduces the cost of banking operations, resulting in better non-performing assets and risk management.
- The increased lending base and access to low-cost funding through CASA deposits will enable HDFC to be more competitive in the developer.
- The combined resources of HDFC Bank and HDFC could result in increased accessibility to banking services, enhanced customer support, and an extended range of financial products and services to choose from. Notably, close to 70% of the customers of HDFC do not have an account with HDFC Bank.

Who benefits the most from a merger?

Shareholders: Shareholders of the acquired company typically benefit from the acquisition as they receive a premium for their shares, which is higher than the market value before the acquisition.

5.1 INTRODUCTION

HDFC Bank, headquartered in Mumbai, India is one of the largest private sector banks in India. HDFC Bank offers a wide range of banking and financial services to individuals, businesses, and corporates. It has a significant presence across India with thousands of branches and ATMs. Known for its customer-centric approach, HDFC Bank has been a pioneer in adopting new technology to enhance banking services.

In order to compare the financial performance of HDFC, ratios have used, several ratios were estimated and the mean were computed. The mean was compared to find out the statistical significance change and the relationships among the variables (ratios)of mega consolidation HDFC.

In total the data is collected for 5 years from 2018-19 to 2022-23. The year 2022-23 is taken as base year in which HDFC got merged with 5 associates. Therefore, there are 4years before the merger event. Performance of HDFC before and after merger is analysed on the basis of profitability, liquidity, advance given to the borrowers, ROA, Investment to Assets Ratio, Credit to Deposit Ratio and Compound Annual Growth Rate.

5.2 RATIO ANALYSIS

Comparing items in a company's financial accounts is called ratio analysis. Ratio analysis is used to find problems with a company's profitability, operational efficiency, and liquidity. It is also used to show the advantages or strengths of a company. This research paper aims to evaluate the financial performance of HDFC Bank using ratio analysis. Ratio analysis is a tool used to evaluate a company's financial performance by comparing various financial ratios to industry averages and past performance. Common ratios used are the net interest margin, the loan-to-assets ratio, and the return-on-assets (ROA) ratio. Net interest margin is used to analyse a bank's net profit on interest-earning assets like loans, while the return-on-assets ratio shows the per-dollar profit a bank earns on its assets.

5.2.1 LIQUIDITY RATIOS

Liquidity ratios are a measure of the ability of a company to pay off its short-term liabilities. Liquidity ratios determine how quickly a company can convert the assets and use them for meeting the dues that arise. The higher the ratio, the easier is the ability to clear the debts and avoid defaulting on payments.

Commonly used liquidity ratios include:

1. Current Ratio or Working Capital Ratio

2. Quick Ratio also known as Acid Test Ratio

1. Current Ratio or Working Capital Ratio

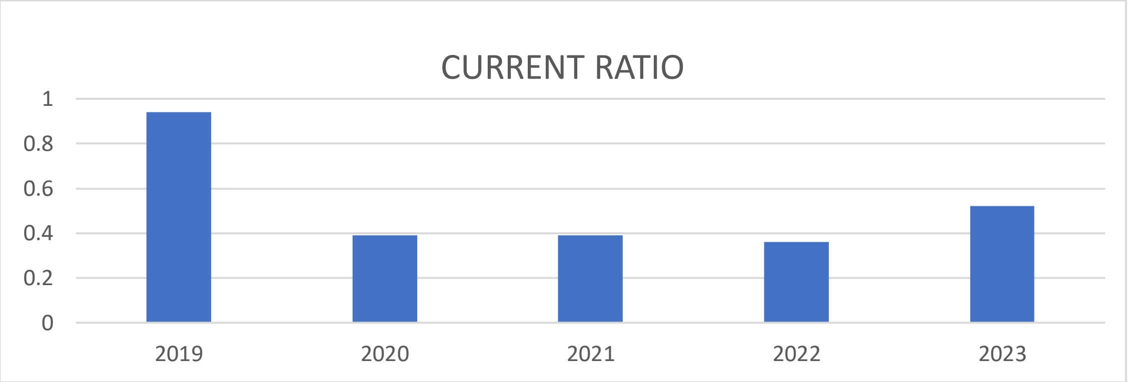
The current ratio is a measure of a company's ability to pay off the obligations within the next twelve months. This ratio is used by creditors to evaluate whether a company can be offered short term debts. It also provides information about the company's operating cycle. It is also popularly known as Working capital ratio.

Table 5.1 Current ratio

RATIO	2018-19	2019-20	2020-21	2021-22	2022-23
CURRENT RATIO	0.94	0.39	0.39	0.36	0.52

Source: Secondary data

Figure 5.1 Current ratio



Interpretation: Table 5.1 and Figure 5.1 depicts the current ratio of HDFC Bank from 2019 to 2023. It is evident that over the pre- and post- merger period current ratios have slightly increased as compared to the past three years. But HDFC has the highest current ratio in 2019 which was before the merger.

2. Quick Ratio also known as Acid Test Ratio

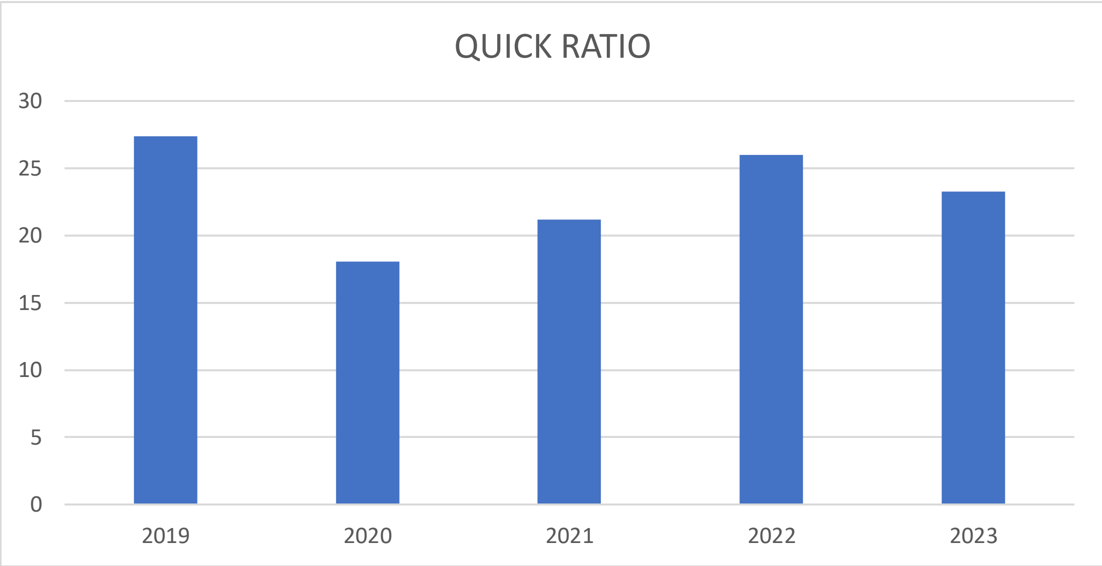
Quick ratio explains the relationship between quick assets and current liabilities. It indicates whether a firm has the ability to meet its current liabilities within a month or immediately. An asset is said to be liquid if it can be converted into cash within a short period without loss of value.

Table 5.2 Quick ratio

RATIO	2018-19	2019-20	2020-21	2021-22	2022-23
QUICK RATIO	27.40	18.06	21.18	25.97	23.24

Source: Secondary data

Figure 5.2 Quick ratio



Interpretation: In table 5.2 and figure 5.2 quick ratio have slightly decreased in post-merger period as compared to the previous year. Ratios in every year don't show a big variance. HDFC had a highest quick ratio in 2018-19.

5.2.2 SOLVENCY RATIO

Solvency means ability of the company to repay its outside liabilities. Solvency ratios are those ratios which evaluate the company's ability to meet its long-term liabilities. It measures the long-term financial position of the company. Among these ratios debt-equity ratio is commonly used foe evaluating the financial performance of a company.

1.Debt- Equity Ratio

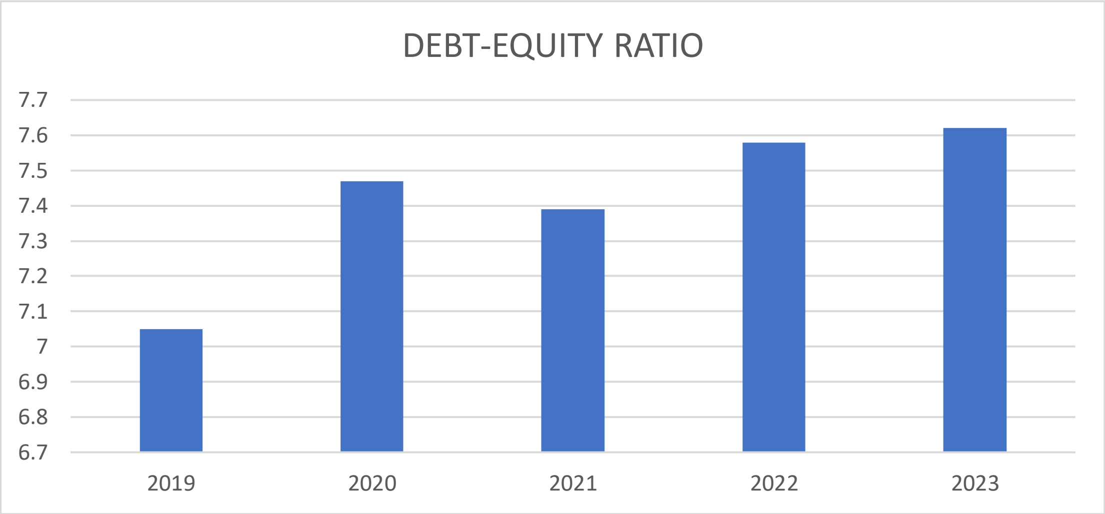
Debt-Equity ratio indicates the proportion of debt fund in relation to equity or owner's fund. It is also known as Debt-Net Worth ratio or External-Internal Equity ratio. It measures the relative claim of outsider's and owners against the firm's asset. It reveals the long-term solvency position of the business.

Table 5.3 Debt-Equity ratio

RATIO	2018-19	2019-20	2020-21	2021-22	2022-23
DEBT-EQUITY RATIO	7.05	7.47	7.39	7.58	7.62

Source: Secondary data

Figure 5.3 Debt-Equity ratio



Interpretation: Table and figure 5.2 explain debt equity relationship. In the year 2019, the ratio was 7.05 followed by this it was increased by 7.47during the year 2020 then it was decreased by 7.39 during the year 2021. But during the merger period there was an increase in the debt-equity ratio.

2.Interest coverage Ratio

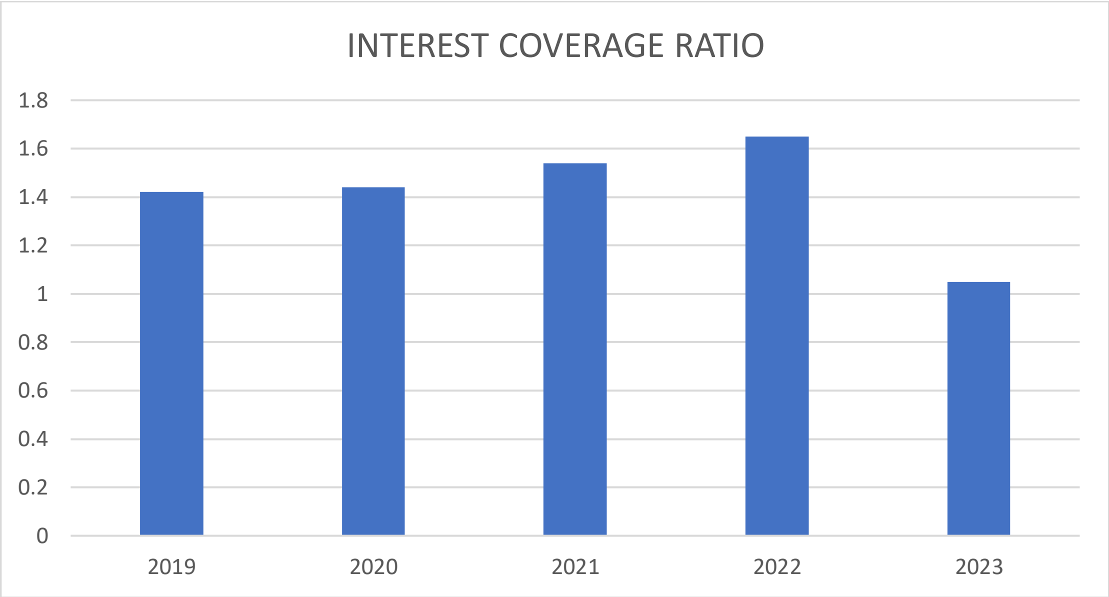
It establishes relationships between profit before interest and tax and interest charges. It indicates the firms, ability to pay off interest on debt fund out of profits earned during the year. It is also known as Debt service ratio; Fixed charges cover ratio. It measures the margin of safety for long term lenders.

Table 5.4 Interest Coverage ratio

RATIO	2018-19	2019-20	2020-21	2021-22	2022-23
INTEREST COVERAGE RATIO	1.42	1.44	1.54	1.65	1.05

Source: Secondary data

Figure 5.4 Interest Coverage ratio



Interpretation: It is evident from the figure that interest coverage ratio has declined during the merger period. It had a continuous increase from 2019 to 2022. But during 2023 the ratio had a greatest fall.

5.2.3 PROFITABILITY RATIO

The primary objective of every business is to earn profit. Profitability ratios are used to evaluate the performance and efficiency of the business concerns. Profitability ratios are used by different shareholders for analysing efficiency and effectiveness of operations of a business concern. Most commonly Net profit ratio, return on assets, return on equity are used for analysing the financial performance of a business.

1.Net profit ratio

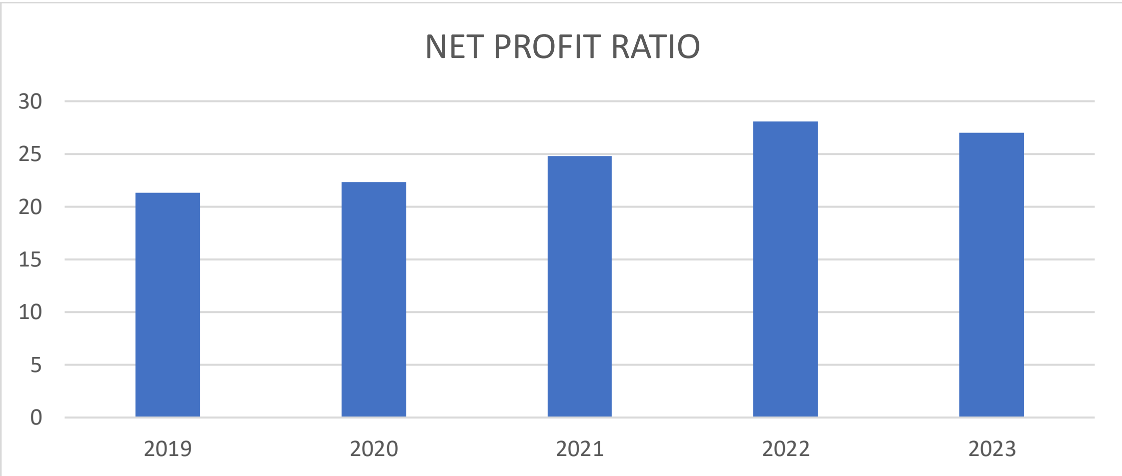
It establishes the relationship between net profit and sales. It shows the net profit margin to sales. It is also known as Net Profit Margin Ratio.

Table 5.5 Net profit ratio

RATIO	2018-19	2019-20	2020-21	2021-22	2022-23
NET PROFIT RATO	21.34	22.34	24.78	28.06	27.02

Source: Secondary data

Figure 5.5 Net profit ratio



Interpretation: In the table 5.3 net profit of HDFC is given. As we can see in the diagram after merger the profit has been declined. From 2019 to 2022 the profit was continuously increasing but in 2023 it has slightly reduced.

2. OPERATING PROFIT RATIO

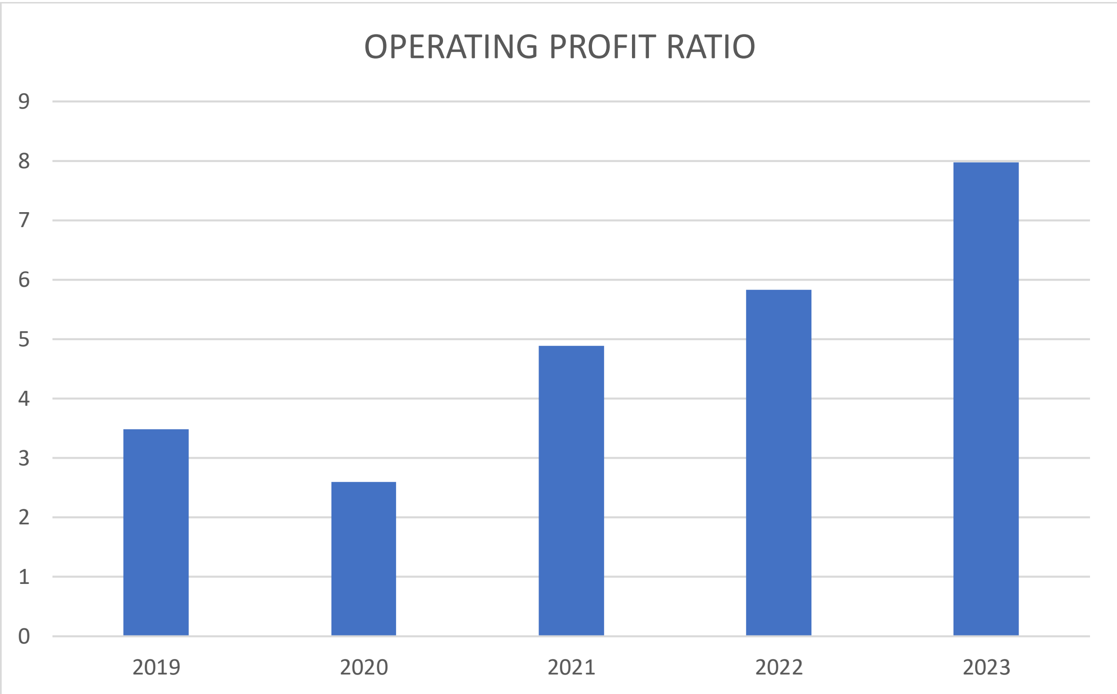
It establishes the relationship between cost of revenue from operations and operating expenses to the net sales. The non-operating incomes and expenses are not considered for the calculation of operating ratio. Operating expenses include factory expenses, office and administration expenses, selling and distribution expenses, employee benefit expenses, etc.

Table 5.6 Operating profit ratio

RATIO	2018-19	2019-20	2020-21	2021-22	2022-23
OPERATING PROFIT RATIO	3.48	2.60	4.89	5.83	7.97

Source: Secondary data

Figure 5.6 Operating profit ratio



Interpretation: Figure explains that there was a huge increase in the operating profit ratio. After 2020 there was a continuous rise in the ratio. HDFC Bank had the highest operating profit ratio during its merger period.

3. RETURN ON ASSETS

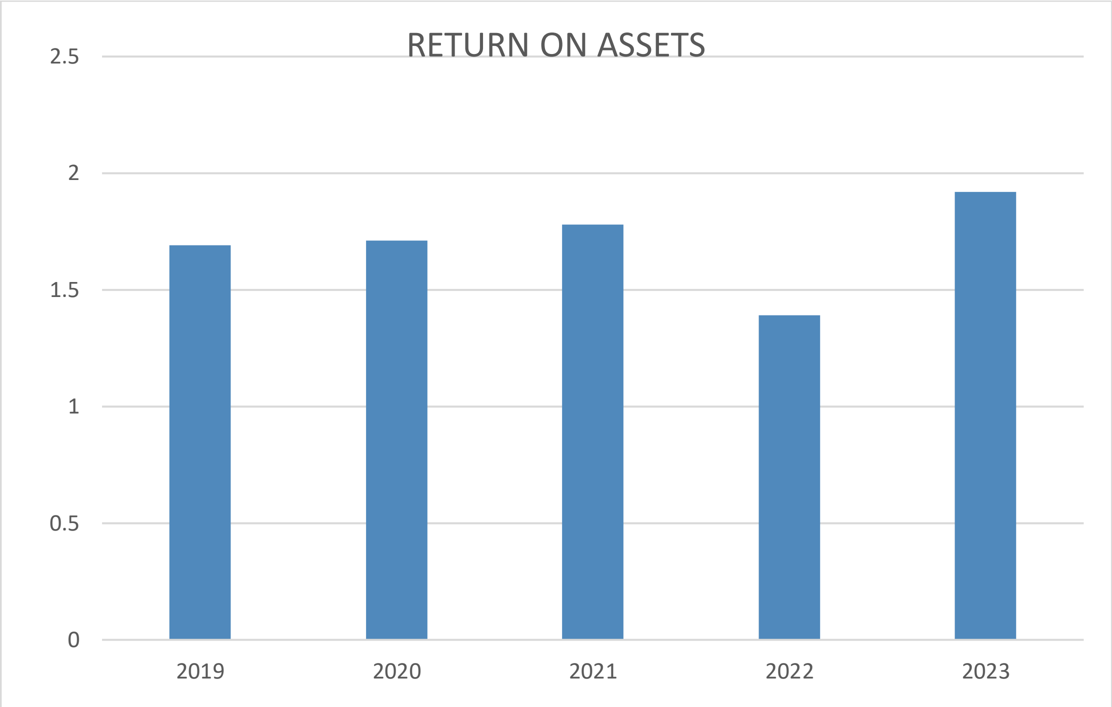
This ratio establishes relationship between net profit and total assets and total assets of the company. This ratio measures the earning per rupee of assets in the company. A high ratio represents better the company is.

Table 5.7 Return on assets

RATIO	2019	2020	2021	2022	2023
RETURN ON ASSETS	1.69	1.71	1.78	1.39	1.92

Source: Secondary data

Figure 5.7 Return on assets



Interpretation: From the above table and diagram, it is understood that there is a upward rise in the ROA during the merger period. ROA has declined in 2022 by 1.39 but after the merger it had a huge increase of 1.92.

4. RETURN ON EQUITY

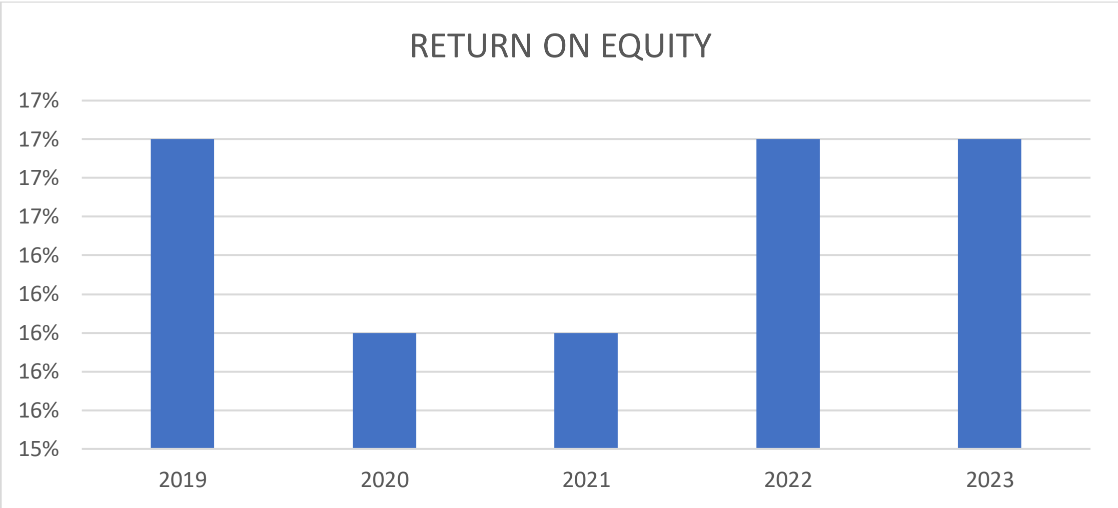
It establishes the relationship between net profit and equity shareholder's fund. This ratio measures profitability of equity fund invested in the company. It also measures how profitably owner's funds have been utilized to generate company's revenues.

Table 5.8 Return on equity

RATIO	2018-19	2019-20	2020-21	2021-22	2022-23
RETURN ON EQUITY	17%	16%	16%	17%	17%

Source: Secondary data

Figure 5.8 Return on equity



Interpretation: As compared to pre-merger period return on equity has increased. During 2022 and 2023 ROE remained the same. From this figure it is clear that during the merger period ROE remained unchanged.

5. RETURN ON CAPITAL EMPLOYED

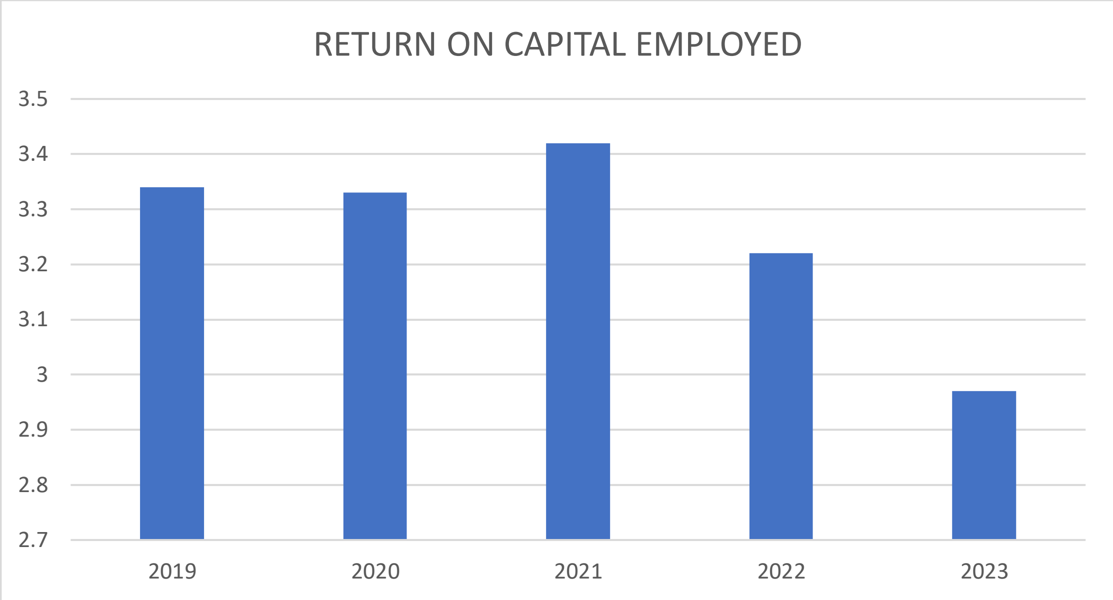
This shows the relationship between profit earned and capital employed. This is an indicator of overall profitability and efficiency of a business. It is also known as return on investment or rate of return.

Table 5.9 Return on capital employed

RATIO	2018-19	2019-20	2020-21	2021-22	2022-23
RETURN ON CAPITAL EMPLOYED	3.34	3.33	3.42	3.22	2.97

Source: Secondary data

Figure 5.9 Return on capital employed



Interpretation: Table 5.9 and figure 5.9 describes that return on investment has decreased over the merger period. HDFC had the highest return on investment in 2021 that is 3.42. Later it started to decline

5. EARNINGS PER SHARE

This ratio measures the profit available to equity shareholders per share. It is calculated by dividing the profit available to the equity shareholders by the numbers of equity shares. The profit available to the equity shareholders means net profit after interest, tax and preferences dividend. A high ratio represents better the company is.

Table 5.10 Earnings per share

RATIO	2018-19	2019-20	2020-21	2021-22	2022-23
EARNINGS PER SHARE	41.00	49.70	57.74	68.62	82.44

Source: Secondary data

Figure 5.10 Earnings per share

Interpretation: In the period from 2019 to 2023 earnings per share of the HDFC Bank has increased. During 2019 it was 41 but after the merger it has a huge rise in EPS of 82.44.

6. PRICE-EARNING RATIO (P/E RATIO)

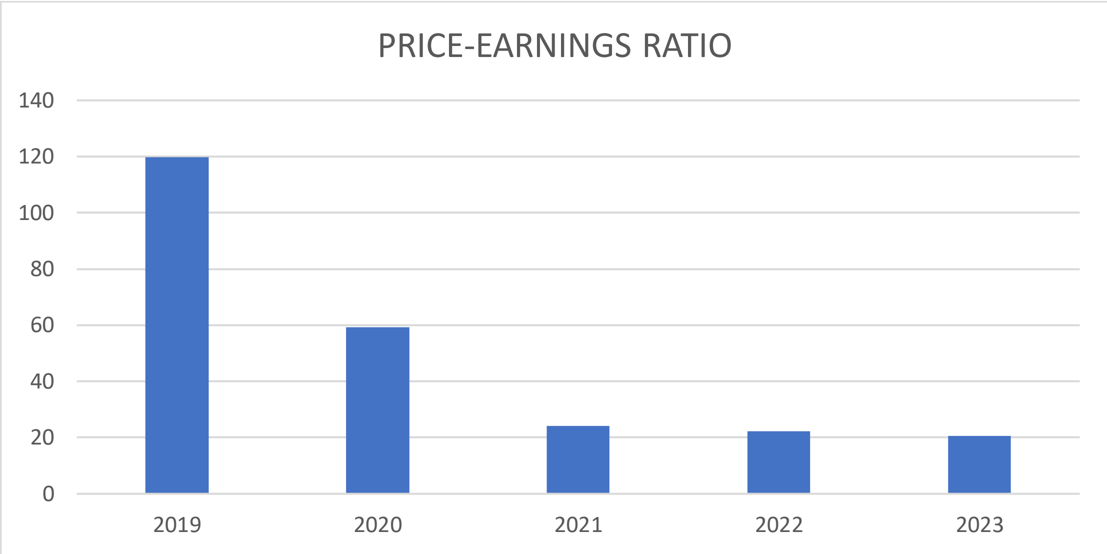
This ratio shows the relationship of market price and earnings per share. It indicates the number of times the EPS is covered by the market price. It helps to know the market price. This ratio helps the investor in deciding whether to buy or not to buy the shares of a company at a particular market price.

Table 5.11 Price-Earnings ratio

RATIO	2018-19	2019-20	2020-21	2021-22	2022-23
P/E RATIO	119.72	59.25	24.14	22.64	20.71

Source: Secondary data

Figure 5.11 Price-Earnings ratio



Interpretation: From the table 5.11 and figure 5.11 it is clear that price-earnings ratio has reduced at a higher rate during the merger period. HDFC Bank had a higher P/E ration 2019 after that it began to decline continuously.

6.1 SUMMARY

Merger of India's largest Housing Finance Company, HDFC Limited, with the largest private sector bank in India, HDFC Bank, will enable seamless delivery of home loans and leverage on the large base of over 68 million customers of HDFC Bank and inter alia improve the pace of credit growth in the economy. HDFC Limited, over the last 45 years has developed one of the best product offerings, delivered in a cost-effective manner and in an efficient turn-around time, making it a leader in the housing finance business Upon the Scheme becoming effective, the subsidiaries/associates of HDFC Limited will become subsidiaries/associates of HDFC Bank. Shareholders of HDFC Limited as on the record date will receive 42 shares of HDFC Bank (each of face value of Re.1/), for 25 shares held in HDFC Limited (each of face value of Rs.2/-), and the equity share(s) held by HDFC Limited in HDFC Bank will be extinguished as per the Scheme. As a result of this, upon the Scheme becoming effective, HDFC Bank will be 100% owned by public shareholders and existing shareholders of HDFC Limited will own 41% of HDFC Bank. In financial year 2023, the value of gross non-performing assets (NPA) at HDFC Bank Limited across India amounted to 180 billion Indian rupees. This was a significant increase in the NPAs filed by the bank compared to the previous year when it amounted to around 161 billion rupees. HDFC Bank Ltd. reported net profit for the third quarter ended December 31, 2023 grew 33.5% to ₹16,372.54 crore as compared with ₹ 12,259.49 crore in the same quarter the earlier year, the bank said in a filing with stock exchanges. During the previous quarter the bank had reported a net profit of ₹15,976.11 crore.16 Jan 2024 HDFC Bank net income/loss for the twelve months ending December 31, 2023 was $10.518B, a 22.9% increase year-over-year. HDFC Bank annual net income/loss for 2023 was $6.038B, a 18.5% increase from 2022. HDFC Bank annual net income/loss for 2022 was $5.095B, a 14.31% increase from 2021. The Average Monthly Balance can differ across account variants and areas. For instance, AMB for an HDFC Bank Regular Savings Account is ₹10,000 for metro and urban areas and ₹5,000 for semi urban areas; whereas AMB for an HDFC Bank DigiSave Youth Account, is ₹5,000 and ₹2,500, respectively.26 Sept 2023 HDFC Bank Ltd on Tuesday reported a 33.54 per cent year-on-year (YoY) rise in standalone net profit at Rs 16,372.54 crore for the December quarter compared with Rs 12,259.49 crore in the same quarter last year. The profit figure was largely in line with Street estimates. HDFC Bank merged with Times Bank in

February 2000. This was the first merger of two private banks in the New Generation private sector banks category. Times Bank was established by Bennett, Coleman and Co. Ltd., commonly known as The Times Group, India's largest media conglomerate. In 2008, Centurion Bank of Punjab (CBoP) was acquired by HDFC Bank. HDFC Bank's board approved the acquisition of CBoP for ₹95.10 billion in one of the largest mergers in the financial sector in India. In 2021, the bank acquired a 9.99% stake in FERBINE, an entity promoted by Tata Group, to operate a panIndia umbrella entity for retail payment systems, similar to the National Payments Corporation of India. HDFC Bank Limited (Housing Development Finance Corporation) was incorporated in August 1994 with its registered office in Mumbai, India. HDFC Bank commenced operation as a scheduled commercial bank in January 1995. HDFC was amongst the first to receive an approved from the Reserve Bank of India (RBI) to set up a bank in the private sector. HDFC Bank comprises of dynamic and enthusiastic term determined to accomplish the vision of becoming a World-class Indian Bank. The Bank has two subsidiary companies namely HDFC securities Ltd and HDFC financial services Ltd. The bank deals with three major key business segments namely retail banking services, wholesale banking services and treasury operation. The retail banking segment serves retail customers through a branch network and other delivery channels. These segments raise deposits from customers and makes loans and provides other services with the help of specialist product groups to such customers. The wholesale banking segment provide loans on non-fund facilities and transactions 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 Banks' share is listed on the Bombay Stock Exchange Ltd. and the National Stock Exchange of India Ltd. HDFC Bank was listed on the Bombay Stock Exchange on 19 may 1995. The Bank was listed on the National Stock Exchange on 8 November 1995. As of June 30, 2021, the Bank's distribution network was at 5,653branches and 16,291 ATMs / Cash Deposit& Withdrawal Machine (CDMs) across 2,917 cities / towns as against 5,326 branches and 14,996 ATMs / CDMs across 2,825 cities / towns as on June 30,2020. 50% of the branches are in semi-urban area. In addition, the HDFC bank have 15,912 business correspondents which are primarily manned by Common Service Centers (CSC) as against 6,546 business correspondents an on June 30,2020 (source: HDFC Bank News Release). HDFC Bank provides a number of products and services including wholesale banking, treasury, auto loans, two-wheeler loans, credit cards and the various digital products. The total number of customers the bank created to as on 31st March 2019 was over 4.90 core upfrom4.36 core in the previous year. During the FY 2019 the bank added 316 banking outlets and taking the total to 5103 spread across2748 cities and towns.In Kohima HDFC Bank was established on 2011, with its registered office in Mumbai. There are five (5) branches in Nagaland, spread across the state. Out of which, there are two (2) branches in Kohima. One which is in Phezoucha, New Secretariat Road, Kohima. And the other in Kezieke near KFC Kohima, Razhu Point, Kohima. Under this branch (Kezieke), there are fifteen (15) members working under the branch holding different post.

6.2 FINDINGS

With this merger

- The current ratio of HDFC Bank from 2019 to 2023. It is evident that over the pre- and post- merger period current ratios have slightly increased as compared to the past three years. But HDFC has the highest current ratio in 2019 which was before the merger.

- The quick ratio slightly decreased in the post-merger period compared to the previous year. There is not a significant variance in the ratios across the years had the highest quick ratio in the year 2018-2019.

- In 2019, the debt-equity ratio was 7.05. This ratio increased to 7.47 in 2020.Subsequently, in 2021, the ratio decreased to 7.39. However, during the merger period, there was an increase in the debt-equity ratio

- The interest coverage ratio showed a continuous increase from 2019 to 2022.However, during the year 2023, the interest coverage ratio experienced the greatest fall. It is evident from the figure that the interest coverage ratio declined during the merger period.

- In 2019, the debt-equity ratio was 7.05. In 2020, the ratio increased to 7.47. Subsequently, in 2021, the ratio decreased to 7.39.However, during the merger period, there was an increase in the debt-equity ratio.

- The net profit of HDFC is given in Table 5.3. After the merger, there was a decline in profit. From 2019 to 2022, the profit showed a continuous increase. However, in 2023, there was a slight reduction in profit.

- There was a significant increase in the operating profit ratio, as indicated in the figure. After 2020, there was a continuous rise in the operating profit ratio. HDFC Bank had the highest operating profit ratio during its merger period.

- As compared to pre-merger period return on equity has increased. During 2022 and 2023 ROE remained the same. From this figure it is clear that during the merger period ROE remained unchanged.

- Table 5.9 and Figure 5.9 show that the return on investment has decreased over the merger period. HDFC had the highest return on investment in 2021, reaching 3.42, but it started to decline afterward.

- From the period of 2019 to 2023, the earnings per share (EPS) of HDFC Bank increased. In 2019, the EPS was 41, but after the merger, there was a significant rise in EPS to 82.44.

- This ratio shows the relationship of market price and earnings per share. It indicates the number of times the EPS is covered by the market price. It helps to know the market price. This ratio helps the investor in deciding whether to buy or not to buy the shares of a company at a particular market

- HDFC Bank is an Indian banking and financial services company. It does not have subsidiaries that are considered "global banks" in the same sense as large multinational banks like HSBC or Citibank.

- the Bank’s distribution network was at 5,653 branches and 16,291 ATMs / Cash Deposit& Withdrawal Machine (CDMs) across 2,917 cities / towns as against 5,326 branches and 14,996 ATMs / CDMs across 2,825 cities and towns.

- In Kohima HDFC Bank was established on 2011, with its registered office in Mumbai. There are five (5) branches in Nagaland, spread across the state. Out of which, there are two (2) branches in Kohima. One which is in Phezoucha, New Secretariat Road, Kohima.

- Credit line amount: - get up to three times your salary enjoys an overdraft of $25,000 to $1.25 lakhs • Interest rate on utilisation amount paid in 15% to 18%.

• Limited processing charges is up to Rs 1999/-.

• Over penal interest is 2% per month on overdue.

• HDFC Bank Ltd is the promoter of the company, which was established in1977.

• HDFC Bank came up with its 50 crore -IPO in March 1996 receiving 55 times subscription.

• HDFC BANK INDUSTRY ANALYSIS in there are 12 PSU banks, 22 private banks, 1485 urban cooperative banks, 56 regional rural banks, 46 foreign banks and 96,000 rural cooperative Banks in India.

• The total number of ATMs in India has constantly seen a rise and there are 209,110 ATMs in India 2020, which are unexpected to further grow to 407,000 by the end of 2021.

• HDFC Bank doesn't have a significant rural presence as compared to its peers, since its inception, it has focused mainly high-end clients. However, the focus is shifting in the recent period as nearly 50% of its branches are now in semi urban and rural areas.

• As score for ASSURANCE is at second place after responsiveness, so the customer of HDFC Bank is very confident and feel safe while transacting with the bank.

• According to my findings, the score of EMPATHY is not satisfactory but not unsatisfactory also. HDFC BANK is unable to give individual attention to its customer's and is unable to understand specific needs of its customer's.

• In HDFC Bank, the score of responsiveness is highest so they are focusing on prompt service, employees are willing to help the customer and say the exact time when the services will be performed.

6.3 SUGGESTIONS

Based on the findings provided, here are some recommendations for HDFC Bank:

1. Focus on Managing Debt: Despite fluctuations, maintaining a sustainable debt-equity ratio is crucial. HDFC Bank should work on stabilizing and potentially reducing its debt levels to mitigate financial risks.

2. Enhance Profitability: Given the decline in net profit post-merger, HDFC Bank should explore strategies to boost profitability, such as optimizing operational efficiency and exploring new revenue streams.

3. Improve Empathy and Understanding: Address the shortcomings in customer empathy and understanding to better cater to individual needs. Providing personalized services and enhancing customer relationships can improve overall satisfaction and loyalty.

4. Rural Expansion: Despite its historical focus on high-end clients, HDFC Bank should continue its shift towards expanding its presence in semi-urban and rural areas. This can open up new market opportunities and foster inclusive growth.

5. Optimize Pricing and Charges: Review and possibly revise credit line interest rates, processing charges, and penal interest to ensure they are competitive yet sustainable for both the bank and its customers.

6. Strengthen Market Position: Given the competitive landscape in the banking industry, HDFC Bank should leverage its strong brand reputation and customer assurance to further solidify its market position.

7. Invest in Customer Understanding: Improve efforts to understand and anticipate customer needs, potentially through data analytics and customer feedback mechanisms, to tailor products and services more effectively.

8. Sustainable Growth: While pursuing growth opportunities, HDFC Bank should prioritize sustainable practices to ensure long-term viability and resilience in the face of economic and market uncertainties.

Implementing these recommendations can help HDFC Bank navigate challenges, capitalize on opportunities, and enhance its overall financial performance and customer satisfaction.

6.4 CONCLUSION

The analysis of the quick ratio indicates a subtle decrease in the post-merger period compared to the previous year. This slight decline may be attributed to various factors such as changes in the company's liquidity position, adjustments following the merger, or shifts in market conditions. However, it's important to note that this decrease is not significantly pronounced, suggesting a relatively stable financial position overall. When comparing the quick ratios across the years under consideration (2018-2019, 2019-2020, and 2020-2021), there isn't a notable variance observed. This consistency in quick ratios implies a certain level of financial stability and operational efficiency maintained by the company across these periods. One noteworthy observation from the data is that HDFC had the highest quick ratio in the year 2018-2019. This indicates that HDFC had a relatively strong liquidity position during that specific period, possibly due to effective management of current assets and liabilities. In conclusion, while there was a slight dip in the quick ratio post-merger, the overall trend across the years suggests a stable financial performance. HDFC's strong quick ratio in 2018-2019 highlights its ability to manage liquidity effectively, which can be a positive indicator of financial health and risk management capabilities.

The analysis of the debt-equity ratio over the years reveals some interesting trends. In 2019, the ratio stood at 7.05, indicating a relatively high level of debt compared to equity. This suggests that the company relied more on debt financing to fund its operations and investments during that period. The following year, in 2020, there was an increase in the debt-equity ratio to 7.47. This uptick could signify either an increase in debt levels, a decrease in equity, or a combination of both. It's important to delve deeper into the financial statements to understand the specific factors driving this change. However, in 2021, there was a slight decrease in the debt-equity ratio to 7.39. This decrease could be attributed to various factors such as debt repayment, equity infusion, or improvements in operational efficiency leading to increased equity. During the merger period, there was an observed increase in the debt-equity ratio. This increase could be a result of the financial dynamics associated with mergers, such as leveraging for acquisition financing or restructuring of capital.In conclusion, the fluctuations in the debt-equity ratio over the years indicate varying levels of reliance on debt and equity for financing. It's essential to analyse the underlying factors driving these changes to assess the company's financial health, risk profile, and capital structure decisions.

The analysis of the interest coverage ratio unveils a notable trend over the years. From 2019 to 2022, there was a consistent increase in the interest coverage ratio. This upward trajectory indicates that the company's earnings were more than sufficient to cover its interest expenses during this period. It suggests a strengthening financial position in terms of the ability to meet interest obligations comfortably. However, in 2023, there was a significant fall in the interest coverage ratio, marking the greatest decline observed in the data. This sudden drop could be attributed to various factors such as a decrease in earnings, an increase in interest expenses, or a combination of both. It's crucial to investigate the financial statements and market conditions during that year to pinpoint the exact reasons for this decline. Moreover, it is evident from the analysis that the interest coverage ratio declined during the merger period. This decline could be linked to the financial dynamics associated with mergers, such as increased debt levels, restructuring costs, or temporary disruptions in business operations. In conclusion, while there was a consistent increase in the interest coverage ratio from 2019 to 2022, the significant fall in 2023 and the decline during the merger period highlight potential challenges or changes in the company's financial landscape. Further analysis and scrutiny of the underlying factors driving these fluctuations are essential to assess the company's financial strength, risk exposure, and sustainability in meeting its interest obligations.

The analysis of the debt-equity ratio for the years 2019, 2020, and 2021 reveals some interesting patterns. In 2019, the debt-equity ratio was 7.05, indicating a relatively high level of debt compared to equity. This suggests that the company had a significant reliance on debt financing during that period. Moving to 2020, the debt-equity ratio increased to 7.47, showing a further shift towards debt financing or a reduction in equity. This increase could be due to various reasons such as borrowing for expansion, investment activities, or other financial commitments. However, in 2021, there was a slight decrease in the debt-equity ratio to 7.39. This reduction could be attributed to factors like debt repayment, improved financial performance leading to increased equity, or adjustments in the capital structure. Interestingly, during the merger period, there was an observed increase in the debt-equity ratio. This rise in the ratio during mergers is common and can be attributed to factors such as leveraging for acquisition financing, restructuring of capital, or integration costs. In conclusion, the fluctuations in the debt-equity ratio over the years reflect changes in the company's capital structure and financing decisions. While there was a slight decrease in 2021, the overall trend suggests a reliance on debt financing, especially during significant events like mergers. It's crucial to analyse the implications of these ratios in terms of financial risk, leverage, and long-term sustainability.

The analysis of HDFC's net profit presents a dynamic picture of its financial performance over the years. Following the merger, there was an initial decline in profit, which is a common occurrence during merger integration phases due to factors like restructuring costs, operational adjustments, or temporary disruptions. However, from 2019 to 2022, HDFC's net profit exhibited a consistent upward trend, indicating improved operational efficiency, revenue growth, or cost management strategies. This continuous increase is a positive indicator of the company's ability to generate sustainable profits and create value for its stakeholders. In 2023, there was a slight reduction in HDFC's net profit. While this decline may raise concerns, it's essential to delve deeper into the financial statements and market conditions during that year to understand the specific factors influencing this outcome. It could be influenced by industry trends, economic fluctuations, regulatory changes, or company-specific factors. Overall, HDFC's net profit trend reflects a mix of challenges and successes, from recovering after the merger to achieving consistent growth in subsequent years, with a minor setback in 2023. A comprehensive analysis considering various financial and business factors is crucial to draw meaningful conclusions about HDFC's financial performance and prospects for the future.

The analysis of the operating profit ratio and its relation to HDFC Bank reveals notable insights into the company's financial performance. Firstly, there was a significant increase in the operating profit ratio, particularly noticeable post-2020. This suggests that HDFC Bank experienced improvements in its operational efficiency, cost management, or revenue generation capabilities, leading to a higher proportion of operating profit compared to revenue. This is a positive sign of the bank's ability to generate profits from its core business activities. Moreover, the continuous rise in the operating profit ratio after 2020 indicates sustained improvements in profitability over time. This could be attributed to strategic initiatives, market conditions, or operational enhancements implemented by HDFC Bank. One standout observation is that HDFC Bank had the highest operating profit ratio during its merger period. This achievement during a phase of significant organizational change such as a merger indicates effective management and operational resilience. It also reflects HDFC Bank's ability to navigate challenges and capitalize on opportunities, ultimately leading to strong financial performance. In conclusion, the increasing trend in the operating profit ratio and HDFC Bank's top position during its merger period are indicative of a robust financial performance and strategic management. Analysing these ratios provides valuable insights into the bank's profitability, efficiency, and competitive strength in the market.

The analysis of return on equity (ROE) indicates interesting trends, particularly concerning the impact of the merger on this financial metric. Comparing the pre-merger and post-merger periods, there is a noted increase in ROE. This rise in ROE suggests that the company's profitability in relation to shareholders' equity improved following the merger. This could be due to synergies realized from the merger, operational efficiencies, or strategic initiatives that enhanced profitability. Further analysis reveals that during 2022 and 2023, ROE remained constant. This stability in ROE could signify a period of consolidation or a balanced performance where the company maintained its profitability levels without significant fluctuations. The most intriguing observation is that during the merger period, ROE remained unchanged. This finding indicates that despite the significant organizational changes and complexities associated with mergers, the company's ability to generate returns for its shareholders remained steady. In conclusion, the analysis of ROE highlights the positive impact of the merger on profitability, with a subsequent period of stability in ROE. The unchanged ROE during the merger period underscores the company's resilience and ability to maintain financial performance amidst transformative events. However, further examination of underlying factors driving ROE and its sustainability is necessary to gain a comprehensive understanding of the company's financial health and shareholder value creation.

The analysis of return on investment (ROI) for HDFC reveals important trends and performance indicators. Firstly, it is observed that over the merger period, the return on investment has decreased. This decline in ROI could be attributed to various factors such as integration costs, operational disruptions, or changes in market dynamics following the merger. It's common for companies to experience fluctuations in ROI during periods of significant organizational change like mergers. Additionally, HDFC achieved the highest return on investment in 2021, reaching 3.42. This peak in ROI signifies a period of strong performance and efficient capital utilization by HDFC during that year. However, it is noted that the ROI started to decline afterward, indicating a subsequent decrease in the effectiveness of investment returns. In conclusion, while HDFC experienced a peak in ROI in 2021, the overall trend shows a decline over the merger period and subsequent years. Analysing the factors influencing this decline and identifying opportunities for improving ROI will be crucial for HDFC to sustain and enhance its investment performance in the future.

The analysis of HDFC Bank's earnings per share (EPS) reveals a positive trend in profitability and shareholder value over the years. Starting from 2019, the EPS of HDFC Bank showed an increasing trend, indicating improved profitability and earnings generation. This upward trajectory suggests that HDFC Bank's financial performance strengthened over this period, reflecting effective management and operational excellence. Notably, after the merger, there was a significant rise in EPS from 41 in 2019 to 82.44. This substantial increase in EPS post-merger underscores the potential benefits and synergies derived from the merger. It indicates that the combined entity was able to generate higher earnings per share, which is a key indicator of shareholder value creation and financial success. In conclusion, the analysis of HDFC Bank's EPS demonstrates a strong performance in terms of earnings growth and shareholder value enhancement. The significant rise in EPS after the merger highlights the positive impact of strategic decisions and operational efficiencies on financial outcomes. Continued focus on sustainable growth and profitability will be essential for HDFC Bank to maintain its position as a leading financial institution.

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ANNEXURE:

HDFC BANK BALANCE SHEET FOR THE YEAR 2019-23

Balance sheet of HDFC Bank	March 2019 (in crores)	March 2020 (in crores)	March 2021 (in crores)	March 2022 (in crores)	March 2023 (in crores)
EQUITIES AND LIABILITIES SHAREHOLDER FUNDS					
Equity capital	545	548	551	555	558
Reserves	153,128	175,810	209,259	2446,772	288,880
Borrowings	1,080,235	1,333,041	1,511,418	1,784,970	2,139,212
Other liabilities	58,898	71,430	78,279	90,639	101,783
Total Capital and Liabilities	1,292,806	1,580,830	1,799,507	2,122,934	2,530,432
ASSETS					
Fixed assets	4369	4776	5248	6432	8431
CWIP	0	0	0	0	0
Investments	289,446	389,305	438,823	449,264	511,582
Other assets	998,991	1,186,750	1,355,435	1,667,238	2,010,419
Total assets	1,292,806	1,580,830	1,799,507	2,122,934	2,530,432

PROFIT & LOSS ACCOUNT

PROFIT & LOSS ACOOUNT OF HDFC BANK	March 2019	March 2020	March 2021	March 2022	March 2023
Revenue	**105161**	**122189**	**128552**	**135936**	**170754**
Interest	**53713**	**62137**	**59648**	**58584**	**77780**
Expenses	**34856**	**45459**	**52457**	**56557**	**63042**
Financing profit	**16592**	**14593**	**16848**	**20795**	**29932**
Financing margin %	**16%**	**12%**	**13%**	**15%**	**18%**
Other Income	**18947**	**24879**	**27333**	**31759**	**33912**
Depreciation	**1221**	**1277**	**1385**	**1681**	**2345**
Profit before tax	**34318**	**38195**	**42796**	**50873**	**61498**
Tax%	**35%**	**29%**	**26%**	**25%**	**25%**
Net profit	**22446**	**27296**	**31857**	**38151**	**46149**
EPS in Rs	**41.00**	**49.70**	**57.74**	**68.62**	**82.44**
Dividend payout%	**18%**	**5%**	**11%**	**23%**	**23%**