A Comparative Analysis of HDFC Bank’s Financial Performance before and after the Acquisition with Centurion Bank of Punjab

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Abstract: “A comparative analysis of HDFC bank financial performance before and after acquisition with centurion bank of Punjab”. The HDFC Bank was incorporated on August 1994 by the name of ‘HDFC Bank Limited’, with its registered office in Mumbai, India. India’s third-largest lender, HDFC Bank, is acquiring Centurion Bank of Punjab for about 95.1 billion rupees ($2.4 billion) in stock, extending its network before foreign institutions are allowed larger access to the Indian banking market next year. Centurion Bank merged with Bank of Punjab (at swap ratio to 4:9) to form Centurion Bank of Punjab. Finally on May 23, 2008, the one of India’s most renowned banks - HDFC Bank acquired Centurion Bank of Punjab Methodology is defined to study of methods by which we again knowledge, it deals with cognitive processes imposed on research the problems arising from the nature of its subject matter. Ratio analysis is the calculation and comparison of various financial ratio derived company’s financial statements. Total Debt Ratio, Efficiency Ratio, Return on Average Asset Ratios, Asset Utilization, Return on assets (ROA), Equity Multiplier, Tax Ratio, Profit Margin The total share capital for the year 2010 is 457.7 is higher than the other year total share capital value. The company should increase the profit margin after the acquisition the profit margin it’s continually lower then following years. The HDFC Bank should take necessary steps to improve the return on asset. The HDFC Bank is performing well after the acquisition but some of the variable like profit margin, tax ratio, returns on asset, borrowing. If all these variables are rectified then the company gets more profit.

Keywords: Acquisition, HDFC Bank, share capital, profit margin.

I. INTRODUCTION

Side by side examination of two or more alternatives, processes, products, qualifications, sets of data, systems, etc., to determine if they have enough common-ground, equivalence, or similarities to permit a meaningful comparative analysis.

A methodology of comparative analysis of evolutionary models is proposed. The main aim of this proposition is to identify to what extend different models can be called ‘evolutionary ones’

1. Banking: summary of the activities in an account over a certain period, such as average daily balance, overdraft balance, banking services provided, and fees charged for them.

2. Accounting: measurement of cost behavior, by analyzing accounting data and classifying each account as a fixed cost, or variable cost.

In this context, the financial performance of HDFC Bank before and after the acquisition with centurion bank of Punjab was analyzed.
Introduction to HDFC bank:
The HDFC Bank, the Housing Development Finance Corporation (HDFC), was incorporated on August 1994 by the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995. The Housing Development Finance Corporation (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994.

HDFC Bank is headquartered in Mumbai. The Bank at present has an enviable network of over 1416 branches spread over 550 cities across India. All branches are linked on an online real-time basis. Customers in over 500 locations are also serviced through Telephone Banking. The Bank also has a network of about over 3382 networked ATMs across these cities.

Amalgamation of Times Bank & Centurion Bank Of Punjab With HDFC Bank:
On May 23, 2008, the amalgamation of Centurion Bank of Punjab with HDFC Bank was formally approved by Reserve Bank of India to complete the statutory and regulatory approval process. As per the scheme of amalgamation, shareholders of CBoP received 1 share of HDFC Bank for every 29 shares of CBoP. The merged entity will have a strong deposit base of around Rs1, 22,000 crore and net advances of around Rs 89, 000 crore. The balance sheet size of the combined entity would be over Rs1, 63,000 crore. The amalgamation added significant value to HDFC Bank in terms of increased branch network, geographic reach, and customer base, and a bigger pool of skilled manpower.

II. OBJECTIVES

Primary objective:
1. To study the comparative analysis of HDFC Bank financial performance before and after the acquisition with centurion bank of Punjab.

Secondary objectives:
2. To study the financial performance of HDFC Bank. To study about the profitability position of HDFC Bank.
3. To study about the future positioning of HDFC Bank.
4. To study the relationship between the profit and acquisition.

Scope:
- This study is undertaken for the purpose of knowing the comparative analysis of HDFC Bank financial performance before and after the acquisition with centurion Bank of Punjab.
- The study focuses attention mainly on the level of financial performance analysis of HDFC Bank.

III. RESEARCH METHODOLOGY

Research Design: Analytical and descriptive research design

Data Collection:
The researcher has used secondary data for the study. The data are collected from secondary source such as websites and portals.

Research Tools:
1. Comparative analysis
2. Ratio Analysis
3. Two way table analysis  
4. Chi-square analysis

IV. FINDINGS

1. That the total share capital for the year 2010 is 457.7 is higher than the other year total share capital value.
2. That the Reserves for the year 2010 is 21,064.75 is higher than the other year Reserves value.
3. That the Net worth for the year 2010 is 21,522.49 is higher than the other year net worth value.
4. That the Deposits for the year 2010 is 167,404.44 is higher than the other year deposits value.
5. That the Borrowing for the year 2010 is 12,915.69 is higher than the other year borrowing value.
6. That the Total debt for the year 2010 is 180,320.13 is higher than the other year Total debt value.
7. That the Total liability for the year 2010 is 222,458.56 is higher than the other year total liability value.
8. That the advance for the year 2010 is 125,830.59 is higher than the other year Advance value.
9. That the investment for the year 2009 is 58,817.55 is higher than the other year investments value.
10. That the gross block for the year 2010 is 4,707.97 is higher than the other year gross block value.
11. That the Net block for the year 2010 is 2,122.81 is higher than the other year Net block value.
12. That the total asset for the year 2010 is 222,458.56 is higher than the other year total asset value.
13. That the Book Value for the year 2010 is 470.19 is higher than the other year Book Values.
14. That the Bill for collection for the year 2010 is 20,940.13 is higher than the other year Bill for collection Values.
15. That the total debt ratio is very high in the year 2006. Then it is reduced the year 2007 the year 2008 and 2009 slightly increase in the year 2010.
16. That the Efficiency ratio is very high in the year 2006. Then it is reduced the year 2007 the year 2008 is slightly increased and 2009 decreased in the year 2010.
17. That the Average Asset Ratios is very high in the year 2006. Then it is reduced the year 2007 the year 2008 and 2009 decrease in the year 2010.
18. That the Asset utilization is very low in the year 2006. Then it is increased the year 2007 the year 2008 and 2009 decreased in the year 2010.
19. That the Return on asset is very high in the year 2006. Then it is reduced the year 2007 the year 2008 and 2009 increased in the year 2010.
20. The table shows that the Equity Multiplier is low in the year 2006. The equity multiplier increased year by year and is 2010 it is increased up to 485.99.
21. That the Equity Multiplier is low in the year 2006. Table the equity multiplier increased year by year and is 2010 it is increased up to 485.99.
22. That the Tax ratio is very high in the year 2006. Then it is decreased in the year 2007 the year 2008 and 2009 increased in the year 2010.
23. That the Profit margin is very high in the year 2006. Then it is decreased the year 2007 the year 2008 and 2009 increased in the year 2010.
24. There is a relationship between a profit and acquisition.

V. SUGGESTIONS

1. The company should increase the profit margin after the acquisition the profit margin it’s continually lower then following years.
2. 2007 tax ratio also increased the company should construct provision tax.
3. The return on asset in HDFC Bank is in decreasing trend. The HDFC Bank should take necessary steps to improve the return on asset.
4. Before acquisition the borrowing is low but in the year 2010 the borrowing level of HDFC Bank it’s very high so HDFC Bank concentrates in this regard.

IV. CONCLUSION

1. HDFC Bank the total share capital, the reserves, net worth, deposit. This entire ratio is giving very positive opinion after the acquisition.

2. The HDFC Bank is performing well after the acquisition but some of the variable like profit margin, tax ratio, returns on asset, borrowing. If all these variables are rectified then the company gets more profit.

REFERENCES


