© June 2019 | IJIRT | Volume 6 Issue 1 | ISSN: 2349-6002

Empirical Study of Profitability Analysis in Post-acquisition of ICICI Bank Profitability Analysis in Post-Acquisition of Merger

Rakshitha TS [1], Dr. Manoj kumara N V [2]

[1]*Research Student Department of Management Science, Maharaja Institution of Technology, Mysore. Visveshwaraiaha Technology University, Belgaum, Karnataka*

[2]*Associate Professor, Department of Maharaja Institution of Technology Mysore. Visveshwaraiaha Technology University, Belgaum, Karnataka*

***Abstract*- Merger and Acquisition are corporate strategies decision taken for increase the company's' growth by deal with buying selling on combining different companies to with achieve the organization goals. profitability analysis based on the data collected from balance sheet and profit and loss account concluded at 2016 profitability is operational efficiency of a company to generate profits. objective of profitability analysis understands the functions in profitability analysis. and explain the profitability management in bank identify the source of actual valves and understand planning of the profitability analysis. using the financial tolls of profit analysis in the bank. data collected in primary data and secondary data. Profitability analysis is including panning. budgeting, & forecasting, and performance, reporting where organization con efficiently and effectively analysis business costs.**

1. INTRODUCTION

Mergers and acquisition is a combination of the tow company the profitable growth for the companies can be possible internally as well as externally. the internal growth can be achieved either through the process of introducing or development new products or expanding merger and acquisitions have also emerged as one of the most effective methods of corporate structuring, and have therefore, become an integral part of the long-term business strategy of corporate sector all over the world on the topic profitability is expressed as a ratio between profit and different types of utilized resources. the aim of financial analysis is to show the firm capability to generate profit in term of profit margin.

2. THEORETICAL BACKGROUND

Profitability analysis measure the amount of profit earned due to the efficiency of any operation in business. the merger of ICICI bank and bank of Rajasthan is substantially to enhance the network of ICICI banks branch which is already the largest private sector in India which especially strengthen its presence in Northam and western India. to enhance the ability of the merged entity to capitalize on the growth opportunities in the Indian economy it would combine bank of Rajasthan's branch franchise with ICICI bank's strong capital base. bank of Rajasthan is the third acquisition by ICICI bank. ICICI bank had earlier acquired bank of Madura in an and bank of Maharashtra-Based Single bank in 2007

3. LITERATURE REVIEW

Agatha Popescu et al (2010) The paper aimed profitability analysis based on ratio method. on the data collected form balance sheet and profit and loss accounted. M. Krishnamurthy (2012) profitability refers to the operational efficiency of a company to generate profits. the secondary data were used for this study and analyzed the data by using of mean, SD ANOVA and correlation student t-test. Dusan Baran et al (2016) The manager are trying during negative times to change their management approach, to ensure long term and stable running of the business enterprise.

S. Hemalatha et al (2018) The term profitability in comprised of two words,' profit and ability'. we have analyzed the gross profit, net profit, operating profit, return on asset and return on equity with the help of ration analysis. Nishanthini et al (2013) determinants of profitability. is data collected form financial reports of the selected manufacturing companies. Shanthini (2014) This is data collect for GPR, NPR, ROA and ROE and ROA but less profitable in NPR and ROE. Shishir and Vikas (2014) The primary objective of this research paper is to analysis the profitability position of the selected aluminums companies for five years the study based on the secondary data. Mohan et al. (2015) This is focuses on the analysis of profitability of the cement companies in India from 2005 to 2014. the tool used for analysis are mean, standard deviation, co-efficient of variation and compound annual growth rate.

Kavita Vadrale (2018) To analyze the profitability performance of selected public and private sector banks. considered seven ratios such as return on funds, return on advances, return on investments, cost of funds, cost of deposits, cost of borrowings and SPREAD for profitability analysis. Balramdogra et al. (2009) they found optimum capital structure enhance the profitability and value of the firm. Bevan et al. (2002) it is recommended that more profitable firms should hold less debt since higher profits generate more internal funds. Chang, S.j. (2003) profitability is positively associated with inside ownership and family portions of inside ownership. performance determines ownership structure but not vice versa.

Dr. S.K. Khartik titto Varghese, (2011) they found the profitability more or less depends upon the better utilization of resources and to manpower. Chen, L. et al. (2004) profitable firms tend to issue more debt as debt capital may be available at a cheaper rate the negative relations between profitability and leverage ratio arise from firm's preference of internal fund over external funds and the availability of internal funds.

4. RESEARCH GAP

There literature reviews related to merger and acquisition company profitability analysis in this study. This analysed for profitability in the companies. To know the profitability performance in out of the companies.

- The few studies are made in profitability analysis in India.
- The few studies focus on only secondary data and some the study used both primary and secondary data.
- The few studies focus on the mean, standard deviation, co-efficient of variation and compound annual growth rate.
- The few studies there is efficient and profitability utilization of capital invested into the business
- The few studies focus on analysis of profitability of selected cement companies and hotel industry in India.
- The few studies focused on the relationship between markets liquidity and the real economy.

Research Design: -

5. STATEMENT OF PROBLEM

Profitability is committed with various functional area of management, so the problem is to maintain profitability level at increase trend over a period of time. in order to find solutions to this problem, the present study has been undertaken to ascertain the overall earnings performance of selected of ICICI bank India.

6. OBJECTIVE

To examine the profitability parameter in post-acquisition period

7. RESEARCH METHODOLOGY

Type of research

Descriptive method: this study used descriptive method. it tries to prove the reason for effectiveness of cost control and company performance based on the review of literature, descriptive research is used to describe characteristics of a population or phenomenon being studied. study of 3 years.

Collection of data

Secondary data: the sources of secondary data gather from company financial reports and annual reports and books and journals.

Tools for the study

8. STATISTICAL TOOLS

Mean: mean is a refers to the mean or average that is used to derive the central tendency of the data in question.it is determined by adding all the data point in a population and then dividing the total by the number of points.

Standard deviation: the standard deviation is a statistic that measures the dispersion of a dataset relative to its mean and is calculated as the square root of the variance.

Covariance: covariance is a measure of the directional relationship between the return on two risky assets.

Financial tools

Gross profit ratio: gross profit ratio is calculated by dividing net sales from profit and multiplied by 100 where gross profit is calculated by deducting the cost of goods sold from sales, and net sales is calculated by return inwards from sales.

Net profit ratio: net profit ratio is calculated by dividing net sales by net profit and multiplied by 100. the net profit comes after subtracting all operating and non-operating expenses from gross profit and adding non-operating and operating of the company.

Operating profit ratio: operating profit ratio is calculated by dividing net sales from operating profit and multiplied by 100. the operating profit is calculated by adding non-operating expenses and deducting non-operating income from net profit.

Return on asset: return on asset is calculated by dividing average total assets from net profit.

Return on Equity: return on equity is calculated by dividing shareholder's equity from net profit after preference dividends.

Return on capital: return invested in capital, or return on invested capital, is a ratio used in finance, valuation and accounting, as a measure of the profitability and value creating potential of companies after taking into account the amount of initial capital invested.

9. PERIOD OF THE STUDY

The study considered period of 5 years from 2014 to 2019

10. HYPOTHESIS OF THE STUDY

There is no relationship between profitability relation, in post-acquisition period.

11. RATIOS ANALYSIS AND INTERPRETATION

Key Performance Ratios	2014	2015	2016	2017	2018
Net Profit Margin (%)	23.54	18.42	18.6	14.63	7.9
Operating Profit Margin (%)	-40.59	-52.57	-67.47	-76.74	-74.51
Return On Assets (%)	1.48	1.1	1.03	0.68	0.34
Return On Equity/Net worth (%)	14.45	11.15	10.03	7.16	3.72
Net Interest Margin (%)	2.74	2.75	2.64	2.48	2.64
Cost To Income (%)	49.83	55.69	59.27	63.55	65.83
Interest Income/Total Assets (%)	6.65	6.45	6.18	5.52	5.81
Non-Interest Income/Total Assets (%)	4.26	4.58	5.32	5.05	4.78
Operating Profit/Total Assets (%)	-2.7	-3.39	-4.17	-4.24	-4.32
Operating Expenses/Total Assets (%)	4.23	4.43	4.88	4.95	5.18
Interest Expenses/Total Assets (%)	3.91	3.7	3.53	3.04	3.16

Source: SPSS Data Base –Author study

This table show on net profit ratio to be increase on the year of 2014 23.54 and decrease on 2018 7.9 operating profit margin is all the negative of the ratio. in this ratio lowest negative % of 2014.40.59 return on assets to be decrease on 2018 0.34 and increase on 2014.1.48 return on equality in increase on the year of 2014 14.45 and decrease on 2018 3.72.net interest margin ratio is increase of 2015 2.75 and decrease of 2017 2.48. cost of income is decrease in the tear of 2014 49.83 and increase on 2018 65.53. interest income is increase on in the year of 2014 6.654 and decrease on 2017 5.52. and non-interest income is increase on 2016 5.32 decrease on year of 2014 4.26 operating profit ration is all the negative figure. operating expenses increase on 2018 5.18 and decrease on 2014 4.23. interest expenses ratio is increase in the year of 2014 3.91 and decrease 2017 3.04.

One-Sample Statistics				
	N	Mean	Std. Deviation	Std. Error Mean
NPM	5	16.618	5.810449	2.598512
OPM	5	-62.376	15.41343	6.893093
ROA	5	0.926	0.433567	0.193897
ROE	5	9.302	4.067981	1.819256
NIM	5	2.65	0.108628	0.04858
COI	5	58.834	6.370469	2.848961
ITTA	5	6.122	0.460836	0.206092
NIITA	5	4.798	0.410268	0.183478
OPTA	5	-3.764	0.702232	0.314048
OETA	5	4.734	0.391574	0.175117
IETA	5	3.468	0.364376	0.162954

Interpretation

The above table shows on mean and standards deviation NPM in mean is compare with OPM it is increase in16.618 and OPM is negative valve of NPM standard deviation increase in OPM is 15.41343. ROA mean is increase in the NIM is 9.302 and decrease in 2.65 standard deviation is decrease in the ROA 0.433567 and increase in ROE 4.067981. NIM decrease in 2.65 with compare with COI increase in the 58.834. ITTA increase in mean is 6.122 and standard deviation is 0.460836. NIITA decrease in 4.798 and standards deviation is 0.4102268. OPTA is compare with the OETA is negative valve of 3.764 and standard deviation is increase in 0.702323 and IETA mean is 3.468 and standard deviation is 0.364376.

	T	df	Sig(2 tailed)	Mean difference	95% confidence interval of the d/f	
					Lower	Upper
NPM	6.395199	4	0.003069	16.618	9.403374	23.83263
OPM	-9.04906	4	0.000826	-62.376	-81.5143	-43.2377
ROA	4.775734	4	0.008803	0.926	0.387656	1.464344
ROE	5.113078	4	0.006919	9.302	4.250934	14.35307
NIM	54.54939	4	6.76E-07	2.65	2.515121	2.784879
COI	20.65104	4	3.25E-05	58.834	50.92402	66.74398
ITTA	29.70515	4	7.65E-06	6.122	5.549796	6.694204
NIITA	26.15034	4	1.27E-05	4.798	4.288585	5.307415
OPTA	-11.9854	4	0.000278	-3.764	-4.63594	-2.89206
OETA	27.03334	4	1.11E-05	4.734	4.247797	5.220203
IETA	21.28208	4	2.88E-05	3.468	3.015567	3.920433

Sample valve of one and valve of (2)

Source: SPSS Data Base –Author study

Interpretation:

The study found that profitability ratio one sample T-test resulted all ratios are significant since equity ratio is not significant

Finding: -

- In Return on assets margin is decrease in the year 2018 due to more expenses and operating expenses
- In net profit margin ratio is low in the year 2018 due to down pressure on sale prices such as discounts due to competition.
- In the cost of income is decrease in 2014.
- The non interest income is decrease in compare with interest income 2014.
- In the return on equity ratio is decrease in the year of 2018.

12. CONCLUSION

After the analysis of various data, selected ICICI bank in India founded in theoretical statement, it clear that profitability more or less depends upon the better utilization of resource, cutoff expenses and quality of management function in the products, customer services and to manpower and goodwill and market share. it is worthwhile to increase production capacity and use advance technology to cut down cost of production and wage cast in order to increase profitability, not only against the investment, but also for investor's return point of view.

REFERENCE

[1] S. Hemalatha & Dr. A.L. Kamalavalli profitability analysis of cement companies in India, volume 3, issue 1, 2018

[2] Kavita Vadrale, profitability position of commercial banks in India – A comparative study. march 2018

[3] Dusan Baran, Andrej Pastry, Daniela Baranova, financial analysis of a selected company 2016 volume 24. number 37.

[4] Dr. M. Krishnamoorthi, a study on profitability analysis of selected steel company's volume. 11issue October 2012

[5] Sinha Mintibahen Bijendra, Dr. Deepika singhvi, research paper on liquidity & profitability analysis of the pharmaceutical companies of India. volume (5) issue (08) pages (6717-6724) (2017).

[6] Agatha Popescu, Mircea Grigoras, profitability analysis – a study case agroindustriala pantelimon joint venture dairy farming company. January 2010 volume.10(2) 2010

[7] Honet Gupta. per and post-merger financial performance analysis of state bank of India volume. 6 (100. October (2016), pp. 1-8

[8] Nishanthini, A. & Nimalathasan, B. (2013), determinants of profitability: a case study of listed manufacturing companies in Sri Lanka, journal of management, Vol 8 No. 1, Pg 42-50.
[9] Shanthini Gnansooriyar (2014), profitability analysis of lisyed manufacturing companies in Sri Lanka: an empirical investigation, European journal of business and management, Vol6 No. 34 Pg 358-364
[10] Mohan Kumar. M.S. safer pasha. M. & Bhanu Prakash, T.N. (2015), profitability analysis of selected cement companies in India, international journal of multidisplinary research and Modern education, Vol 1 issue 2, pg 95-99
[11] Shishir Pandey and vikas kumar jaiswall (2014) "comparative study of profitability analysis of Indian Aluminums industries between public and private sector" GE international journal of management research Vol 2 issue 12 December 2014 pg 143-150
[12] Pandey I.M. 2002 capital structure and market power interaction evidence from Malaysia. Asia pacific journal of economics and business 8(2), December 78-91.
[13] Chang, S.J. 2003. ownership structure, expropriation and performance of group affiliated firm in korea, the academy of management journal 146 (6) April 238-53
[14] Bevan, a. and danbolt. 2002. capital structure and determinants in the United Kingdom: a decomposition analysis, applied financial economics 12 (2) :159-170.
[15] Balramdogra and S. guitar. 2009 an empirical study on capital structure of SMEs in punjap, the Icfai journal applied finance 15 (3), march:60-80.