SUMMER INTERNSHIP PROJECT REPORT

On

"Financial Performance Analysis of SBI and Tata Steel Europe after and before Merger and Acquisition"

For

State Bank India (SBI) and Tata Steel Europe

By

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Specialization – Finance Management

Under the guidance of

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DECLARATION

I **Shruti Nitin Badhe**, of **MBA II** year, Roll No **2302004** hereby declare that project report entitled **"Financial Performance Analysis of SBI and Tata Steel Europe after and before Merger and Acquisition"** which has been submitted to **Savitribai Phule Pune University** is an original work of undersigned and has not been reproduced from any other source. I further declared that the material obtained from the source has been duly acknowledgment in the report.

Place:

Date: Shruti Nitin Badhe.

ACKNOWLEDGEMENT

I am deeply grateful to everyone who supported and guided me during my summer internship project on **"Financial Performance Analysis for State Bank of India (SBI) and Tata Steel Europe after and before Merger and Acquisition**. This project has been an invaluable learning experience, and I owe its success to several individuals.

I would like to express my heartfelt gratitude to **Dr. Girish Bodhankar** and for their expert guidance, constructive feedback, and constant encouragement throughout the project. Their vast knowledge and experience have been instrumental in shaping my understanding of financial performance metrics and analysis.

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Thankyou.

Shruti Nitin Badhe.

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“Financial Performance Analysis of State Bank of India (SBI)Tata Steel Europe after and before Merger and Acquisition”

INTRODUCTION

In the realm of corporate strategies, mergers and acquisitions (M&A) are pivotal events that reshape organizational structures, market dynamics, and financial landscapes. Understanding the intricacies of financing strategies in M&A is crucial for evaluating how companies leverage capital, manage risks, and optimize synergies during these transformative processes. The Mergers and the Acquisitions are the two same entities.

Begin by defining what mergers and acquisitions are. Explain that mergers occur when two companies combine to form a new entity, while acquisitions involve one company purchasing another.

Mergers and acquisitions (M&A) represent strategic initiatives undertaken by companies to achieve growth, diversification, or synergy. Central to the success of these transactions are the financing strategies employed, which play a pivotal role in shaping the outcomes and long-term implications for all stakeholders involved. This comparative analysis delves into the various financing approaches utilized in M&A activities, examining their distinct characteristics, advantages, and challenges.

Financing strategies in M&A are critical determinants of transaction feasibility and strategic alignment. These strategies dictate how an acquiring company funds the purchase of another entity, influencing its financial leverage, risk exposure, and potential for value creation.

By carefully selecting and executing financing options, companies can optimize capital structure and enhance shareholder value, while mitigating financial risks associated with large-scale transactions.
The research aimed to understand what is mergers and acquisitions, analyse the performance of pre- post mergers and acquisitions of the company.

The Primary sources includes gather data from comprehensive sources such as financial statements, annual reports, SEC filings, and investor presentations of SBI and Tata Steel Europe.

The Secondary source refers utilize industry reports, market analyses, academic literature, and reputable business publications to contextualize the M&A events and financial strategies.

OBJECTIVES

The main objective of comparative analysis of financing strategies among mergers and acquisitions

Impact Assessment (Financial Performance) : Analyse and compare the financial performance and market outcomes before and after the mergers/acquisitions for both entities.

Strategic Insights : Provide insights into effective financing strategies that enhance value creation and mitigate risks in M&A scenarios.
To achieve these objectives, the research will follow a structured approach such as collecting primary and secondary sources for the analysis among mergers and acquisition.

LITRATURE REVIEW

Research Article	Reference - https://www.researchgate.net/publication/342276086 Name of Author -_ CMA Sudarshan Maity, Dr. Tarak Nath Sahu. Title of Published Article - Pre Merger performance measures of State Bank of India and its associate banks using Data Envelopment Analysis.
Problem Addressed /Identified	Benchmarking the efficiency scores across SBI and Its associates. The comparative perspective in understanding the potential impact of the merger on overall efficiency and competitiveness.
Research Contribution	Analyze financial indicators such as profitability, liquidity, solvency and efficiency before merger. It helps in understanding how well the bank was performing independently and provides a baseline for evaluating the merger's impact.
Aim & Objectives	To evaluate the efficiency and effectiveness of SBI's operational processes. To forecast the potential impact of the merger on SBI's stakeholders, employees, customer and the financial ecosystem.
Limitations and Weaknesses	Availability and reliability of data for DEA model. Ethical consideration related to data privacy, confidentiality, and compliance with regulatory requirements when accessing and using sensitive information related to SBI's operations and performance. The study is the non inclusion of other financial parameters i.e. net profit, operating and other expenses.
Findings and Conclusions	By using various models under some assumptions all the associate banks have been found efficient. Merger will decrease unhealthy competition between SBI and associates and mitigate the risk.
Areas of improvement/Future Direction	Improve access to comprehensive and accurate historical data on SBI's financial and operational performance before the merger . Benchmark SBI's pre-merger performance against industry peers or comparable financial institutions.

Research Article	Reference – https://www.researchgate.net/publication/358347024 Name of Author - S. Sasikala, Ph.D. Research scholar (Full Time), Dr.B.Sudha, Professor Department of Banking management, Alagappa university, Karaikudi Title of Published Article - Post-Merger performance of the State Bank of India : An analysis.
Problem Addressed /Identified	Analyse financial statements to access changes in revenue, profitability, cost efficiencies, and overall financial health post-merger. How mergers impact shareholder value, stock price and investor perceptions. Achieving Operational efficiencies through mergers, including studies on cost reductions, improvement in service delivery.
Research Contribution	Finding from research, inform policymakers and regulators about the impacts of bank mergers on market structure, shareholders fund, competition, and consumer welfare.
Aim & Objectives	To assess the Post merger financial performance of the SBI To investigate market reaction. To assess Operational efficiency. To provide appropriate suggestions to improve the performance of SBI.
Limitations and Weaknesses	Data availability and Quality of the information. Ethical concerns related to the confidentiality of sensitive corporate information. External economic conditions, regulatory changes, or market shifts can significantly influence post merger performance.
Findings and Conclusions	From the analysis, The performance of the SBI was found satisfactory during the post merger period. The bank has incurred losses in the initial period due to NPAs and accumulated losses of associate banks, later on it has earned a good profit and returned to good position.
Areas of improvement/Future Direction	The Operating expenditure of the bank need to be controlled. The bank has to take necessary steps for the recovery of bad loans of associate banks. The bank need to be monitoring and controlling the expenditure aims to increase future profits.

Research Article	Reference - Article DOI: https://doi.org/10.36713/epra5418 Name of Author - Rajashree Upadhyay, Dr. Mahesh Kumar Kurmi. Title of Published Article - Recent tie up of SBI with its associates A probe of Pre and Post-Merger attainment through the lens of camels framework.
Problem Addressed / Identified	How to used the CAMELS framework for the companies growth and progress. Verify the different stages/ steps of CAMELS framework. Difficulties in maintaining asset quality.
Research Contribution	Strategic Decision-Making : Research guide strategic decision-making for stakeholders, including banks, regulators, policymakers, and investors, in managing future mergers and acquisitions.
Aim & Objectives	To provide a comprehensive analysis of how the merger between SBI and its associates has influenced To analyse key aspects of their financial and operational performance, the effectiveness of the merger strategy, its implications for stakeholders.
Limitations and Weaknesses	Complexity of CAMELS Framework : The broad scope of the CAMELS framework may necessitate simplification or a targeted focus on specific components for effective data synthesis and interpretation. Qualitative Aspects : The CAMELS framework, may overlook qualitative factors like organizational culture, employee morale, and customer satisfaction, which are not fully captured by financial metrics.
Findings and Conclusions	The study confirms that State Bank of India did not reap the advantages of its merger with its associate banks, which already had significant non-performing assets. The ratios concerning capital adequacy show no notable improvements in the post-merger phase. The rising Debt Equity Ratio has heightened financial leverage and diminished safeguards for depositors and creditors.

	The bank has struggled to enhance its asset quality as non-performing assets increased following the tie-up, posing a challenge to the institution. While the larger size of the newly merged SBI promises benefits of scale and a larger market share, currently, it can be argued that the merger has not yielded significant results.
Areas of improvement/ Future Direction	Examine the quality of assets before and after the merger. Evaluate the adequacy of liquid assets and funding sources. Analyse any changes in liquidity risk management practices. Evaluate the impact on interest rate risk, foreign exchange risk, and other market risks.

Research Article	Reference – https://www.researchgate.net/publication/304683692 Name of Author – Kishore Morya Title of Published Article - Tata-Corus: Spearheading India's Global Drive to Growth.
Problem Addressed / Identified	It includes understanding the strategic motivations behind Tata Steel's decision, analysing the financial implications and outcomes of the acquisition. Evaluating its long term impact on Tata Steel's global positioning and growth trajectory.
Research Contribution	Impact on Indian Corporate Strategy : It contributes to understanding how the Tata-Corus acquisition influenced the strategic thinking of Indian corporate leaders and policymakers regarding international expansion, global competitiveness. Financial Implications and Strategies : The research sheds light on the financial strategies and implications of large scale international acquisitions, including financing mechanisms, valuation techniques, and financial performance.
Aim & Objectives	To evaluate financial implications To assess operational integration To examine long term impact on performance of the company To understand policy implications.
Limitations and Weaknesses	The research may not fully account for contextual factors such as geopolitical changes, economic fluctuations, or industry-specific challenges that could influence the outcomes and interpretations of the acquisition.
Findings and Conclusions	Investors worried about the financial risks owing to the high costs incurred in the deal. Interest rates on credit facilities were much higher than market rates because of the risks involved.
Areas of improvement/ Future Direction	Investigate Tata Steel's ongoing innovation initiatives and future growth prospects post-acquisition. Enhance incorporating multiple perspectives from key stakeholders including executives, employees, and industry analysts. Examining market share dynamics, profitability trends. Operational efficiencies, and strategic adjustments over subsequent years.

Research Article	Reference – https://researchgate.net/publication/272984834 Name of Author – Manoj Kumara N V Name of Published Article - An Analysis of the Impact of Merger and Acquisition of Corus by Tata Steel
Problem Addressed / Identified	Corporate integration is becoming more important amidst intense globalization trends. Investors were worried about the financial risks owing to the high costs incurred in the deal
Research Contribution	The outcome of the analysis disclosed that there is a significant difference between pre – post merger and acquisition in capital base and level of returns.
Aim & Objectives	To find the rational for M&A in terms of management incentives, post merger and acquisition value creation. To evaluate the impact of mergers and acquisition in steel industry. To study the significant difference between pre and post acquisition in capital base and level of returns.
Limitations and Weaknesses	Some Limitations and weakness of the research : 1) There is significant difference between pre- post mergers and acquisition EPS. 2) Limited Financial data for competitive analysis of performance of the company.
Findings and Conclusions	The finding of this study evolves those synergies, increased capitalization with the proof of changes in returns, profitability based on the research findings. This acquisition refers the global opportunities and innovations for business growth, development and future profits. The corporate integration has increase the organizational performance also contributed to the growth of the steel industry.
Areas of improvement/ Future Direction	1) Conduct deeper industry analysis to understand the specific challenges and opportunities within global steel industry. 2) Conduct comparative analysis with other global acquisitions by Indian companies in different sectors to identify common success factors, challenges, and strategic approaches.

COMPANY PROFILE

State Bank OF India (SBI)

State Bank of India (SBI) is India's largest public sector bank and a Fortune Global 500 company. Founded in 1806 as the Bank of Calcutta, it was later renamed to SBI in 1955 after nationalization. SBI offers a wide range of banking products and services, including retail banking, corporate banking, investment banking, and insurance. It has a significant presence both domestically and internationally, with operations in over 35 countries. SBI plays a crucial role in India's financial sector and is known for its extensive network of branches and ATMs across the country.

State Bank of India, with its extensive network and influence in the financial sector, frequently engages in M&A activities to enhance its market share and capabilities. Understanding how SBI finances these transactions is crucial for evaluating their financial prudence, risk management practices, and strategic alignment with organizational goals. The comparative analysis will examine various dimensions of financing strategies employed by SBI in its M&A.

SBI's approach to financing mergers and acquisitions, this research aims to provide insights into best practices, challenges faced, and lessons learned in the financial landscape of one of India's largest banks. Such insights are valuable not only for stakeholders within SBI but also for policymakers, regulators, and industry observers seeking to understand the dynamics of M&A financing in the banking sector.

Tata Steel Europe Ltd.

Tata Steel Europe, a prominent entity within the Tata Group, has strategically employed M&A as a cornerstone of its expansion and development strategy in the European steel market.
The acquisition of Corus Group Plc was based on the long term strategy of the Company to pursue growth through international expansion and enhance the portfolio of value added products. The acquisition provided benefits like access to European markets, increased production capacity and a larger customer base. It also increased integration risks and reduced Tata Steel's competitive cost advantage. Overall, the deal was seen as strategic and successful for both companies.
This research aims to conduct a comparative analysis of the financing strategies employed by Tata Steel Europe in its mergers and acquisitions. By examining these strategies in detail, the study seeks to uncover the effectiveness, challenges, and key determinants that influence the choice of financing mechanisms in the context of M&A activities.

METHODOLOGY

The research methodology outlines the systematic approach adopted to conduct a comparative analysis of financing strategies in mergers and acquisitions. This section covers the research design, data collection methods, sampling techniques, and analytical tools used to examine the various financing strategies employed in M&A transactions of State Bank of India and Tata Steel Europe.

Mergers and acquisitions (M&A) represent strategic initiatives undertaken by organizations to consolidate market position, expand operations, or achieve synergies. The financing strategies employed in these transactions play a pivotal role in shaping the outcomes and long-term success of such endeavours. This study focuses on analysing the financing strategies adopted by State Bank of India (SBI), Tata Steel Europe Ltd., a leading financial institution in India, during its mergers and acquisitions.

Data Collection

Gather historical financial statements including balance sheets, income statements, and cash flow statements for SBI and Tata Steel Europe for at least two years before and after the M&A and current years data.
It’s essential to maintain consistency and reliability in data sources, ensuring they originate from authoritative outlets such as annual reports, SEC filings, or other formally recognized disclosures that adhere to stringent reporting standards and provide comprehensive insights into the financial health and operational activities of the companies under study.

Data Analysis :

Quantitative Analysis : Compare the financial metrics from the pre-M&A and post-M&A periods using quantitative methods. Statistical analysis of financial data from a sample of M&A transactions to identify patterns and trends in financing strategies. Calculate financial ratios and metrics for both pre-M&A and post-M&A periods.

- Liquidity Ratios : Current ratio, Quick ratio, Absolute Cash ratio.

- Profitability Ratios : Operating profit margin, Net profit margin, Return on Assets, Return on Equity, Earning per share.
- Trend Analysis : Identify trends in financial performance metrics over time to understand the impact of M&A on the companies' financial health and operational efficiency.

DATA ANALYSIS

Analysing financial strategies of State Bank of India with the help of Ratio analysis and Trend analysis.

RATIO ANALYSIS

Liquidity Ratio

Liquidity ratios are a class of financial metrics used to determine a debtor's ability to pay off current debt obligations without raising external capital.

Liquidity ratios measure a company's ability to pay debt obligations and its margin of safety through the calculation of metrics including the Current ratio, Quick ratio and Absolute cash ratio.

Current Ratio

The current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations or those due within one year.

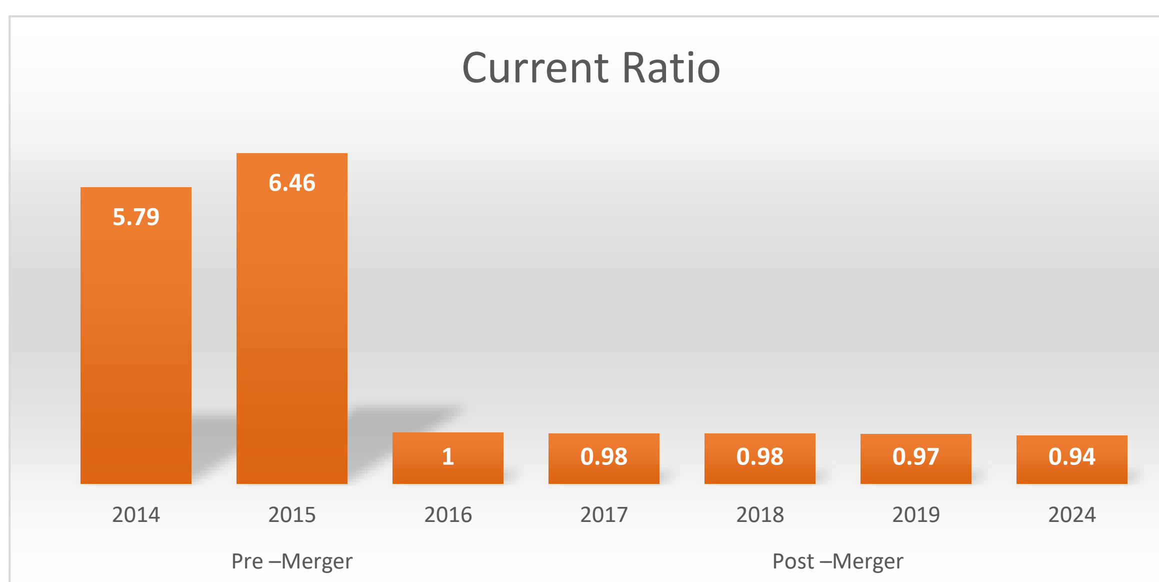
Formula: Current Ratio = Current Assets/Current Liabilities.

Current Ratios of State Bank of India during Pre and Post Merger.

Data Table :

Particulars	**Pre –Merger**			**Post –Merger**			
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2024**
Current Ratio	5.79	6.46	1	0.98	0.98	0.97	0.94

Data Graph of Current Ratio of SBI



State Bank of India (SBI) Current Ratio Interpretation (2014–2019 and 2024)

The current ratio is a financial metric that assesses a company's ability to cover its short-term liabilities with its short-term assets. For the State Bank of India (SBI), the current ratio from 2014 to 2024 shows significant changes, reflecting variations in the bank's liquidity over the period.

In 2014, SBI's current ratio was 5.79, indicating a very strong liquidity position. This high ratio suggests that the bank had more than enough short-term assets to cover its short-term liabilities, providing a substantial margin of safety.

The current ratio increased to 6.46 in 2015, further strengthening the bank's liquidity position. This suggests effective management of short-term assets and liabilities, enhancing its ability to meet short-term financial obligations.

Starting in 2016, there was a notable decline in the current ratio, which fell to 1.00. By 2017, the ratio decreased slightly to 0.98, indicating that short-term liabilities began to approach or exceed short-term assets, suggesting a tightening liquidity position.

This trend continued with the current ratio remaining at 0.98 in 2018 and dropping to 0.97 in 2019. These figures reflect a persistent challenge in maintaining a sufficient buffer of short-term assets relative to liabilities.

In 2024, the current ratio further decreased to 0.94, indicating that short-term liabilities continued to exceed short-term assets. This decline underscores an ongoing concern regarding liquidity, with the bank's ability to cover short-term obligations becoming increasingly constrained.

Overall, the substantial decline in SBI's current ratio from 2014 to 2024 reveals a significant reduction in liquidity. The persistent ratios below 1.00 in recent years suggest that the bank has faced challenges in managing its short-term assets and liabilities effectively.

Quick Ratio

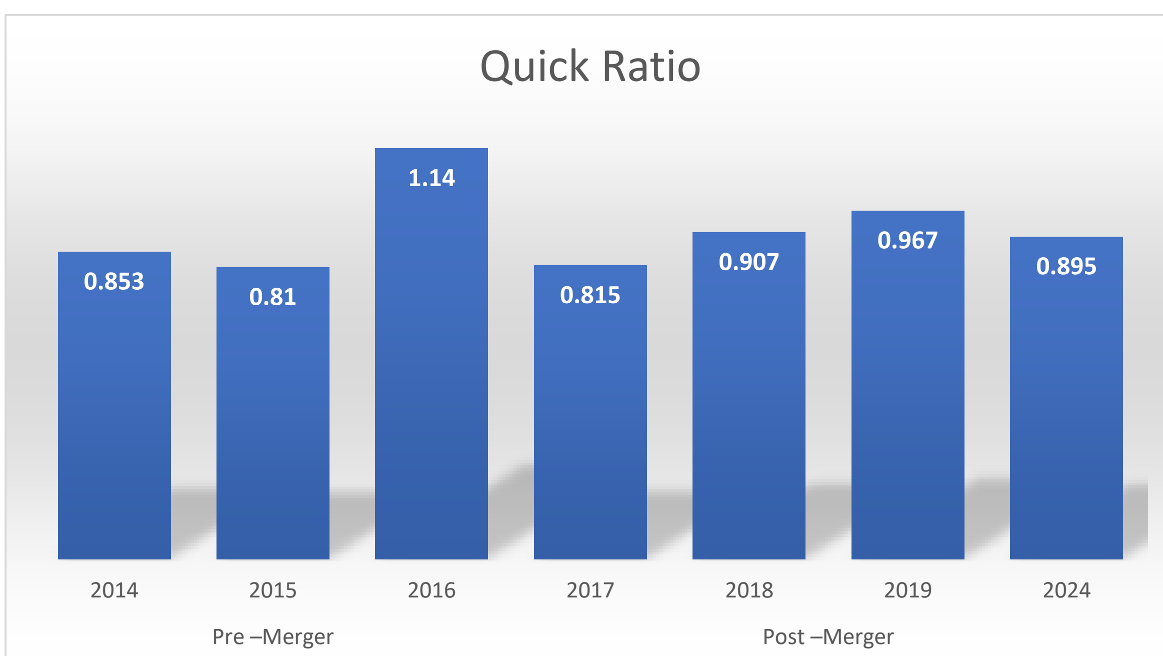
The quick ratio is the value of a business's “quick” assets divided by its current liabilities. Quick assets include cash and assets that can be converted to cash in a short time, which usually means within 90 days.

Quick Ratio = Current Assets – Prepaid Expenses/Current Liabilities.

Data Table

Particulars	Pre –Merger			Post –Merger			
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2024**
Quick Ratio	0.853	0.81	1.14	0.815	0.907	0.967	0.895

Data Graph



State Bank of India (SBI) Quick Ratio Interpretation (2014–2019 and 2024) :

The quick ratio, or acid-test ratio, measures a company's ability to meet its short-term obligations using its most liquid assets, excluding inventories. The quick ratio for the State Bank of India (SBI) over the period from 2014 to 2024 demonstrates notable variations in its liquidity position.

In 2014, SBI's quick ratio was 0.853, indicating that the bank's liquid assets were insufficient to cover its short-term liabilities. This suggests that SBI had limited liquidity and relied on other less liquid assets to meet its obligations.

The quick ratio decreased to 0.812 in 2015, reflecting a further weakening of liquidity. The bank's ability to cover short-term liabilities with liquid assets continued to be constrained during this period.

A notable improvement occurred in 2016, with the quick ratio rising to 1.146. This increase indicates that SBI's liquid assets were adequate to cover its short-term liabilities, suggesting a significant enhancement in liquidity management.

However, from 2017 to 2019, the quick ratio exhibited a decline. In 2017, the ratio was 0.815, which improved slightly to 0.907 in 2018 and further increased to 0.967 in 2019. These figures suggest fluctuating liquidity levels, with the bank still facing challenges in maintaining an optimal ratio above 1.00 but showing gradual improvement.

In 2024, the quick ratio was 0.895. Although this is a decrease from the previous year, it indicates that while the liquidity position remained below the ideal threshold of 1.00, it was relatively stable and not critically low.

Overall, the trend in SBI's quick ratio from 2014 to 2024 reveals a generally fluctuating liquidity position.

Absolute Cash Ratio

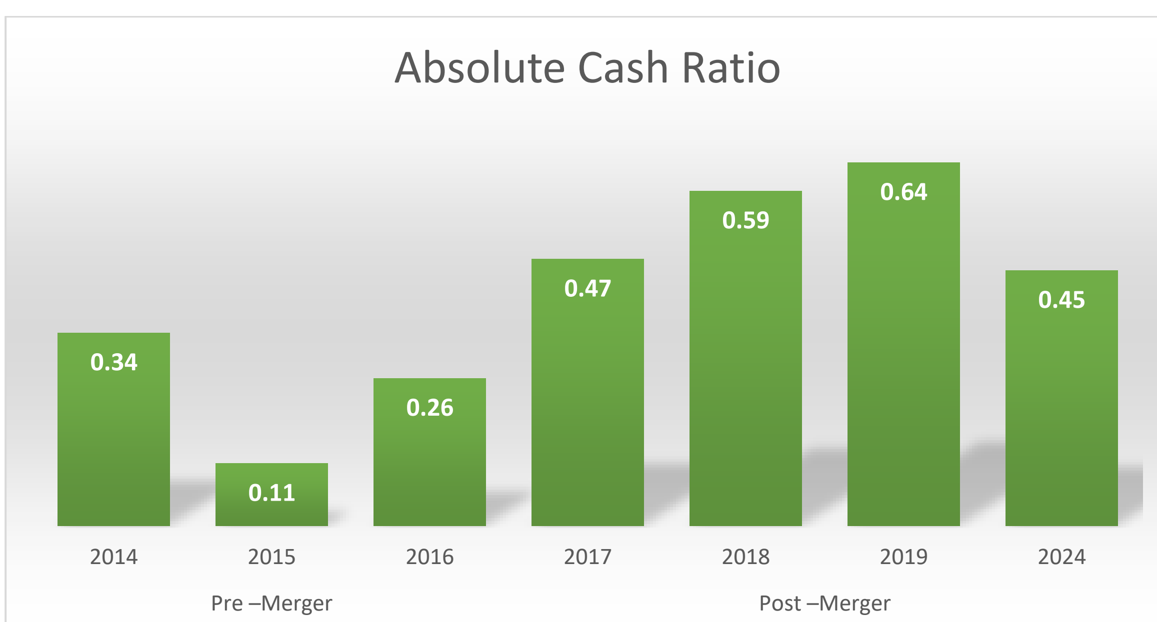
Cash ratio is a measure of a company's liquidity in which it is measured whether the company has the ability to clear off debts only using the liquid assets

Absolute Cash Ratio = Cash + Marketable Securities/Current Liabilities.

Data Table

Particulars	Pre –Merger			Post –Merger			
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2024**
Absolute Cash Ratio	0.34	0.11	0.26	0.47	0.59	0.64	0.45

Data Graph



State Bank of India (SBI) Absolute Cash Ratio Interpretation (2014–2019 and 2024) :

The absolute cash ratio is a financial metric that measures a company's ability to cover its short-term liabilities using only its cash and cash equivalents. For the State Bank of India (SBI), the absolute cash ratio from 2014 to 2024 reflects variations in its liquidity position.

In 2014, SBI's absolute cash ratio was 0.34. This indicates that the bank had 34 cents in cash and cash equivalents for every dollar of short-term liabilities, suggesting a moderate level of liquidity.

The ratio dropped significantly to 0.11 in 2015, reflecting a marked decline in the bank's liquidity. This lower ratio indicates that SBI's cash and cash equivalents were insufficient to cover a substantial portion of its short-term liabilities, suggesting tighter liquidity conditions.

In 2016, the ratio improved to 0.26. Although this represents some recovery, it still indicates that the bank's cash reserves were not fully adequate to cover its short-term obligations.

The absolute cash ratio saw a notable increase in 2017, reaching 0.47. This improvement suggests that SBI had a stronger liquidity position during this period, with cash and cash equivalents covering a larger portion of short-term liabilities.

In 2018, the ratio was slightly lower at 0.59, and it increased further to 0.64 in 2019. These figures indicate that SBI maintained a relatively strong liquidity position, with cash and cash equivalents sufficiently covering its short-term liabilities.

By 2024, the ratio decreased to 0.45. While still above the lowest points of previous years, this decline reflects a reduced liquidity position compared to 2019, suggesting that the bank faced some challenges in maintaining its cash reserves relative to short-term obligations.

Overall, SBI's absolute cash ratio from 2014 to 2024 demonstrates a fluctuating liquidity position. The ratio improved significantly from 2014 through 2019 but showed a decline in 2024, highlighting variations in the bank's ability to cover short-term liabilities with cash and cash equivalents over the years.

Profitability Ratio

Profitability ratios are a type of accounting ratio that helps in determining the financial performance of business at the end of an accounting period. Profitability ratios show how well a company is able to make profits from its operations.

Profitability ratios are a class of financial metrics that are used to assess a business's ability to generate earnings relative to its revenue, operating costs, balance sheet assets, or shareholders' equity over time, using data from a specific point in time.

There are types of profitability ratio: Operating profit ratio, Net profit ratio, Return on equity, Return on asset, Return on capital employed, Earning per share ratio.

Operating Profit Ratio

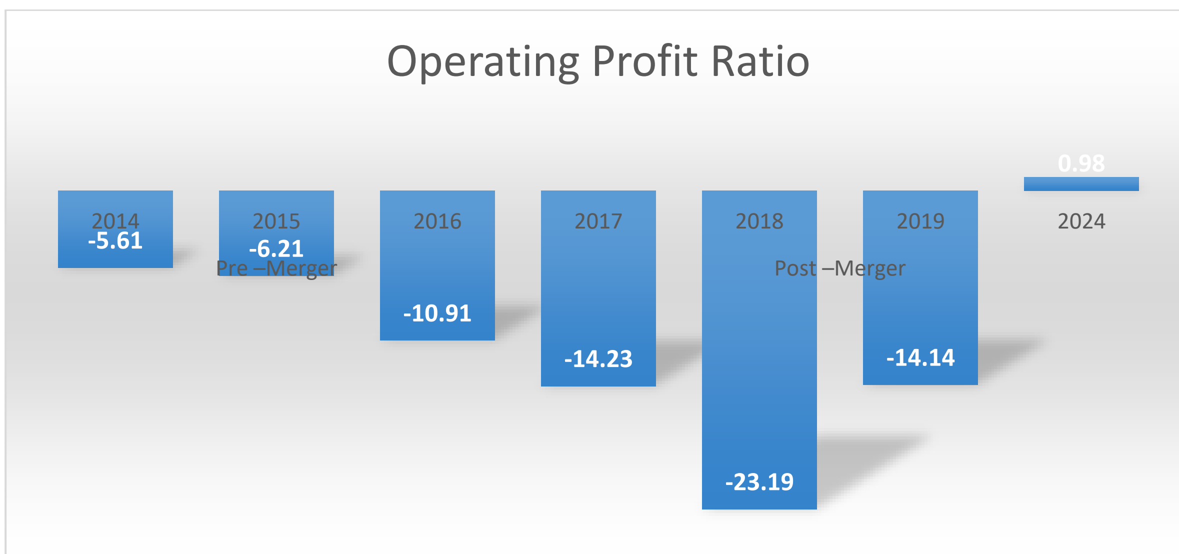
Operating Profit Ratio is referred to as the ratio that is used to define a relationship between the operating profit and the net sales. Operating profit is also known as Earnings before interest and taxes (EBIT) and net sales can also be defined as the revenue that is earned from the operations.

Operating Profit = Operating Profit / Sales * 100

Data Table

Particulars	Pre –Merger			Post –Merger			
	2014	2015	2016	2017	2018	2019	2024
Operating Profit Ratio	-5.61	-6.21	-10.91	-14.23	-23.19	-14.14	0.98

Data Graph



Interpretation of Operating Profit Ratio Data

The operating profit ratio for the company displayed a negative trend from 2014 to 2019, indicating declining profitability over this period. Specifically, the ratio decreased from -5.61% in 2014 to -14.14% in 2019. This decline suggests a worsening operating performance before the merger.

In 2014, the operating profit ratio was -5.61%, reflecting a relatively minor loss in operating income compared to revenue. However, the ratio worsened significantly over the next few years, reaching -23.19% in 2018, which highlights a substantial increase in operating losses. The year 2019 showed some improvement, with the ratio standing at -14.14%, yet it remained negative, indicating continued operational challenges.

The most notable change occurred in 2024, where the operating profit ratio turned positive at 0.98%. This shift indicates a reversal of the previous negative trend and suggests a significant improvement in operating profitability post-merger.

Overall, the data demonstrates a period of operational difficulties prior to the merger, followed by a positive turnaround after the merger, reflecting potential operational efficiencies or strategic advantages gained from the merger.

Net Profit Ratio

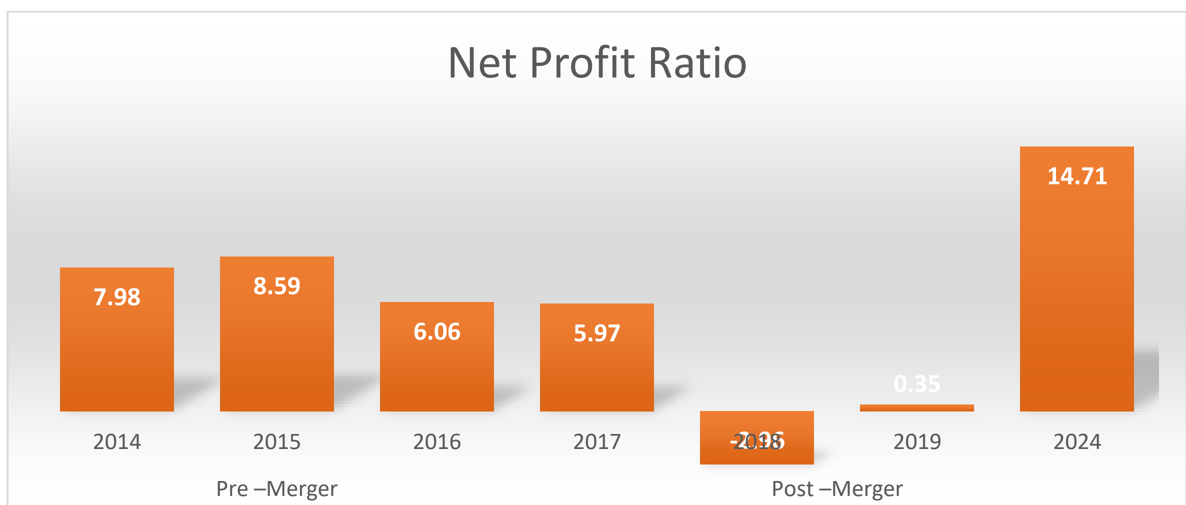
Net profit ratio is revenue left after deducting expenses, taxes, debts, etc. To find gross profit ratio, we do not consider taxes, interest and other expenses. To find net profit ratio, we need to consider taxes, interest and other expenses. Is an accurate indicator of a company's financial health.

Net Profit Ratio = Net Profit / Sales * 100

Data Table

Particulars	Pre –Merger			Post –Merger			
	2014	2015	2016	2017	2018	2019	2024
Net Profit Ratio	7.98	8.59	6.06	5.97	-2.96	0.35	14.71

Data Graph



Interpretation of SBI's Net Profit Ratio

SBI's net profit ratio shows a mixed performance during the pre-merger period from 2014 to 2019. In 2014, the ratio was 7.98%, indicating a strong net profit relative to revenue. This positive trend continued into 2015 with an increased ratio of 8.59%. However, from 2016 onwards, the net profit ratio began to decline, reaching 6.06% in 2016 and 5.97% in 2017. This decline suggests a gradual reduction in profitability.

The trend took a significant downturn in 2018, with the net profit ratio falling to -2.96%, reflecting a net loss. This negative performance continued into 2019, with only a marginal improvement to 0.35%, but still indicating weak profitability and ongoing financial difficulties prior to the merger.

In 2024, post-merger, SBI's net profit ratio surged to 14.71%. This substantial increase from the pre-merger period indicates a dramatic improvement in profitability, suggesting that the merger had a significant positive impact on SBI's financial performance. The positive ratio highlights effective strategic or operational changes implemented post-merger, leading to improved profitability.

The data reveals a challenging financial environment for SBI prior to the merger, with profitability declining and experiencing net losses in the later years. The post-merger period, however, demonstrates a remarkable turnaround with a substantial increase in the net profit ratio, reflecting successful outcomes from the merger and enhanced financial performance.

Return on Assets

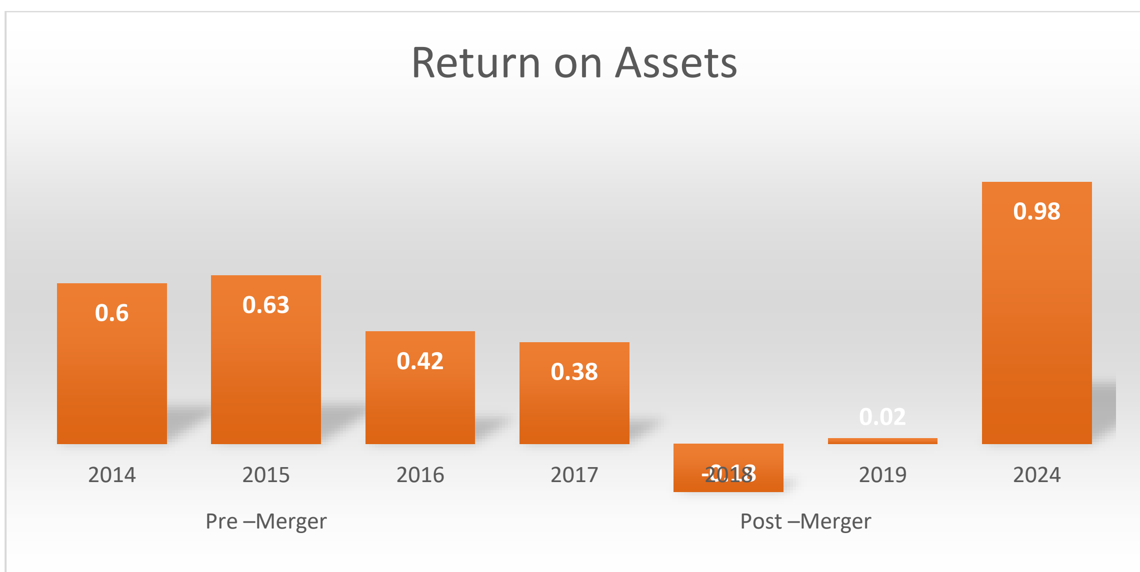
Return on assets is a profitability ratio that provides how much profit a company is able to generate from its assets. Return on assets (ROA) measures how efficient a company's management is in generating profit from their total assets on their balance sheet.

Return on Assets = Net Income / Total Asset

Data Table

Particulars	Pre –Merger			Post –Merger			
	2014	2015	2016	2017	2018	2019	2024
Return on Assets	0.60	0.63	0.42	0.38	-0.18	0.02	0.98

Data Graph



Interpretation of SBI's Return on Assets (ROA)

SBI's ROA demonstrates a decline in performance over the pre-merger period. In 2014, the ROA was 0.60%, reflecting a positive return on assets. The ratio slightly increased to 0.63% in 2015. However, from 2016 onwards, the ROA began to decrease, dropping to 0.42% in 2016 and further to 0.38% in 2017. This downward trend indicates a reduction in the efficiency of using assets to generate profit.

In 2018, the ROA fell to -0.18%, marking a period of negative returns on assets and suggesting operational inefficiencies or financial challenges. The situation showed slight improvement in 2019, with the ROA recovering to 0.02%, but still remained close to breakeven, reflecting continued struggles in asset utilization.

In 2024, post-merger, SBI's ROA increased significantly to 0.98%. This positive shift indicates a marked improvement in the efficiency of asset utilization and overall profitability. The substantial rise in ROA suggests that the merger had a beneficial impact on SBI's ability to generate returns from its assets.

The data illustrates a challenging pre-merger period for SBI, with decreasing ROA and a brief negative performance in 2018. The post-merger period shows a dramatic turnaround, with a significant improvement in ROA, reflecting successful strategic or operational enhancements following the merger.

Return On Equity

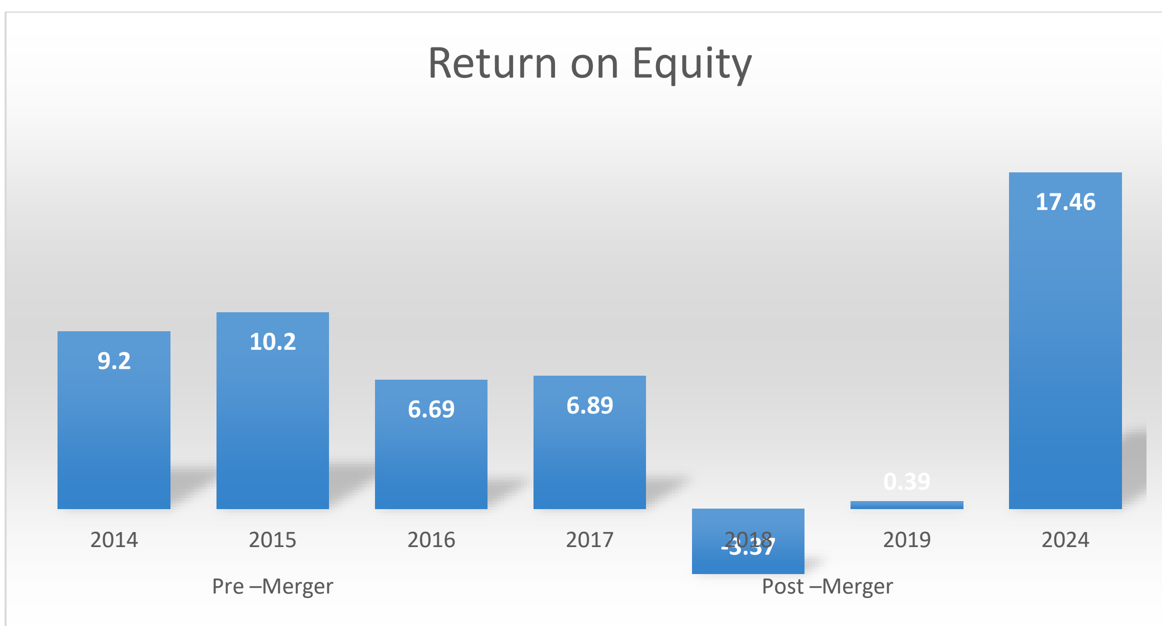
Return on equity (ROE) is a measure of a company's financial performance. It is calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE is a way of showing a company's return on net assets.

Return on Equity = Net Income / Shareholders Equity

Data Table

Particulars	Pre –Merger			Post –Merger			
	2014	2015	2016	2017	2018	2019	2024
Return on Equity	9.20	10.20	6.69	6.89	-3.37	0.39	17.46

Data Graph



Interpretation of SBI's Return on Equity (ROE)

SBI's ROE exhibits a varied performance leading up to the merger. In 2014, the ROE was 9.20%, reflecting a solid return on shareholders' equity. The ratio increased to 10.20% in 2015, indicating enhanced profitability for shareholders.

However, from 2016 onwards, the ROE began to decline. It decreased to 6.69% in 2016 and slightly improved to 6.89% in 2017, but these values indicate reduced profitability relative to equity. The situation worsened in 2018, with the ROE turning negative at -3.37%, suggesting a period of financial difficulties and losses.

The ROE showed a marginal improvement to 0.39% in 2019 but remained near breakeven, indicating ongoing challenges in delivering returns to shareholders before the merger.

In 2024, post-merger, SBI's ROE surged to 17.46%. This substantial increase from the pre-merger period signifies a significant improvement in profitability and effectiveness in generating returns for shareholders. The positive shift highlights the successful impact of the merger on SBI's financial performance.

The data demonstrates a challenging pre-merger period with declining ROE and a negative value in 2018, reflecting difficulties in generating shareholder returns. The post-merger period shows a dramatic turnaround with a substantial increase in ROE, indicating effective strategic or operational improvements resulting from the merger.

Earning Per Share

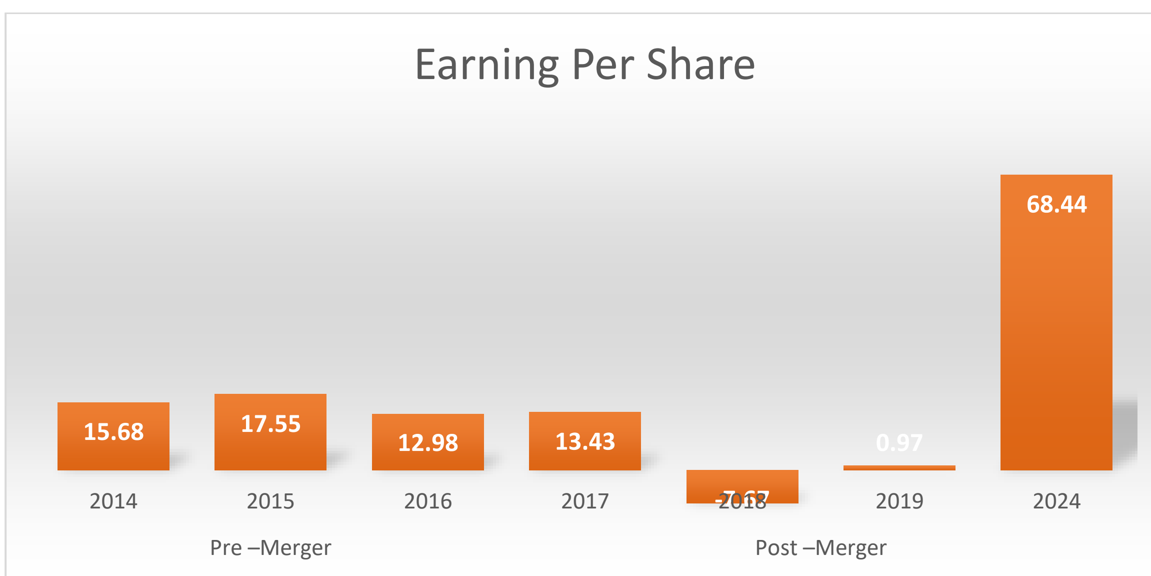
Earnings per share (EPS) is a measure of a company's profitability, calculated by dividing quarterly or annual income (minus dividends) by the number of outstanding stock shares. The higher a company's EPS, the greater the profit and value perceived by investors.

EPS = (Net Income – Preferred Dividends) / Weighted Average Shares Outstanding.

Data Table

Particulars	Pre –Merger			Post –Merger			
	2014	2015	2016	2017	2018	2019	2024
Earning Per Share	15.68	17.55	12.98	13.43	-7.67	0.97	68.44

Data Graph



Interpretation of SBI's Earnings Per Share (EPS)

SBI's EPS exhibited a variable trend during the pre-merger period. In 2014, EPS was 15.68, indicating robust earnings per share. This value increased to 17.55 in 2015, reflecting strong earnings growth.

However, from 2016 onwards, EPS began to decline. It decreased to 12.98 in 2016 and slightly improved to 13.43 in 2017. Despite this improvement, the EPS still indicated weaker performance compared to earlier years. The decline continued sharply in 2018, with EPS falling to -7.67, indicating a significant loss per share and severe financial distress during this period.

In 2019, EPS improved slightly to 0.97, reflecting a modest recovery but still indicating limited earnings capacity before the merger.

In 2024, post-merger, EPS surged to 68.44. This dramatic increase from the pre-merger period signifies a substantial turnaround in earnings performance, highlighting the merger's positive impact on SBI's profitability and overall financial health.

The data shows that SBI faced significant earnings challenges before the merger, with EPS declining sharply and turning negative in 2018. The post-merger period, however, reveals a remarkable improvement in EPS, indicating effective strategies and successful integration efforts that significantly enhanced earnings performance.

Trend Analysis

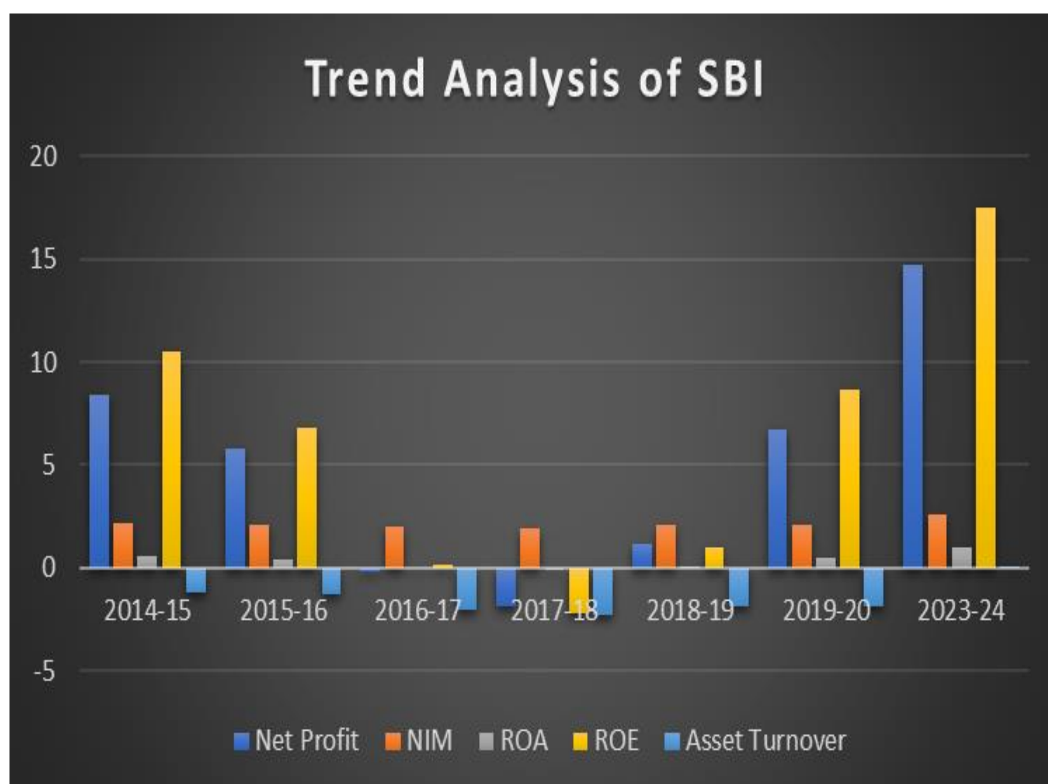
Trend analysis is a technique used in technical analysis that attempts to predict future stock price movements based on recently observed trend data. Trend analysis uses historical data, such as price movements and trade volume, to forecast the long-term direction of market sentiment.

Trend analysis of selected ratios of State Bank of India From 2014-15 to2019-20 and 2023-24.

Data Table :

Year	Net Profit	NIM	ROA	ROE	Asset Turnover
2014-15	8.42	2.22	0.62	10.53	-1.17
2015-16	5.77	2.06	0.39	6.82	-1.3
2016-17	-0.16	1.98	0	0.13	-1.99
2017-18	-1.82	1.93	-0.12	-2.21	-2.26
2018-19	1.21	2.08	0.05	0.98	-1.89
2019-20	6.73	2.09	0.47	8.69	-1.9
2023-24	14.71	2.58	0.98	17.46	0.07

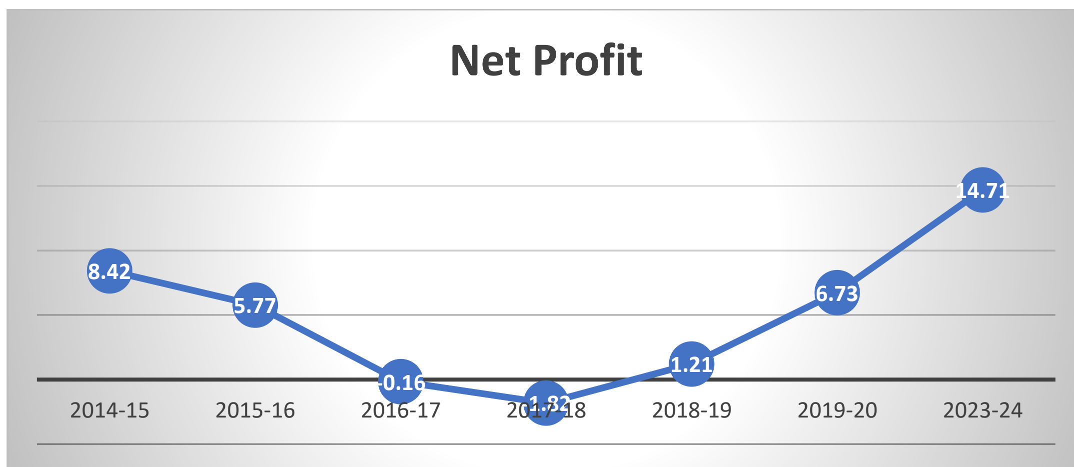
Data Graph –



Interpretation of Trend Analysis of State Bank of India

SBI faced significant financial challenges from 2014-15 to 2017-18, with negative trends in profitability and efficiency. However, from 2019-20 onwards, there is a notable recovery, reflecting improved profitability and asset management. The recent performance indicates a stronger financial position, though continuous monitoring is necessary to sustain and further enhance these positive trends.

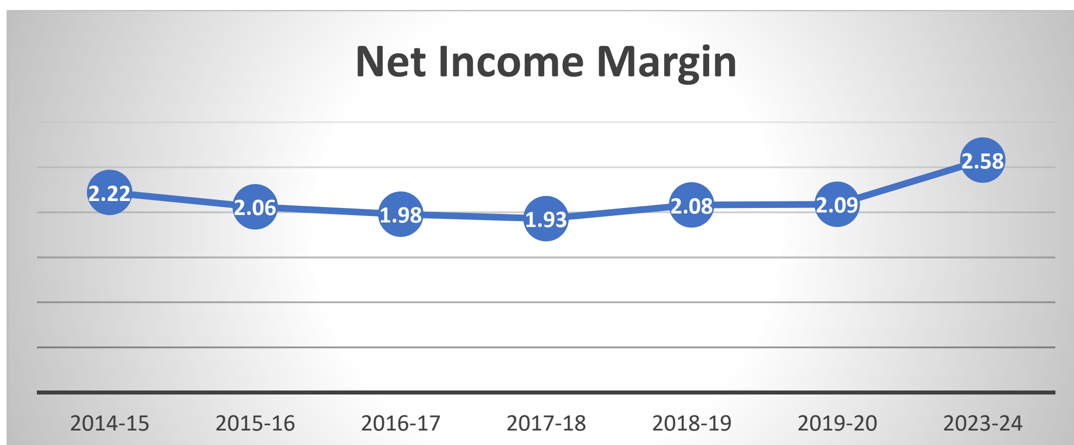
Trend of Net Profit Ratio



Trend: The net profit showed significant fluctuations over the years. It decreased from ₹8.42 billion in 2014-15 to a loss of ₹1.82 billion in 2017-18, but improved to ₹14.71 billion by 2023-24.

Interpretation: The negative trend from 2014-15 to 2017-18 indicates financial challenges, but there is a strong recovery starting from 2019-20, culminating in a substantial profit in 2023-24.

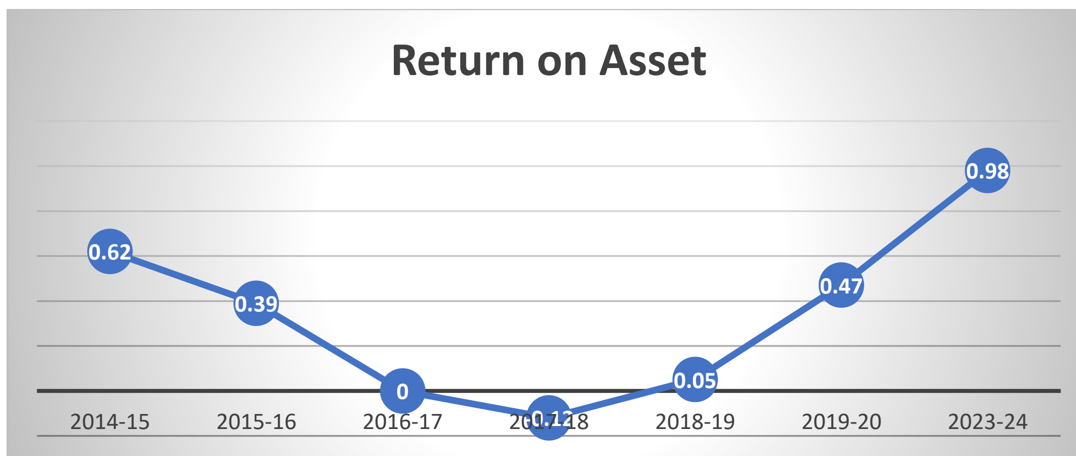
Trend of Net Interest Margin (NIM)



Trend NIM decreased from 2.22% in 2014-15 to 1.93% in 2017-18, then slightly improved to 2.58% by 2023-24.

Interpretation: The initial decline in NIM might reflect increased competition or higher costs. However, the recent increase suggests a potential improvement in the bank's efficiency in generating profit from its interest-bearing assets.

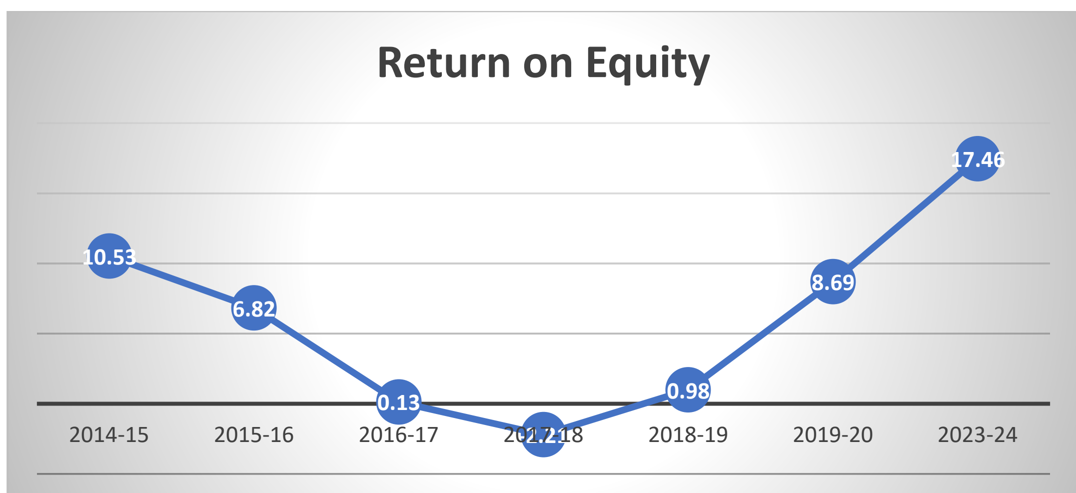
Trend of Return on Assets (ROA):



Trend: ROA declined from 0.62% in 2014-15 to -0.12% in 2017-18 and then improved to 0.98% by 2023-24.

Interpretation: The negative ROA during 2017-18 indicates a period of inefficiency or asset quality issues. The recovery to a positive ROA in 2023-24 shows improved asset utilization and profitability.

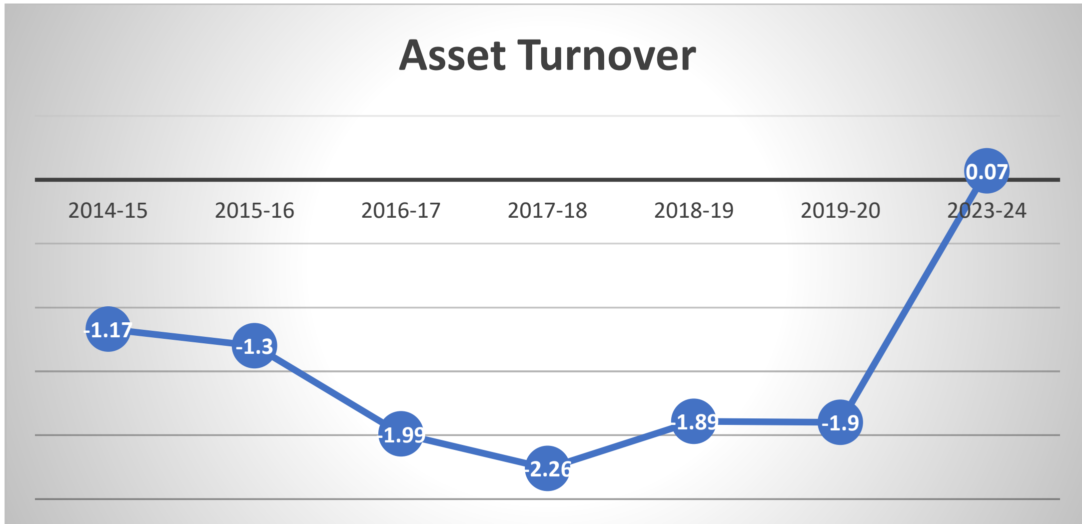
Trend of Return on Equity (ROE):



Trend: ROE also declined from 10.53% in 2014-15 to -2.21% in 2017-18 and recovered to 17.46% by 2023-24.

Interpretation: The drop in ROE reflects a period of poor financial performance, but the rebound suggests improved profitability and a better return on shareholders' equity.

Trend of Asset Turnover:



Trend: Asset turnover was negative through the years provided, with slight improvements noted, reaching 0.07 by 2023-24.

Interpretation: Negative asset turnover indicates inefficiencies in using assets to generate revenue. The improvement, though minimal, suggests some progress in asset utilization.

Tata Steel Europe

Liquidity Ratios of Tata Steel Europe

Current ratio

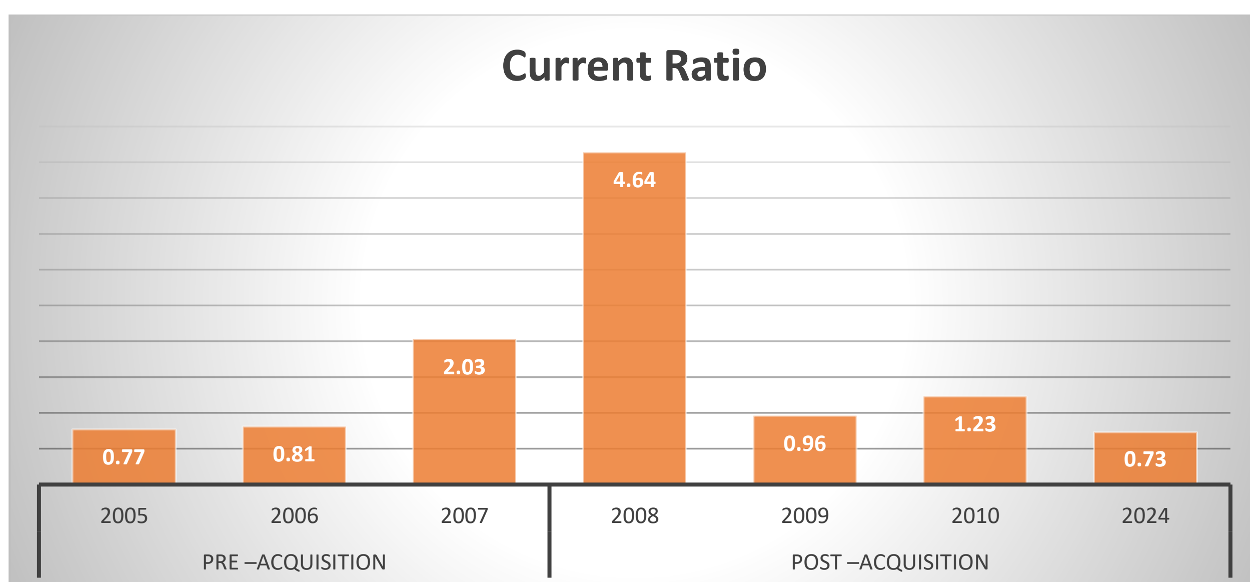
The current ratio is a liquidity measurement used to track how well a company may be able to meet its short-term debt obligations. It compares the ratio of current assets to current liabilities. Measurements less than 1.0 indicate a company's potential inability to use current resources to fund short-term obligations.

Current Ratio = Current Assets / Current Liabilities

Data Table

Particulars	**Pre –Acquisition**			**Post –Acquisition**			
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2024**
Current Ratio	0.77	0.81	2.03	4.64	0.96	1.23	0.73

Data Graph



Interpretation of Current Ratio from 2005 to 2010 and 2024.

The Current Ratio was relatively low initially (0.77 in 2005) but improved significantly to 4.64 in 2008, indicating a strong liquidity position before the acquisition. However, it dropped back to 0.96 in 2009, suggesting reduced liquidity.

The ratio remained somewhat stable but lower than the peak pre-acquisition value, ending at 0.73 in 2024. This indicates ongoing challenges in maintaining liquidity compared to the peak pre-acquisition period.

Overall, while there was an improvement in liquidity pre-acquisition, the post-acquisition period shows a decline, signalling potential issues in short-term financial health or integration challenges.

Quick Ratio

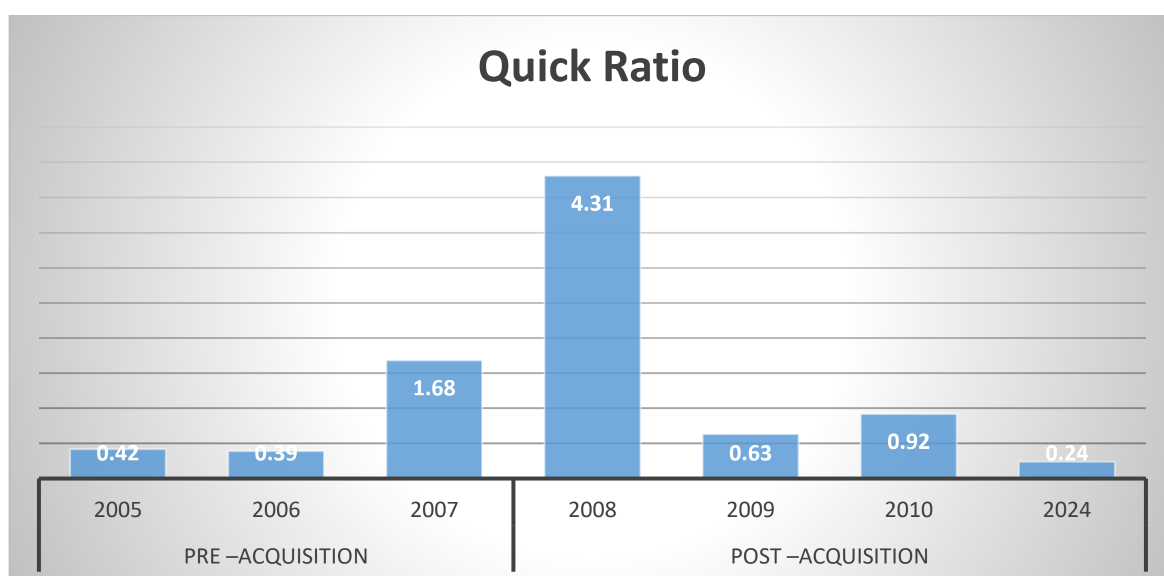
The Quick Ratio is also known as the acid-test ratio is a type of liquidity ratio, which measures the ability of a company to use its near-cash or 'Quick' assets to extinguish or retire its current liabilities immediately.

Quick Ratio = Current Assets – Inventories / Current Liabilities

Data Table

Particulars	Pre –Acquisition			Post –Acquisition			
	2005	2006	2007	2008	2009	2010	2024
Quick Ratio	0.42	0.39	1.68	4.31	0.63	0.92	0.24

Data Graph



Interpretation of Quick Ratio From 2005 to 2010 and 2024

The Quick Ratio started low at 0.42 but saw a significant rise to 4.31 in 2008, indicating strong liquidity and a better position to cover short-term liabilities without relying on inventory. However, it fell to 0.63 in 2009, showing a decline in liquidity.

The ratio remained lower compared to the peak pre-acquisition value, ending at 0.24 in 2024. This suggests persistent liquidity challenges and a weakened ability to cover short-term liabilities with liquid assets post-acquisition.

Overall, while there was a significant improvement in liquidity pre-acquisition, the post-acquisition period shows a decline, indicating potential issues in maintaining strong liquidity.

Profitability Ratios of Tata Steel Europe

Net Profit Ratio

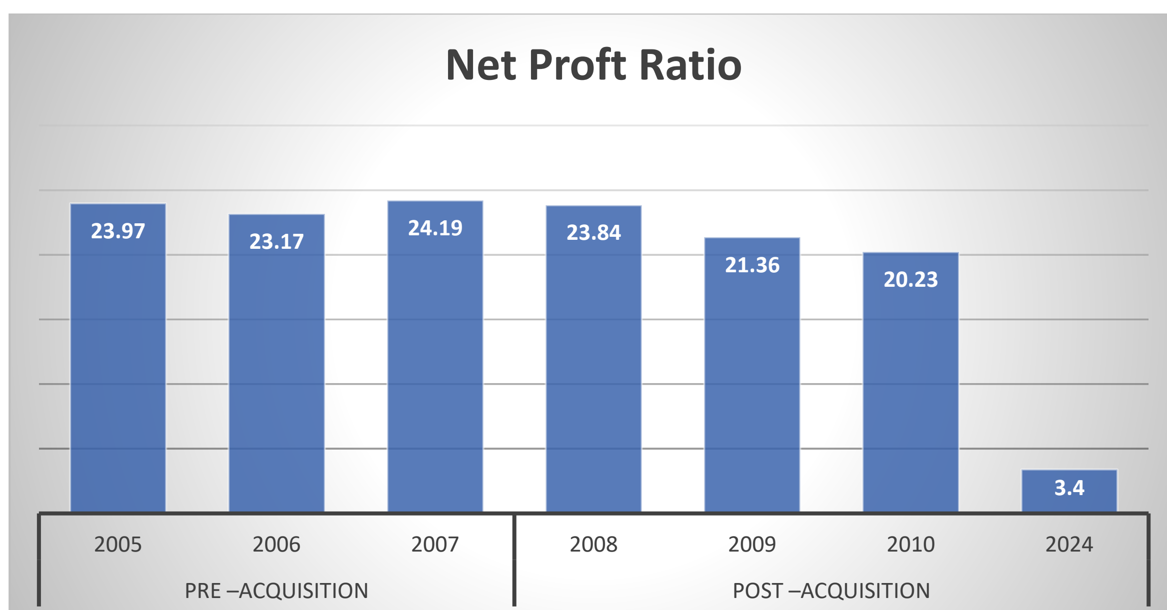
Net profit ratio is revenue left after deducting expenses, taxes, debts, etc. To find gross profit ratio, we do not consider taxes, interest and other expenses. To find net profit ratio, we need to consider taxes, interest and other expenses. Is an accurate indicator of a company's financial health.

Net Profit Ratio = Net Profit / Sales * 100

Data Table

Particulars	**Pre –Acquisition**			**Post – Acquisition**			
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2024**
Net Proft Ratio	23.97	23.17	24.19	23.84	21.36	20.23	3.40

Data Graph



Interpretation of Net Profit Ratio from 2005 to 2010 and 2024.

The net profit ratio remained strong but showed a gradual decline, indicating stable profitability with minor challenges.

There was a sharp decline in the net profit ratio, particularly evident by 2024. This suggests significant post-acquisition difficulties affecting profitability, potentially due to integration issues or market challenges.

The data shows a declining trend in net profit ratio, with a marked decrease after the acquisition. This decline suggests that the acquisition may have led to increased costs, operational disruptions, or strategic misalignments that impacted profitability. Further analysis would be needed to identify the specific causes and evaluate the long-term impacts of the acquisition.

Return on Equity

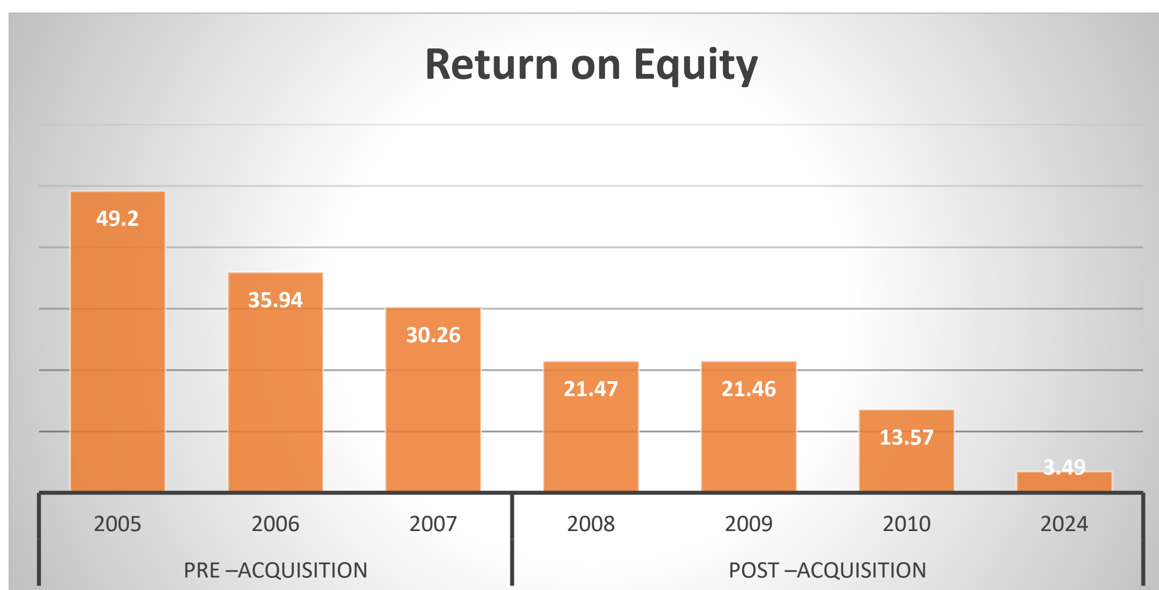
Return on equity (ROE) is a measure of a company's financial performance. It is calculated by dividing net income by shareholders' equity.

Return on Equity = Net Income / Shareholder's Equity.

Data Table

Particulars	Pre –Acquisition			Post –Acquisition			
	2005	2006	2007	2008	2009	2010	2024
Return on Equity	49.20	35.94	30.26	21.47	21.46	13.57	3.49

Data Graph



Interpretation of Return on Equity from 2005 to 2010 and 2024.

The return on equity (ROE) was high but declining, reflecting strong initial performance with diminishing returns over time. The drop from 49.20% in 2005 to 21.46% in 2009 suggests decreasing profitability or increased equity, potentially due to rising costs or declining net income.

The ROE fell significantly further to 3.49% by 2024, indicating severe post-acquisition challenges. This drastic decline suggests major issues with profitability, capital efficiency, or integration problems following the acquisition.

Return on Capital Employed

Return on capital employed (ROCE) is a financial ratio that measures a company's efficiency and profitability, considering the capital used to achieve that profitability. Return on Capital Employed (ROCE) is an important financial ratio that shows how profitable and efficient a company is with its money.

Return on Capital Employed = Operating Profit / Capital Employed * 100

Data Table

Particulars	Pre –Acquisition			Post –Acquisition			
	2005	2006	2007	2008	2009	2010	2024
Return on Capital Employed	30.79	25.16	16.70	9.94	8.99	7.83	13.83

Data Graph

Interpretation of Return on Capital Employed

The Return on Capital Employed (ROCE) was high but declining, from 30.79% in 2005 to 8.99% in 2009. This suggests that while the company initially used its capital efficiently to generate profits, its efficiency deteriorated over time. The decrease could indicate rising capital costs or reduced profitability.

ROCE continued to decline, reaching 7.83% in 2010 before slightly recovering to 13.83% in 2024. The initial post-acquisition period saw a further decline, likely due to integration challenges or increased capital requirements. However, the recovery by 2024 indicates some improvement in capital efficiency and profitability, though it has not yet returned to pre-acquisition levels.

The data shows a significant drop in ROCE post-acquisition, reflecting substantial challenges in capital efficiency and profitability. While there has been some recovery by 2024, the figures remain below pre-acquisition levels, suggesting that the acquisition had a negative impact on capital performance and profitability, though the company has started to stabilize.

Return on Assets

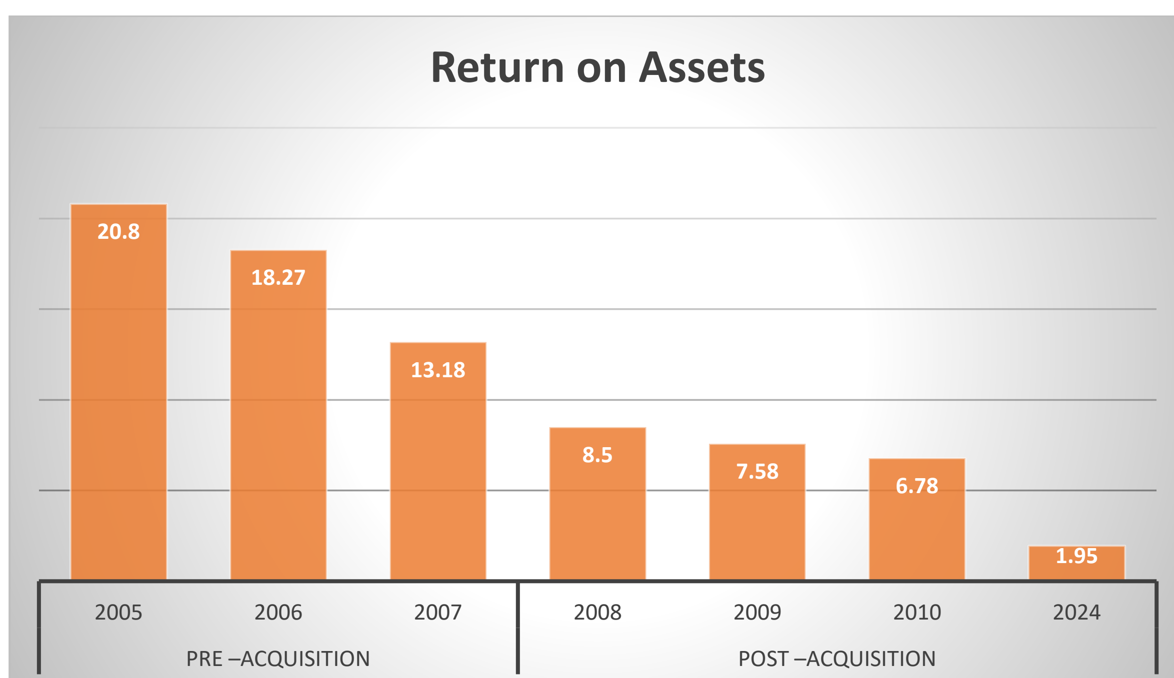
Return on assets is a profitability ratio that provides how much profit a company is able to generate from its assets. Return on assets (ROA) measures how efficient a company's management is in generating profit from their total assets on their balance sheet.

Return on Assets = Net Income / Total Assets.

Data Table

Particulars	Pre –Acquisition			Post – Acquisition			
	2005	2006	2007	2008	2009	2010	2024
Return on Assets	20.80	18.27	13.18	8.50	7.58	6.78	1.95

Data Graph



Interpretation of Return on Assets from 2005 to 2010 and 2024.

The Return on Assets (ROA) shows a notable decline from 20.80% in 2005 to 1.95% in 2024. Before the acquisition, ROA steadily decreased, indicating growing challenges. Post-acquisition, the decline accelerated, suggesting significant integration issues or strategic missteps, resulting in poor asset profitability by 2024.

The data indicates a sharp decline in ROA over the period analyzed. Pre-acquisition, the company showed strong profitability but faced a gradual decline in ROA, hinting at potential operational or market challenges. Post-acquisition, this decline accelerated, culminating in a very low ROA in 2024.

Total Debt to Equity Ratio

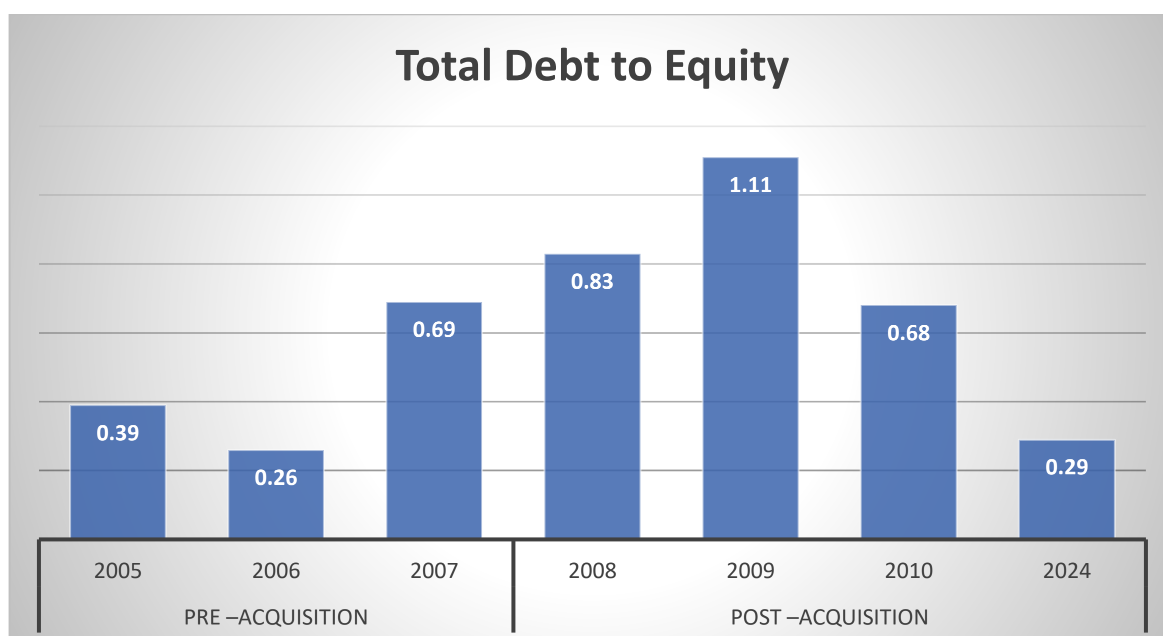
The debt-to-equity (D/E) ratio is used to evaluate a company's financial leverage and is calculated by dividing a company's total liabilities by its shareholder equity. The D/E ratio is an important metric in corporate finance.

Total Debt to Equity Ratio = Total Debt / Shareholders Equity.

Data Table

Particulars	Pre –Acquisition			Post –Acquisition			
	2005	2006	2007	2008	2009	2010	2024
Total Debt to Equity	0.39	0.26	0.69	0.83	1.11	0.68	0.29

Data Graph



Interpretation of Total Debt to Equity Ratio from 2005 to 2010 and 2024.

The Total Debt to Equity (D/E) ratio showed significant variation. In 2005, the ratio was low at 0.39, indicating minimal reliance on debt. By 2006, it dropped further to 0.26, reflecting an even more conservative financial stance. However, from 2007 onward, the ratio began to rise, reaching 0.69 in 2007, 0.83 in 2008, and peaking at 1.11 in 2009. This peak suggests a period of aggressive borrowing or financial strain.

By 2010, the ratio decreased to 0.68, indicating a reduction in debt levels relative to equity. Post-acquisition, the D/E ratio saw a significant decline to 0.29 in 2024. This sharp drop indicates a strategic shift towards reducing debt, suggesting improved financial stability and a more cautious approach to leveraging in the years following the acquisition.

Inventory Turnover Ratio

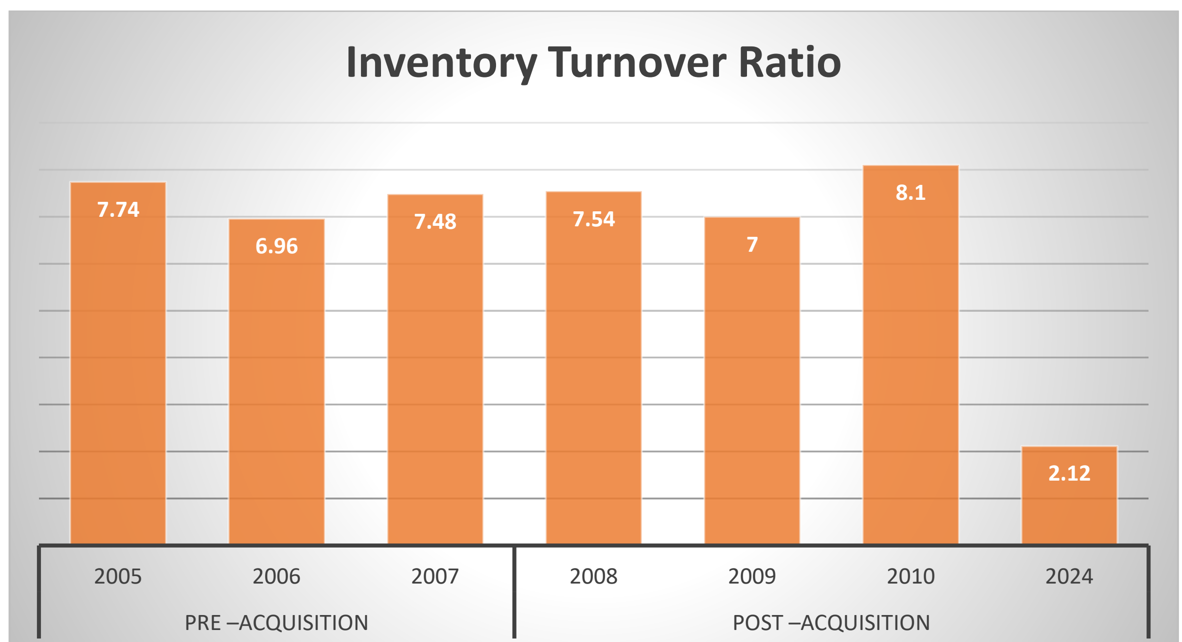
Inventory turnover is the rate that inventory stock is sold, or used, and replaced. The inventory turnover ratio is calculated by dividing the cost of goods by average inventory for the same period. A higher ratio tends to point to strong sales and a lower one to weak sales.

Inventory Turnover Ratio = Cost of Goods Sold / Average Inventory.

Data Table

Particulars	Pre –Acquisition			Post –Acquisition			
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2024**
Inventory Turnover Ratio	7.74	6.96	7.48	7.54	7.00	8.10	2.12

Data Graph



Interpretation of Inventory Turnover Ratio from 2005 to 2010 and 2024.

The ratio fluctuates but generally remains stable, with a peak of 8.10 in 2010, indicating effective inventory management and strong sales relative to inventory levels.

The ratio drops significantly to 2.12, suggesting potential issues such as overstocking, reduced sales efficiency, or integration challenges following the acquisition. This decline could point to inefficiencies or difficulties in aligning inventory practices post-acquisition.

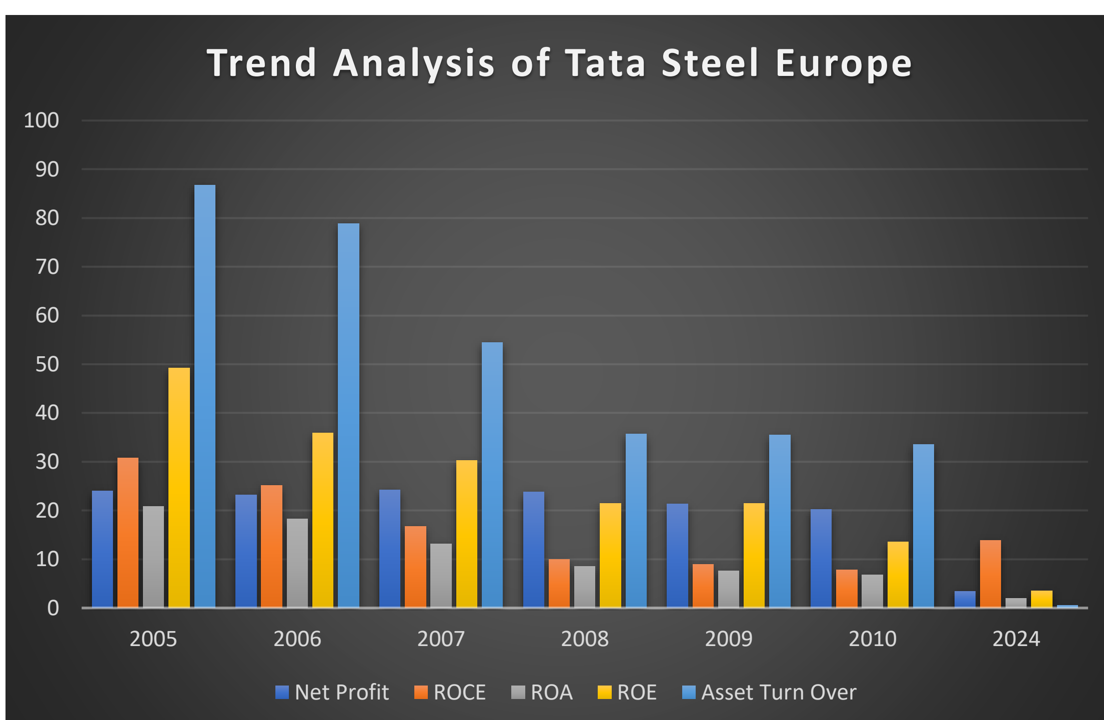
Trend Analysis

Trend analysis is a technique used in technical analysis that attempts to predict future stock price movements based on recently observed trend data.

Trend analysis of selected ratios of Tata Steel Europe From 2005 to 2010 and 2024.

Year	Net Profit	ROCE	ROA	ROE	Asset Turn Over
2005-06	23.97	30.79	20.8	49.2	86.78
2006-07	23.17	25.16	18.27	35.94	78.87
2007-08	24.19	16.7	13.18	30.26	54.5
2008-09	23.84	9.94	8.5	21.47	35.68
2009-10	21.36	8.99	7.58	21.46	35.51
2010-11	20.23	7.83	6.78	13.57	33.51
2023-24	3.4	13.83	1.95	3.49	0.59

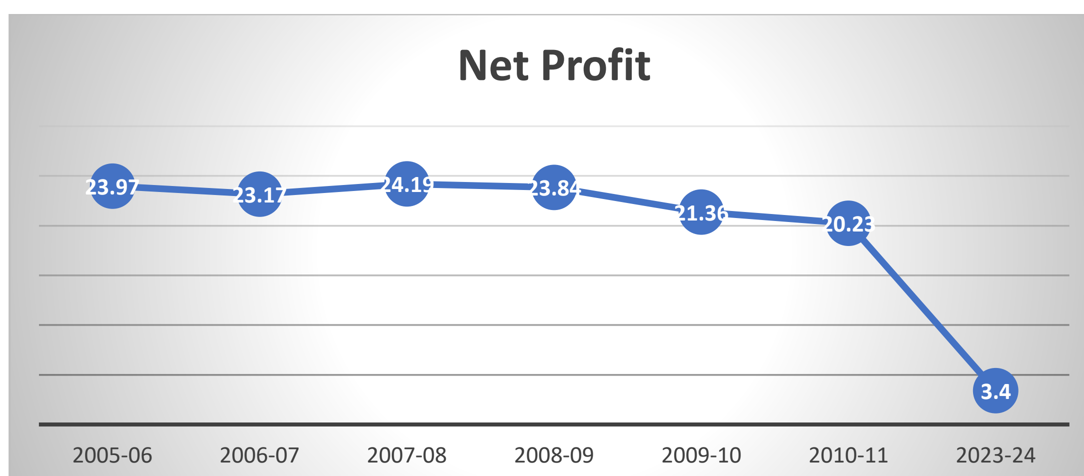
Data Graph



Interpretation of Trend Analysis

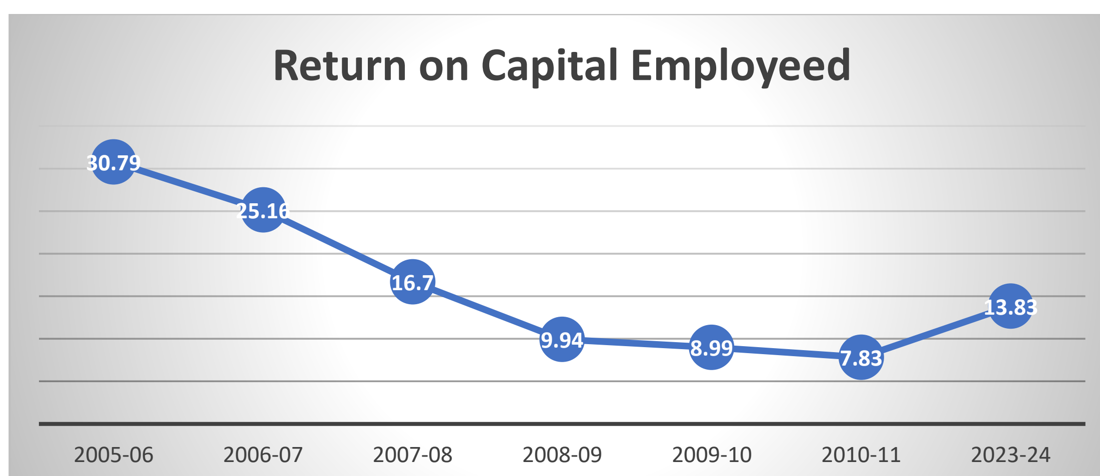
Overall, the data indicates a significant decline in financial performance over the period, with sharp drops in profitability, efficiency, and returns across all key metrics. This suggests that the company has faced considerable challenges in maintaining its operational effectiveness and profitability, which could be attributed to various factors such as market conditions, management strategies, or operational issues.

Trend of Net Profit Ratio



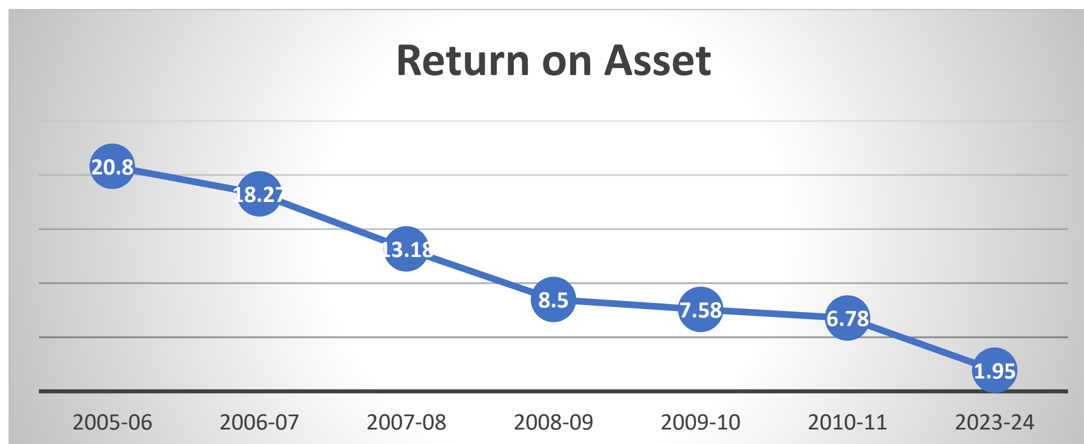
Trend: Pre-acquisition (2005-2007): Stable to slight growth: ₹23.97 (2005) → ₹24.19 (2007).
Post-acquisition (2008-2024): Decline, turning severe post-2010 and reaching ₹3.4 in 2024.
Interpretation: Pre-acquisition, Tata Steel maintained steady profitability. However, the acquisition led to high costs (debt servicing, restructuring), reducing profits drastically. By 2024, the sharp decline reflects financial struggles, potentially due to market conditions, cost inefficiencies, and macroeconomic factors.

Trend of Return on Capital Employed (ROCE)



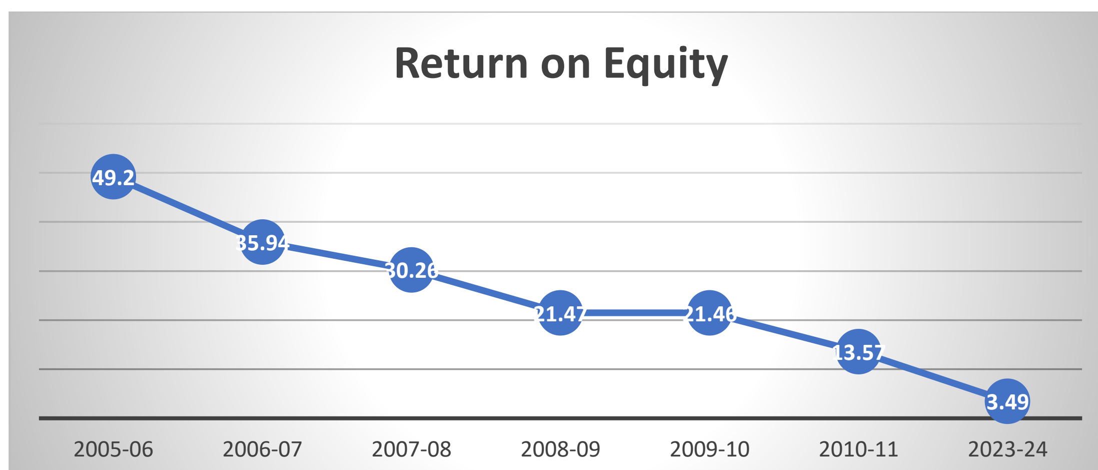
Trend: Pre-acquisition: Significant decline: 30.79% (2005) → 16.7% (2007).
Post-acquisition: Consistent decrease post-2008 to 7.83% (2010) before a slight recovery to 13.83% by 2024.
Interpretation: The falling ROCE pre-acquisition indicates decreasing efficiency in capital utilization. Post-acquisition, it worsened, reflecting high capital investment (acquisition costs, asset integration) and reduced returns. The marginal recovery in 2024 suggests some capital efficiency improvements.

Trend of Return on Asset



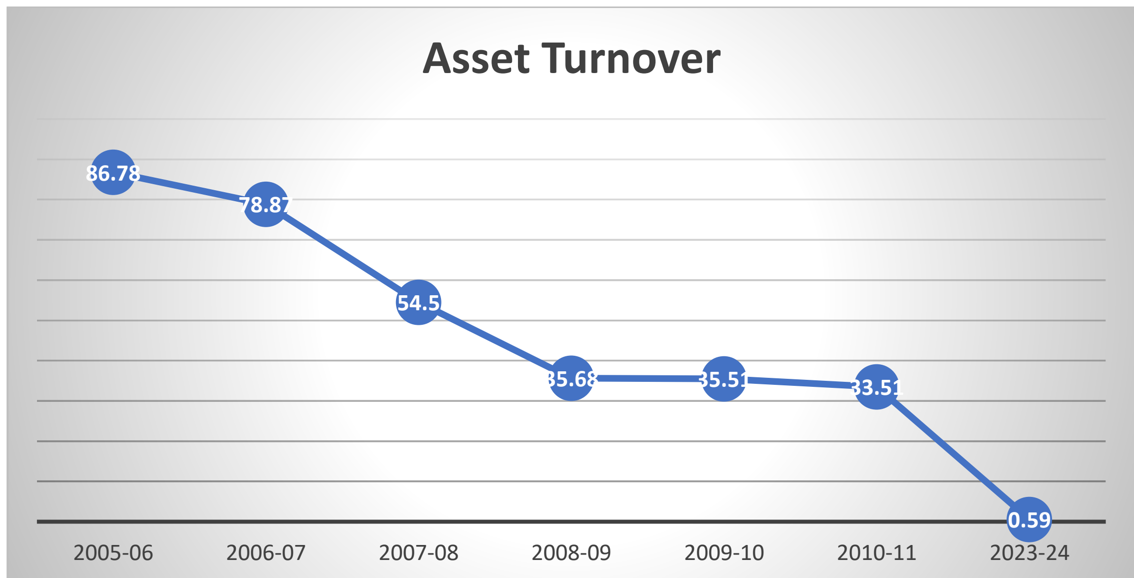
Trend: Pre-acquisition: Sharp decline from 20.8% (2005) to 13.18% (2007).
Post-acquisition: Declines further to 6.78% (2010) and drops significantly to 1.95% (2024).
Interpretation: Pre-acquisition, Tata Steel Europe faced diminishing returns from assets. Post-acquisition, the integration of Corus's extensive fixed assets compounded inefficiencies, lowering ROA further. The figure in 2024 indicates severe underutilization of assets.

Trend of Return on Equity



Trend: Pre-acquisition: Noticeable decline: 49.2% (2005) → 30.26% (2007).
Post-acquisition: Significant drop to 13.57% (2010) and further to 3.49% (2024).
Interpretation:
The declining ROE pre-acquisition highlights reduced profitability per shareholder equity. Post-acquisition, dilution of equity, higher debt, and declining profits caused a drastic fall, reflecting poor value generation for shareholders.

Trend of Asset Turnover



Trend:
Pre-acquisition: Decline: 86.78% (2005) → 54.5% (2007).
Post-acquisition: Steady decrease, reaching 33.51% (2010) and collapsing to 0.59% by 2024.
Interpretation:
Pre-acquisition, asset turnover efficiency decreased. Post-acquisition, the low ratio highlights significant inefficiencies in asset utilization, likely due to the high value of unproductive or underperforming assets from Corus. The near-zero figure in 2024 indicates critical inefficiencies or underutilized capacity.

Findings of the Study

The comparative analysis of financing strategies employed by State Bank of India in their Mergers.

Liquidity Ratio

- Pre-merger, the current ratio was consistently above 1.00, reflecting a strong liquidity position. Post-merger, the ratio fell below 1.00, suggesting liquidity constraints.

- The fluctuation in the quick ratio reflects varying levels of liquidity, with the post-merger period showing a relatively stable but still constrained liquidity position.

- The post-merger period shows a decrease in the cash ratio, suggesting some challenges in maintaining cash reserves relative to short-term obligations.

Profitability Ratio

- SBI's operating profit ratio, Post merger turned positive at 0.98% in 2024, indicating a significant improvement in operating profitability.

- The net profit ratio decreased from 7.98% in 2014 to -2.96% in 2018, indicating declining profitability. A substantial recovery was observed post-merger, with the ratio increasing to 14.71% in 2024, reflecting improved financial performance.

- ROA declined from 0.60% in 2014 to -0.18% in 2018, Indicates decreased efficiency in asset utilization. The ratio improved to 0.98% in 2024, highlighting enhanced profitability and asset management post-merger.

- ROE decreased from 9.20% in 2014 to -3.37% in 2018, reflecting poor financial performance. Post-merger, ROE surged to 17.46% in 2024, indicating a significant improvement in profitability and shareholder returns.

- EPS declined from 15.68 in 2014 to -7.67 in 2018, reflecting severe financial distress. The ratio increased dramatically to 68.44 in 2024, signifying a strong turnaround in earnings performance post-merger.

Trend Analysis :

- Significant fluctuations were observed, with a decline to a loss in 2017-18 followed by a strong recovery in 2023-24, indicating improved financial health post-merger.

- NIM decreased from 2.22% in 2014-15 to 1.93% in 2017-18 but improved to 2.58% by 2023-24, suggesting enhanced efficiency in profit generation from interest-bearing assets.

- ROA decreased to -0.12% in 2017-18 but improved to 0.98% by 2023-24, indicating better asset utilization and profitability.

- ROE declined to -2.21% in 2017-18 but recovered to 17.46% by 2023-24, reflecting enhanced profitability and effective return on shareholders' equity post-merger.

- Asset turnover remained negative but showed slight improvement, reaching 0.07 by 2023-24, indicating progress in asset utilization.

The analysis reveals that SBI faced significant financial challenges prior to the merger, with declining liquidity and profitability ratios. However, post-merger performance shows a substantial recovery across various financial metrics, reflecting successful integration and strategic improvements.

The comparative analysis of financing strategies employed by Tata Steel Europe in their Acquisition.

Liquidity Ratios

- Current Ratio: The ratio improved pre-acquisition but declined post-acquisition, ending at 0.73 in 2024. This suggests ongoing liquidity challenges and difficulties in managing short-term obligations after the acquisition.

- Quick Ratio: The quick ratio also saw significant improvement pre-acquisition but deteriorated sharply post-acquisition, ending at 0.24 in 2024. This indicates a decreased ability to cover short-term liabilities with liquid assets.

Profitability Ratios

- Net Profit Ratio There was a strong net profit ratio pre-acquisition, but it dropped drastically to 3.40% in 2024. This sharp decline indicates that the acquisition may have led to increased costs or operational challenges affecting profitability.

- Return on Equity (ROE): ROE was high before the acquisition but fell dramatically to 3.49% in 2024. This suggests significant post-acquisition challenges with profitability or capital efficiency.

- Return on Capital Employed (ROCE): ROCE declined from a high pre-acquisition level to 13.83% in 2024. Although there was some recovery, ROCE remained below pre-acquisition levels, indicating issues with capital efficiency and profitability post-acquisition.

- Return on Assets (ROA) : ROA decreased significantly from 20.80% in 2005 to 1.95% in 2024, reflecting severe inefficiencies in generating profit from assets after the acquisition.

Total Debt to Equity Ratio:

- The ratio increased during the pre-acquisition period but decreased to 0.29 in 2024. The reduction in the debt-to-equity ratio indicates a strategic shift towards reducing debt, which suggests improved financial stability in the long term.

Trend Analysis :

- The trend analysis shows a consistent decline in key profitability and efficiency metrics (Net Profit, ROCE, ROA, ROE, and Asset Turnover) from pre-acquisition levels to 2024. This decline highlights significant post-acquisition challenges impacting financial performance and operational efficiency.

Suggestions

Recommendations and Suggestions to the State Bank of India

Based on the comprehensive analysis of State Bank of India's (SBI) liquidity and profitability ratios from 2014 to 2019, 2024, several suggestions can be made to address past challenges and improve future financial performance:

1. Enhance Liquidity Management :

- Current Ratio : With the current ratio declining below 1.00, SBI should focus on improving its liquidity position. This could involve strategies such as optimizing short-term asset management and reducing short-term liabilities.
- Quick Ratio : Maintaining a quick ratio below 1.00 indicates limited liquidity. SBI should consider increasing its liquid assets or improving collections on receivables to enhance its ability to meet short-term obligations.
- Absolute Cash Ratio : Despite improvements, the cash ratio shows fluctuations. SBI should work on maintaining a stable level of cash reserves to ensure that it can cover short-term liabilities more effectively.

2. Improve Profitability :

- Operating Profit Ratio : The positive shift in 2024 is promising, but continuous efforts are needed to sustain and further improve operating profitability. Focus on operational efficiencies and cost management could help maintain positive margins.
- Net Profit Ratio : The significant increase post-merger is encouraging. To build on this, SBI should continue to implement strategies that enhance revenue and control expenses effectively.
- Return on Assets (ROA) and Return on Equity (ROE) : The substantial improvement in these ratios post-merger suggests better asset utilization and shareholder return. To maintain this positive trend, SBI should focus on strategic investments and efficient asset management.
- Earnings Per Share (EPS) : The dramatic increase in EPS indicates successful strategies. Continuing to focus on revenue growth and cost management will be key to sustaining this positive performance.

3. Optimize Asset Utilization :

- Asset Turnover : Despite minimal improvement, SBI should aim to enhance its asset turnover ratio. This can be achieved by increasing operational efficiency and ensuring better utilization of assets to generate revenue.

4. Monitor and Adapt :

- Regular Review : Continuously monitor liquidity and profitability ratios to adapt strategies as needed. Regular financial analysis will help in identifying potential issues early and implementing corrective measures.
- Strategic Planning : Develop and update strategic plans based on financial performance and market conditions to ensure sustained improvement and adaptation to changing environments.

5. Focus on Financial Health :

- Debt Management : Managing debt levels carefully will help maintain liquidity and improve financial stability. Consider restructuring high-cost debt or negotiating better terms where possible.
- Cost Control : Implement cost-control measures to improve operating margins and overall profitability. Regularly review operational costs and seek ways to optimize
expenditures.

Recommendations and Suggestions to the Tata Steel Europe.

Based on the financial data and trends for Tata Steel Europe, here are some suggestions to address the challenges identified:

1. Enhance Liquidity Management :
   - Improve Working Capital : Given the decline in both the Current and Quick Ratios, Tata Steel Europe should focus on improving working capital management. This might involve optimizing inventory levels, speeding up receivables, and extending payables where possible.
   - Strengthen Cash Reserves : Building up cash reserves can provide a buffer against short-term financial strains and improve liquidity ratios.

2. Improve Profitability :
   - Cost Management : With the decline in Net Profit Ratio and ROE, it is crucial to review and control operational costs. This might involve cost-cutting measures, renegotiating supplier contracts, or improving operational efficiency.
   - Revenue Enhancement : Explore strategies to boost revenues, such as expanding market reach, developing new products, or enhancing pricing strategies.

3. Increase Capital Efficiency :
   - Review Capital Allocation : The decline in ROCE indicates decreased capital efficiency. Conduct a thorough review of capital investments and ensure that capital is allocated to projects with the highest potential returns.

   - Optimize Capital Structure : The reduction in Total Debt to Equity Ratio suggests a shift towards less debt, which is positive. Continue to focus on maintaining a balanced capital structure to optimize financial leverage and reduce cost of capital.

4. Improve Asset Utilization :
   - Enhance Asset Management : The decline in Return on Assets (ROA) points to inefficiencies in using assets to generate profits. Conduct a review of asset utilization practices and consider divesting non-core or underperforming assets to improve overall asset efficiency.

5. Focus on Strategic Integration :
   - Address Post-Acquisition Challenges : The post-acquisition period shows significant declines in several performance metrics. Focus on effective integration of acquired assets and businesses, ensuring alignment with corporate strategy and addressing any operational disruptions.

6. Monitor and Adapt to Market Conditions :

- Stay Informed : Continuously monitor market trends and adjust strategies accordingly. Adaptation to changing market conditions can help in mitigating risks and seizing new opportunities.

7. Address Inventory Management Issues :

- Optimize Inventory Levels : The significant drop in Inventory Turnover Ratio suggests potential overstocking or inefficient inventory management. Implementing more sophisticated inventory management techniques, such as Just-in-Time (JIT) or Advanced Planning Systems, could help reduce excess inventory and improve turnover.

Implementing these strategies can help Tata Steel Europe address the financial challenges identified, improve performance, and achieve more stable and sustainable growth.

Limitations

Here are some limitations to consider for your study on SBI's and Tata Steel Europe’s financial ratios and trend analysis:

1. Historical Context : The data spans several years, including a major merger, which might not fully capture the pre- and post-merger financial impacts without considering broader economic and market conditions.

2. Data Consistency : Variations in accounting practices, changes in financial reporting standards, or different financial policies over time can affect comparability. Ensure consistency in data interpretation and reporting.

3. Economic Factors : External economic factors, such as economic downturns, regulatory changes, or market volatility, can significantly impact financial ratios and might not be fully accounted for in the analysis.

4. Mergers and Acquisitions Impact : The effects of the merger on financial performance may be influenced by integration challenges, strategic shifts, or changes in market conditions that are not directly captured in the financial ratios.

5. Data Accuracy : Ensure that the data used is accurate and sourced from reliable financial statements. Inaccurate or incomplete data can lead to misleading conclusions.

6. Limited Scope : The study focuses on liquidity and profitability ratios but does not include other critical aspects such as solvency, efficiency ratios, or qualitative factors affecting financial performance.

7. Comparative Analysis : The study compares pre- and post-merger periods without considering industry benchmarks or comparing with other similar organizations, which could provide a more comprehensive perspective.

8. Trend Analysis Limitations : Trend analysis relies on historical data, which may not always predict future performance accurately. External changes and unforeseen events can affect future trends.

9. Subjectivity in Interpretation : Interpretation of financial ratios can be subjective and influenced by analysts' perspectives or biases, potentially impacting the objectivity of the conclusions.

Conclusion

The comparative analysis of financing strategies employed by the State Bank of India (SBI) and Tata Steel Europe in their respective mergers and acquisitions reveals contrasting outcomes and strategic implications.

For SBI, the post-merger period demonstrated a robust financial recovery after a challenging pre-merger phase characterized by declining liquidity and profitability ratios. Notably, liquidity ratios showed an initial decline but improved over time, indicating successful integration and enhanced liquidity management. Profitability ratios, including operating profit, net profit, ROA, ROE, and EPS, experienced significant improvements post-merger, reflecting effective strategic adjustments and operational efficiencies. This substantial recovery in financial performance underscores the successful execution of SBI's merger strategy and its positive impact on overall financial health.

In contrast, Tata Steel Europe's acquisition led to mixed outcomes. Although there was an initial improvement in liquidity ratios pre-acquisition, post-acquisition figures revealed ongoing liquidity challenges. Profitability ratios, including net profit, ROE, ROCE, and ROA, declined sharply post-acquisition, indicating significant operational difficulties and inefficiencies. The reduction in the total debt-to-equity ratio suggests a strategic move towards debt reduction, potentially improving long-term financial stability. However, the overall decline in profitability and efficiency metrics highlights the challenges faced in achieving desired outcomes from the acquisition.

In summary, SBI's merger appears to have been more successful in achieving financial recovery and improved performance compared to Tata Steel Europe's acquisition, which faced significant post-acquisition hurdles. These findings illustrate the critical importance of strategic planning, effective integration, and operational management in determining the success of mergers and acquisitions.

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