

Press Meet

Deepak Parekh

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Good evening ladies and gentlemen:

Thank you all for coming to this press conference at such a short notice. I was requested to start off this press conference, but I will leave all the technical details to the stalwarts here on the stage.

May be this is the effect of the marriage season, but to me, the merger of Gruh Finance into Bandhan Bank feels like a marriage. Perhaps, Gruh is the bride going to the Bandhan family. One could say it is a semi-arranged match. Mr. Ghosh did approach me initially with this idea, but of course, one has to leave it to the bride and groom to figure out if they are compatible! Let me be clear, all there is now is an agreement to a marriage. The marriage will be solemnised only if it gets all the statutory and regulatory approvals.

On a more serious note, there was deep introspection for this transaction by all parties concerned. In all my years of experience, I have come to realise that mergers work only if they are truly beneficial for customers, all shareholders and most importantly, employees.

Mergers are always complex, because the sum of the whole should always be greater than the sum of the parts in the long-term. Yet, it is not just numbers that drive a merger; it is the conviction and the vision of the combined entity.

In these increased volatile times, businesses have to think more out-of-the-box and long-term. They have to plan for the future and find answers to key questions like:

- How should businesses be delivering more value with less resources?
- What is the optimum strategy to scale up operations?
- How should balance sheets be fortified to tide over unforeseen risks? And;
- What needs to be done to consistently enhance shareholder value?

Reflecting on the current environment today, I have to say that I have never been more optimistic about housing in India than I am currently. All of you here would know that I have been on record saying this several times in the recent period. The government has given a strong thrust to housing which is reaping benefits.

Housing spurs so many other industries in the economy. Developers can avail a 100% tax deduction on profits and gains if they construct affordable housing units. No other major sector in the economy has been given such attractive incentives. Clearly, nothing can be better for the Indian economy than an increased supply of housing which is affordable for people.

The government's Credit Linked Subsidy Scheme (CLSS) is enabling more first-time homebuyers to own a home. The upfront benefit of around Rs. 2.5 lac per beneficiary is hugely

beneficial for a customer availing a home loan. The continued commitment of the government towards housing is evident in the recent extension in the timeline for CLSS on home loans.

Over the last two years, HDFC has been recognised for its contribution towards the CLSS scheme and was awarded the best performing primary lending institution in the Economically Weaker Section & Low Income Group segment and the second best in the Middle-Income Group segment of the CLSS.

Today, all lending institutions are looking at home loans favourably. With this merger, it becomes a win-win situation, wherein Gruh will benefit by being able to achieve significant scale and expand to new geographic areas and Bandhan will be able to build up a more diversified and secured lending business.

Under the able leadership of Sudhin Choksey, Gruh has a pristine loan book and he and his team deserve kudos for this. In equal measure, Mr. Ghosh has proved his mettle in building a strong commercial bank in a short span of time. Together, they will create one of India's largest rural and semi-urban lending platforms.

As I mentioned earlier, HDFC is scaling up its own affordable housing portfolio. With Gruh merging into Bandhan Bank, this transaction mitigates any potential conflict of interest within the HDFC group that could arise due to overlaps of targeting the same customer and market segments.

Change always brings in an element of uncertainty, but when work cultures and business ethics are similar, (which we see with both, Gruh and Bandhan Bank), it gives confidence that a bright future is awaiting.

Bringing two parties to merge is no easy feat. I would like to express my sincere thanks to:

- The board of directors of Bandhan Bank and Gruh,
- All the advisors (It's a long list) and;
- Most importantly, to the staff members of Bandhan, Gruh and HDFC, who together with the advisors have burnt a lot of midnight oil to ensure that necessary timelines were adhered to.

Once again, thank you all for joining us here this evening.