M&A Lab

September 14, 2022

HDFC-HDFC BANK: MERGER OF GIANT HDFC TWINS!

Announcements made on April 04, 2022 by Housing Development Finance Corporation Limited ("**HDFC Limited**") and HDFC Bank Limited ("**HDFC Bank**") regarding a proposed merger of HDFC Limited with HDFC Bank ("**Merger**"), took the internet by storm. Being a multi-sectoral scheme, not only did it create a stir in the banking sector, but also in other financial services sectors such as housing finance, insurance, etc. This mega-merger is being touted as the mother of all M&A deals owing to its colossal valuation of approximately USD 40 Billion. The announcement of the proposed Merger came after the respective boards gave their approvals and the disclosures to this effect were made by both HDFC Limited and HDFC Bank to the stock exchanges on the same day.

With HDFC Limited already at vanguard of the housing finance industry coupled with HDFC Bank being a forerunner in digital banking, the merger is touted to revolutionize Indian housing finance and banking sector. This financial mega-merger will not only result in HDFC Bank becoming the largest private bank in India but also put it on the global map as the 6th largest bank in the world with an expected market capitalization of USD 160 billion. It marks a beginning for Indian financial institutions to take on the challenging global markets.

The proposed Merger is designed as a two-stage process involving *first*, the merger of two wholly owned subsidiaries of HDFC Limited (HDFC Investments Pvt. Ltd. and HDFC Holdings Pvt. Ltd.) with and into HDFC Limited and *second*, the subsequent merger of HDFC Limited with and into HDFC Bank. While on one hand, the Merger will facilitate HDFC Bank to tap into the large customer base of HDFC Limited's housing portfolio and result in HDFC Bank becoming the 2nd largest bank in India by market capitalization, on the other hand, the Merger will also allow HDFC limited to increase access to its customers using the Bank's network. The resultant entity will benefit from the positive synergies and economies of scale through wider outreach, a larger balance sheet, a broader range of products and access to a common pool of resources.

The Merger is expected to close by the end of FY 2023-24 and has already received approval from multiple regulatory authorities, including the Bombay Stock Exchange, National Stock Exchange, Reserve Bank of India and the Pension Fund Regulatory and Development Authority.

Given the size of the mega-merger and the wide-reaching implications of the same on the banking and housing finance sector in India, we have made an attempt to analyze the legal, regulatory, commercial and tax considerations of the Merger in this M&A Lab.

For a detailed analysis of the commercial, legal, regulatory and tax considerations and to access the M&A Lab, please click here.

– Anurag Shah, Vardhikaa Sharma, Yogesh Nayak & Nishchal Joshipura

You can direct your queries or comments to the author

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