

**INTERVIEW: KEKI MISTRY,**  
vice chairman and CEO, HDFC Limited

## ‘I would like to write a book on my experiences’

*The merger of the HDFC with HDFC Bank has finally been announced. Vice chairman and CEO of HDFC Limited, Keki Mistry, tells Malini Bhutta he would be happy to help the bank in any way it wants and that he will make time to bond with his family. Mistry also hopes to write a book on his experiences. Edited excerpts:*

**Why did this merger take so long?**

There are certain regulatory costs associated with being a bank like CRR, SLR and the priority sector lending requirement. These costs used to be 30%-plus years ago but are now at 22%. Also, the returns on CRR and SLR investments today are not lower than the cost of funds, so the negative carry has gone.

Earlier, the regulations did not require us to carry so much liquidity a few years ago, now we carry nearly ₹50,000 crore of liquidity. Over time, there has been harmonisation of regulations for banks and non-banking financial institutions. The regulator allows us to raise 7 year plus bonds without providing CRR, SLR and allocating for priority sector lending.

**Talks of merger were strong in 2014 so why did it not happen then?**

The merger did not happen back then because regulatory costs — CRR and SLR requirements — were higher and interest rates too. Also, there was no regulatory exemption for the infrastructure bonds. When we analysed the costs, we felt it was not beneficial.

**Any merger creates some degree of uncertainty for people. What is your view on how this merger will be easier?**

The integration will be much easier for three reasons. Each individual's role has been discussed and every employee of HDFC will fit into the bank as the bank does not have a mortgage product. The bank wants to increase its housing loans; today they account for only 11% of the balance sheet of the bank while for most others, it is upwards of 30%. The bank will need the employees of HDFC to grow the home loan portfolio, we bring the expertise. Our cost-income ratio of 8.1% is the lowest in the financial services sector anywhere in Asia and the bank will benefit from this. We will benefit from a larger distribution platform and lower cost of funds the bank enjoys. Every single employee of HDFC will be absorbed by the bank.

**What happens to the branches of HDFC?**

Over time they will become bank branches as the merger is completed and will offer full-scale banking services.

**You mentioned earlier that interest rates will not go back to pre-Covid levels. Why do you say that?**

The reason I say this is because I don't think the rate cycle is going to turn so dramatic



ically that rates will go back to pre-Covid levels. Inflation is around 4.5% and even if you assume higher oil prices that 4.5% can become 5.3-5.4% and that to my mind will not warrant any sharp increase in rates. You cannot compare India with the US because they have had much lower inflation than India. Therefore, when the US has 7.5% inflation they have to aggressively find measures to bring down inflation which they can do by increasing interest rates. In India we do not need to do that. Also, RBI's policies have

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been supportive of growth, which will lead to creation of jobs and that is critical for an economy like ours.

**How do you feel about stepping away from an executive role given that it may be the most exciting time for the bank?**

There are regulatory issues regarding age. In RBI's scheme of things, you cannot be an executive in a bank if you are 70 years of age. I am 67 and a half, by the time this process ends I will be 69. So for one year, it does not make logical sense to disrupt everything. Having said that, if the bank requires me for advice or consultation, I would be happy and honoured to help and guide them in the process.

**This merger has been cooking for decades and now that it is over, how do you feel about it?**

At the end of the day there has to be an end solution because you cannot have two entities in the financial services business — one doing housing and the other doing everything

other than housing. As people change and older people move out, it is better that everything is under one roof. At the end of the day who is the beneficiary? It is the customer.

**What will you do with your time once the mega merger is done and dusted?**

I have enough offers from companies and for advisory and non-executive board roles. I would say that it was something one would have liked to see happen. Earlier, I could not spend enough time with my family. Honestly, the time I spent quality time with family was during Covid because in the first two months we could not step out. During that time, every evening at 8 pm, my wife, my daughter and I would sit down and have a drink; the bonding, which is so important, I experienced in a big way during Covid. Ironically, even after Covid this has continued. I try to be home by 8 pm to sit down with family.

**What is on your bucket list now that you may have some time on hands?**

I would like to write a book on my experiences and share advice on business. I like understanding human nature and I would like to write on what one should do. I believe that one should speak as little as possible and listen more. Interestingly, I love cricket and am very passionate about it and players. Pre-Covid I used to record IPL matches and watch them later. When we played in Australia and New Zealand, I would get up early to watch matches at 3:30 am.

**Who is your favourite cricketer?**

Sunil Gavaskar was a favourite and Sachin Tendulkar was a huge favourite. After Sachin left cricket, somehow the level of interest in cricket subsided. But I still love the game.

**What is the one piece of management advice you would like to give?**

Never ever give up on your ambition. Always aim high and keep trying. There will be failures but do not get disheartened by them.