HDFC
HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED
www.hdfc.com

Ref. No. SE/2021-22/141

August 4, 2021

BSE Limited
P. J. Towers,
Dalal Street,
Mumbai 400 001.

Kind Attn: – Sr. General Manager
DCS - Listing Department

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1,
Bandra-Kurla Complex, Bandra (East),
Mumbai 400 051.

Kind Attn: Head - Listing

Dear Sirs,

Sub: Disclosure under SEBI (Listing Regulations and Disclosure Requirements) Regulations, 2015

We refer to our intimation dated August 2, 2021, informing that the Corporation had voluntarily uploaded the audio recording of the earnings call hosted by it on August 2, 2021 to discuss the financial results for the quarter ended June 30, 2021, on its website.

In this connection, pursuant to the provisions of SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021 notified by SEBI on May 5, 2021, please find enclosed the transcript of the said earnings call.

Further, please also find enclosed a copy of the investor presentation prepared by the Corporation. The said transcript and the investor presentation are also being uploaded on the website of the Corporation.

We request you to take note of the above and arrange to bring this to the notice of all concerned.

Thank you,

Yours faithfully,
For Housing Development Finance Corporation Limited

Ajay Agarwal
Company Secretary

Encl. a/a

Corporate Office: HDFC House, HT Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai 400 020.
Tel.: 66316000, 22820282. Fax: 022-22046834, 22046758.
Regd. Office: Ramon House, HT Parekh Marg, 169, Backbay Reclamation, Churchgate, Mumbai 400 020. INDIA.
Corporate Identity Number: L70100MH1977PLC019916

"HDFC Limited
Q1 FY22 Earnings Conference Call"

August 02, 2021

MANAGEMENT: MR. KEKI MISTRY – VICE CHAIRMAN & CHIEF EXECUTIVE OFFICER
MS. RENU SUD KARNAD – MANAGING DIRECTOR
MR. V. S. RANGAN – EXECUTIVE DIRECTOR
MR. CONRAD D'SOUZA – MEMBER OF EXECUTIVE MANAGEMENT & CHIEF INVESTOR RELATIONS OFFICER

Moderator: Ladies and gentlemen, good day and welcome to HDFC Limited Q1 FY'22 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the brief commentary by the management. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

We have with us from the management of HDFC Limited, Vice Chairman and CEO – Mr. Keki Mistry, Managing Director – Ms. Renu Sud Karnad, Executive Director – Mr. V. S. Rangan, Member of Executive Management & Chief Investor Relations Officer – Mr. Conrad D'Souza.

I now hand the conference over to Mr. Keki Mistry. Thank you. And over to you, sir.

Keki Mistry: Well, thank you very much, and good afternoon to all of you in India and good morning to those in UK or Europe.

At the outset, I would like to welcome all of you to HDFC's Earnings Call for The First Quarter of the Current Financial Year. The Board of Directors at its meeting held earlier today approved the financial results for the quarter ended June 30, 2021, which was subjected to a limited review.

Over the next few minutes, I will give you a summary of the key highlights of the performance for the quarter.

In April 2021, India witnessed an eruption of a second wave of the pandemic. Whilst the second wave was more severe than the first wave in terms of infections and mortality, the disruption to business activity was lesser than during the 1st quarter of the previous year.

This was due to a significantly less stringent lockdown and the usage of the digital platform to conduct our business. Accordingly, the growth in individual loan disbursements during the first quarter has not been impacted as severely as in the previous year.

While there continues to be uncertainty on the duration of the soft lockdowns and the possibility of a third wave we are optimistic of our ability to deliver.

The following were the main highlights of the quarter -

RBI not only ensured that there was adequate liquidity in the system but also that the liquidity is made available to all segments of the market.

Interest rates were by and large stable.

OTR 2.0 was announced consequent to the second wave and invocation of loans under OTR 2.0 is to be done by September 2021. So far, we have received requests for OTR of Rs 778 crores (0.15% of the loan book).

ECLGS 3.0 was announced for certain stressed sectors wherein credit upto 40 percent of the loan could be provided in cases where the account was upto 60 days past due as at February 29, 2020. As of date, we have received requests for loans upto Rs 266 crores under ECLGS 3. (just 5 bps of our loan book).

Let me now quickly summarise the progress of our business through the quarter.

During the quarter ended June 30, 2021, individual loan disbursements grew by 181 percent over the corresponding 1st quarter of the previous year.

Growth in home loans was seen in both, the affordable housing segment as well as high-end properties.

Our individual loan approvals for the quarter ended June 30, 2021, were higher by 149 percent compared to the 1st quarter in the previous year.

As you are aware in the previous year due to the severe lockdown business had come to a standstill for a couple of months and the opening up happened towards the end of May 2020. Accordingly, Q2 of the previous year is a better reference point to look at performance.

Despite the impact of the second wave in April and May of the current year, individual loan Approvals and Disbursements in Q1 of this year were 96 and 97 percent respectively of the disbursements during the second quarter of the Previous Year.

While disbursements during April and May of the current year were somewhat impacted, business has reverted back to normal in the months of June and July.

As at July end we have crossed the disbursements done during the first half of the previous year.

In the four months ending July 2021 we have achieved 108 percent of the disbursements of the first half of the previous year.

July 2021 disbursements are the highest ever in a non quarter end month.

Disbursements in July 2021 was 14 percent higher than June 2021 and June 2021 was 79 percent higher than May 2021.

July 2021 disbursements are 64 percent over the same month in the previous year.

88 percent of new loan applications during the quarter were received through the digital channels.

During the first quarter, we sold loans aggregating to Rs. 5,489 crores as compared to Rs 1,376 crores in the corresponding quarter of the previous year.

These loans were all assigned to HDFC Bank pursuant to the mortgage sharing agreement with the Bank.

Individual loans sold in the preceding 12 months amounted to Rs 23,093 crores as compared to Rs 18,273 crores in the previous year.

Our individual loan book increased to Rs 3,76,020 crores - a growth of 14 percent over the previous year. In addition to this, the loans securitised by the Corporation and outstanding as on June 30, 2021 amounted to Rs 73,471 crores. HDFC continues to service these loans. Individual loans outstanding on an AUM basis amounted to Rs 4,49,491 crores.

Individual loan growth on an AUM basis was 14 percent. If the loans amounting to Rs 23,093 crores had not been sold, then the growth in the individual loan book would have been 22 percent.

With regard to the non individual portfolio, we have seen a decline during the quarter. There are several reasons for this.

Over the last 12 months we have seen large prepayments on our LRD portfolio from the REITS issues which has had an impact on the growth of the non individual book.

Also, construction activity significantly slowed down particularly in the months of April and the first fortnight of May. This led to a slowdown in disbursement in the CF book.

Consequent to this, we had a degrowth in the non individual loan book. However, we have a strong pipeline of some large proposals which we expect to disburse over the coming quarter. We expect a positive growth for the year.

During the quarter, our overall loan book increased to Rs 5,00,490 crores.

The Assets Under Management (AUM) as at June 30, 2021 amounted to Rs 5,74,136 crores as compared to Rs 5,31,186 crores in the previous year.

Prepayments on retail loans, on an annualised basis, were lower at 8.2 percent of the opening loan book as compared to 10.3 percent in the previous year.

The average size of individual loans for the quarter ended June 30, 2021 stood at Rs 30.9 lacs compared to Rs 29.5 lacs in the FY21.

Our thrust on affordable housing loans continued unabated. During the quarter ended June 30, 2021, 33 percent of home loans approved in volume terms and 14 percent in value terms were to customers from the Economically Weaker Section (EWS) and Low Income Group (LIG).

The average home loan to the EWS and LIG segment stood at Rs 11.1 lacs and Rs 19.3 lacs respectively.

If we break up the loan book outstanding on June 30, 2021 on an AUM basis into different categories then individual loans constitute 78 percent of the total book, as compared to 74 percent in the 1st quarter of the previous year.

Construction finance constitutes 10 percent, of the total loan book, Lease rental discounting loans constitute 6 percent of the total loan book while corporate loans also constitute 6 percent.

If you were to look at incremental loan book growth and split that growth between individuals and non-individuals, then for the quarter ended June 30, 2021, the entire growth is on account of the individual loan book.

Total loans sourced from distribution channels is 99 percent of which -
HDFC Sales is 53 percent
HDFC Bank is 29 percent
And Third Party DSAs is 17 percent.

Thus, 83 percent of HDFCs individual business was sourced directly or through our associates.

The Emergency Credit Line Guarantee Scheme (ECLGS) was further extended during the quarter to mitigate the economic distress caused by the second wave of the pandemic.

In the previous year, under ECLGS 1.0 and 2.0, the Corporation had approved an amount of Rs 2,509 crores of which Rs 1,391 crores has been disbursed by June 2021. Amounts disbursed under this facility are guaranteed by the Government.

As of date the applications received for ECLGS 3.0 amounts to only Rs 266 crores.

The Reserve Bank of India permitted a one-time restructuring of loans under its resolution for COVD-19 related stress.

In this regard and as informed last quarter, the aggregate amount of loans for which restructuring has been implemented under OTR 1.0 was Rs. 3,704 crores (0.7 percent of the loan book).

In the current quarter, OTR 2.0 was announced in respect of individual and small business loans which are standard as on March 31, 2021. OTR 2.0 is currently in the process of being implemented and the last day of invocation is September 30, 2021. As of date we have received applications for restructuring of loans amounting to Rs 778 crores (0.2 percent of the book).

Out of the loans under OTR 1.0 and 2.0, 38 percent are Individual loans and 62 percent are non-individual loans.

Also, out of the total restructured loans, as much as 62 percent is in respect of just one account.

The aggregate of loans covered under OTR 1 and 2 is 0.9 percent of the loan book

Though there was a minor impact on collection efficiency during April and May, the overall collection efficiency for individual loans has improved during the month of June to pre-COVID levels. The collection efficiency for individual loans on a cumulative basis in June 2021 stood at 98.3 percent compared to 98.0 percent in March 2021.

The second wave of the pandemic has however led to an increased strain on individual collections specially in the 30 day past due and 60 day past due buckets leading to slippages in the first quarter.

As per regulatory norms, the gross non-performing loans as at June 30, 2021 stood at Rs 11,120 crores. This is equivalent to 2.24 percent of the loan portfolio. Non-performing individual loans stood at 1.37 percent while non-performing non-individual loans stood at 4.87 percent.

Individual loan NPA increased due to slippages on account of the impact of the second wave of the pandemic.

Collection efforts were hampered due to the recovery teams being unable to do field visits during the lockdown period.

Further various court orders temporarily curbing recovery efforts of financial institutions, including refraining possession activities under SARFAESI hampered the collection efforts.

The non individual asset quality has held well and the marginal uptick in the NPA percentage is consequent to the degrowth of the book in the quarter.

During the quarter we have seen some resolutions in certain non-individual loans.

As per regulatory norms, based solely on the period of default, the Corporation is required to carry a total provision of Rs 5,778 crores on June 30, 2021.

As against this, the actual provision carried is Rs 13,189 crores.

The excess provision over the regulatory requirement is Rs 7,411 crores i.e. 128 percent higher than the minimum required under the regulations.

Under Ind AS accounting, both asset Classification and provisioning have moved from the incurred loss model to the Expected Credit Loss model for providing for future credit losses.

Based on the model, the total EAD of Rs 5,00,000 crores is broken up as under:
Stage 1 90.8 percent

Stage 2 6.6 percent

Stage 3 2.6 percent

The composition of the EAD based on the staging has broadly remained the same as at March 2021.

During the quarter, we have charged the Profit and Loss Account with a sum of Rs 686 crores towards provisioning.

The ECL to EAD Coverage ratio for Stage 2 assets is 18 percent and for Stage 3 is 48 percent.

The provisions carried as a percentage of the EAD amounted to 2.64 percent.

As of June 30, 2021, we carry a COVID-19 provisioning of Rs.1,017 crores (8 percent of the overall provision). We will in the course of this year review whether we need to continue carrying this provision.

Credit costs for Q1 were 50 basis points of which 13 basis points were on account of an additional COVID provision of Rs 173 crores.

As a prudent measure on account of the impact of the pandemic we continued to have credit costs of around 50 basis points but we are confident that as the situation normalises we should over the next couple of years be in a position to significantly reduce the credit costs.

This in turn will have a positive impact on Return on Equity.

We continue to hold all our investments in HDFC Bank, HDFC Life, HDFC Asset Management and all our other subsidiary and associate companies at the original cost of acquisition, which is the price we had paid whilst making those investments. These investments are not accounted for on a fair value basis.

If we were to mark to market the investments as at June 30, 2021 the unrealised gains, (which is the difference between the market price as on June 30, 2021 and the carrying cost), would be Rs. 2,61,068 crores.

The unrecognised gain is not part of our net worth nor is it part of our capital adequacy calculations.

During the previous year, Reserve Bank of India had mandated that the Corporation reduce its equity shareholding to 50 percent or below in HDFC Ergo. The reduction in the shareholding of HDFC Ergo got completed in May 2021.

Even after the reduction of the shareholding to below 50 percent HDFC Ergo will continue to be consolidated as under IndAS.

As a part of the capital raise in August 2020 we raised warrants at an issue price of Rs 180 and an exercise price of Rs 2,165 per share

As of date no warrants have been converted into equity shares.

Our capital adequacy ratio is 22.0 percent of which Tier I capital was 21.3 percent and Tier II capital was 0.7 percent, which is well above the regulatory requirement of what we are required to carry.

Dividend for FY21 was paid out in July 2021 and this has consumed 110 basis points of capital.

In August 2020 we had raised equity of Rs 10,000 crores on a QIP basis to interalia augment the long term resources of the Corporation and to finance organic and inorganic business opportunities within the Group over the next 3 to 4 years. As of now we have not invested in any new business. However, we are continuing to explore such opportunities.

At this stage it is important to talk about the Return on Equity. The Return on Equity on Tier I Capital for Q1 was 14.1 percent. As your aware HDFC transitioned to IndAS accounting in 2018. As a part of the IndAS accounting Net Worth includes account heads which do not form part of the Tier I calculations under the prudential regulations. These include -

1. IndAs Transition Reserve
2. Deferred Tax Liability on Special Reserve
3. Fair value gains on investments through OCI
4. Investments in Subsidiaries / Associates in excess of 10 percent of NOF
5. Securitisation gains recognised upfront

These items aggregate to Rs 22,956 crores. Hence, Tier I Capital is Rs 85,827 crore as against the Reported Net Worth in March 2021 of Rs 1,08,783 crore.

In view of the above, a more appropriate way of calculating the ROE would be to do so on Tier I Capital as against the conventional method of computing it on Net Worth.

During the quarter, the Corporation's total borrowings increased to Rs 4,38,413 crores.

Term loans including External Commercial Borrowings and Refinance from the National Housing Bank accounted for 24 percent of borrowings.

Market borrowings i.e. NCDs and Commercial Paper accounted for 41 percent of borrowings.

Deposits were a major source of funding during the year. Deposits as at the quarter end amounted to Rs 1,53,704 crores and constitute 35 percent of borrowings.

61 percent of the deposits were onboarded digitally.

I have always emphasised that there are two ways to look at the net interest income (NII).

One method is to consider only interest and, the other is to also consider the profit that is booked at the time of selling a loan. Under both methods, the NII growth for the quarter is almost similar.

If we were to calculate the NII purely on the basis of interest without taking cognisance of the profit on sale of loans then NII for the quarter ended June 30, 2021 was Rs. 4,147 crores compared to Rs. 3,392 crores in the corresponding quarter of the previous year - growth of 22 percent.

The second way to compute the NII is to also include the income on sale of loans.

Under IndAS Accounting Standards when a loan is sold, the discounted future net income on the loan, has to be accounted for upfront and is reflected as a separate item in the Profit and Loss Account.

During the quarter, we sold loans aggregating to Rs 5,489 crores and booked an income of Rs 267 crores.

If we were to include this amount of Rs. 267 crores as part of the NII, (which is the way almost all analysts do) and also consider similar income in the corresponding quarter of the previous year, then the NII for the quarter would be Rs. 4,414 crores compared to Rs. 3,576 crores in the 1st quarter of the previous year, amounting to an increase of 23 percent.

One of the reasons for the sharp increase in the NII is because the Interest income in Q1 has declined by 5 percent whereas interest cost has declined by 17 percent. This is largely as a result of certain factors -

1) The average level of liquidity carried this year in the first quarter in liquid funds was Rs 15,200 crores as compared to Rs 32,000 crores last year thus reducing the negative carry.

2) In the first quarter of the previous year, the non individual disbursements were largely back ended.

3) We shifted some of our surplus liquidity from liquid fund investments to government securities which provide a higher yield.

Net Interest Margin for the quarter ended June 30, 2021 stood at 3.7 percent compared to 3.1 percent in the 1st quarter of the previous year.

NIM in the previous year was impacted by the negative carry on the liquidity carried by the Corporation.

The spread on loans over the cost of borrowings for the quarter ended June 30, 2021 was 2.29 percent. The spread on the individual loan book was 1.93 percent and on the non-individual book was 3.32 percent.

The spread on loans during the first quarter of the previous year was 2.26 percent.

Income earned from Deployment of surplus funds in Cash Management Schemes of Mutual Funds was much lower at Rs 124 crores as compared to Rs 362 crores in the 1st quarter of the previous year.

This was due to a sharp drop in short term rates where we earned 3.16 percent on our surplus liquidity as compared to 4.52 percent in the previous year.

Also the average level of liquidity carried this year in the first quarter in liquid funds was lower as mentioned earlier.

During the quarter, we earned Rs 16 crores by way of dividend income as compared to Rs 298 crores in the 1st quarter of the previous year.

Dividend in the previous year was largely on account of the dividend received from HDFC Investments.

In the current year HDFC Bank, HDFC Life and HDFC AMC have declared dividends which will be received in Q2 and accordingly will be booked in the second quarter. The total such dividend for the second quarter will be around Rs 1100 crores, compared to Rs 322 crores in the second quarter of the previous year.

During the quarter the Corporation has booked profit on sale of investments amounting to Rs 263 crores (Q1FY21 Rs 1,241 crores).

The profit on sale of investments was on account of divestment of a small part of our stake in HDFC Ergo and the entire stake in Good Host Spaces an associate company.

Profit on sale of investments during the first quarter of the previous year was largely on account of sale of a part of our holding in HDFC Life in order to be compliant with the regulations.

Under IndAs Accounting Standards, the stock options granted to employees are measured at the fair value of the options on the date of grant.

This fair value is accounted for as employee compensation cost over the vesting period of the options.

Accordingly Employee Benefit Expenses for the quarter includes an amount of Rs 146 crores compared to only Rs 1.5 crores during the first quarter of the previous year.

Last years charge to the P&L account is very low as the stock options were granted during the second quarter of the previous year.

For the quarter ended June 30, 2021, the cost income ratio stood at 8.0 percent as compared to 9.0 percent in the 1st quarter of the previous year.

For the quarter ended June 30, 2021 the standalone profit before tax was Rs. 3,905 crores (compared to Rs 3,607crores in the 1st quarter of the previous year) a growth of 8 percent.

Although we have had a healthy growth in Net Interest Income, the growth in profit before tax was lower than normal due to dividend and profit on sale of investments in the previous year being considerably higher.

As explained earlier, dividend income of Rs 1,147 crores from our group companies will be received in the second quarter of the current year.

Tax for the 1st quarter stood at Rs. 904 crores compared to Rs. 555 crores in the 1st quarter of the previous year.

The tax rate for the quarter was 23.1 percent – compared to 15.4 per cent in the previous year. The higher tax rate during the first quarter of the current year is on account of the fact that dividend income (which is tax free in our hands) and profit on sale of investments are much lower compared to the previous year. We expect a sharp drop in the effective tax rate during the second quarter as we receive higher dividend income.

The standalone profit after tax for the 1st quarter stood at Rs. 3,001 crores compared to Rs. 3,052 crores in the 1st quarter of the previous year.

Pre Tax return on average assets was 2.8 percent and the post tax return on average assets was 2.2 percent.

The basic and diluted EPS (on a face value of Rs 2 per share) was Rs 16.63 and Rs 16.45 respectively.

The consolidated profit before tax for the 1st quarter stood at Rs. 6,295 crores as compared to Rs 4,816 crores - a growth of 31 percent.

After providing Rs 984 crores for tax - (Previous year Rs 757 crores) the consolidated profit after tax for the 1st quarter stood at Rs. 5,311 crores as compared to Rs 4,059 crores - a 31 percent increase over the 1st quarter of last year.

The profit attributable to the Corporation was Rs. 5,041 crores as compared to Rs. 3,614 crores in the previous year, an increase of 39 percent.

As at June 30, 2021 the Corporation had 3,348 employees

Total assets per employee stood at Rs 164 crores.

Net profit per employee was Rs 3.6 crores.

HDFC's distribution network spans 603 outlets which include 202 offices of HDFC's wholly owned distribution company, HDFC Sales Private Limited (HSPL). HDFC covers additional locations through its outreach programmes. To cater to non-resident Indians, HDFC has offices in London, Dubai and Singapore and service associates in the Middle East.

During these trying times, I do believe we have much to be grateful for.

Our employees have been working relentlessly through extremely difficult circumstances and it is their efforts that has helped the organisation tide over trying times. It remains our constant endeavour to keep raising the bar on customer service.

The well-being of our employees is of paramount importance to us. 85 percent of our staff have received atleast one doze of the vaccine.

We also appreciate the measures taken by the government and our regulators in bringing confidence and stability in the financial system, which in turn has helped the organisation navigate the past few quarters.

We will continue to engage deeply with all our stake holders. Towards this end, we stand committed to ESG parameters.

SEBI has recently mandated the Business Responsibility and Sustainability Report which will be a mandatory requirement from FY23. On a voluntary basis the Corporation has prepared the BRSR for the previous year FY21 itself and will host it on our website this evening for easy access.

The above are some of the highlights of the results for the quarter ended June 30, 2021.

Before I conclude, I would like to wish each one of you good health. Please Stay Safe.

We may now proceed to Q&A. I would request you to kindly introduce yourself and be brief with your questions

Thank you very much.

Moderator: Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Kunal Shah from ICICI Securities. Please go ahead.

Kunal Shah: Two questions: Firstly, in terms of this restructuring, which was down from 4,400 last time to 3,700, what will be the reasoning for that, is it like it has paid up and it is also out of the Stage 2 in the non-individual account and that's the reason Stage 2 is more or less flat in the non-individual quarter-on-quarter?

Keki Mistry: Kunal, any loan that is restructured is automatically downgraded to Stage 2, even if the past payment record was on time. So, all restructured loans are put under Stage 2. In this current round of restructuring, we have not received too many applications as yet. The total applications we have received so far amount to about Rs.778 crores. And first round of restructuring has been done in the previous year, so that you are aware those numbers were disclosed in the previous year. Total restructuring is 0.9% of the total book.

Kunal Shah: No, so last time it was 4,400 crores and now it is 3,700 crores. So, that's the only question in terms of what happened with those Rs.700 crores of the accounts - is it like they got upgraded and recovered?

Conrad D'Souza: The OTR-1 got completed. So, some of them did not get implemented, they were invoked, but ultimately did not get implemented, they pulled out. So, the number that you have is the final one which got implemented under OTR 1.

Keki Mistry: Kunal, what happens is a lot of people first ask for restructuring and then things improve for them, and then they back out of the restructuring. So, that's probably what happened.

Kunal Shah: Secondly, in terms of this qualifying asset definition, so, based on our book, if I were to look at it, maybe given that it's on the total assets and how much does it qualify on the individual side, and how would we be realigning the book structure to follow the norms, would that be required or we are expecting something to come in from say the regulator on this?

V.S. Rangan: On this qualifying book, Kunal, there are two numbers; one is a 60% number and one is a 50% number. Against the 50% we are already higher than that and as far as the 60% is concerned, we are very close to that and to be very precise it is about 51.7% on the 50% number and 57.2% on the 60% number. This is as of the 31st of March.

Kunal Shah: So, how would we look at it in terms of achieving this number given that it becomes applicable then?

V.S. Rangan: There is a three year time frame to reach the qualifying numbers. And we have submitted our plan to RBI as to how we will be moving in this direction. So, as you can see, these numbers are very close to where the qualifying numbers are. So, we should be pretty much on track as far as the plan is concerned.

Renu Sud Karnad: I think some bit of very carefully appraised, construction finance, retail, housing loans, particularly in the affordable sector. Plus, I think also an emphasis on our retail business where you have seen our branches have gone up to over 600. So, reaching out more and getting more retail business. And also, some bit of, construction finance for developers in the right segment where we see the market.

V.S. Rangan: And also, some of the non-qualifying book like investments and some of these investments as they get sort of changing their colour from investment to cash and all that, these numbers will also undergo a change.

Moderator: The next question is from the line of Mahrukh Adajania from Elara Capital. Please go ahead.

Mahrukh Adajania: My first question is on the Stage-2 in the non-individual book. So, can we say that it has peaked now, and then how much of that Stage-2 would be or what proportion of that Stage-2 would be in any advanced stage of resolution or recovery?

Keki Mistry: It's very difficult to ever say that something has peaked, but to my mind, unless there is another major third wave which happens or something else, which is disruptive, I don't think we will see too much of a change in Stage 2 loans. To my mind, wherever we saw the slightest degree of stress, we have downgraded them from Stage 1 to Stage 2. But obviously going forward how the future part is, if there is a major third wave, all that will change, but at the moment, we don't see too much increase in Stage 2 going forward.

Mahrukh Adajania: Any proportion of how much of the developer or the non-individual book would be in very advanced stages of recovery or resolution?

Keki Mistry: So, there is a resolution which we are trying to arrive in every single loan. Now, some are more advanced, some are less advanced, I won't be able to give you a number on what the stage of advancement is. But you would have seen that in this quarter also, there were resolutions. Because of those resolutions, the number of Stage 3 accounts will have come down and some Stage 2 accounts also would have come down.

Mahrukh Adajania: And my next question is on LRD. Because of REIT, would there be a permanent problem in growth of LRD? I know that this time round, there was cyclicality because of the COVID wave. But would there be a permanent growth issue in LRD because of REIT?

Keki Mistry: I don't think so. I think the LRD book will grow well. We have a strong pipeline of LRD cases as we speak right now. What happens is that builder first starts constructing. After the construction is completed and gets converted into a lease rental discounting, then at some point in future, it moves into REIT. So, last year was one year where we had the impact of two large REITs which got formed and where a large part was paid back. But these loans will get replenished as the year progresses.

Mahrukh Adajania: If you could share the number of write-offs for the quarter?

Keki Mistry: I think it was Rs.500-odd crores.

Moderator: The next question is from the line of Suresh Ganapathy from Macquarie Group. Please go ahead.

Suresh Ganapathy: Just two questions; one is on this restructured book; you're telling 62% is non-individual and you are saying that 62% of the overall restructuring pertains to one account. So, you mean to say the entire non-individual book is just one account, it is confusing if you look at it what is there in the press release?

Conrad D'Souza: Suresh, the answer is yes.

Suresh Ganapathy: So, you have restructured only that account into non-individual, no other non-individual book has been restructured?

Conrad D'Souza: There is another account which is very-very small; I think it's under Rs.10 crores, but for all practical purposes it is one account.

Suresh Ganapathy: Now the other question is the non-individual book growth is bringing down your overall loan growth. So, if you look at it on a headline basis it is just 8% and this is of course a high margin book or a higher ROA book perhaps. So, unless you get this going up, it becomes very difficult to even post a double overall loan growth. So, how are you looking at it from an opportunity perspective?

Keki Mistry: Suresh, I think I mentioned that some bit of the growth this quarter was impacted by several factors; one was because of COVID construction finance had slowed down, so builders were not constructing. Obviously, if they were not constructing, we were not disbursing loans. Some of the old loans got settled, some amount went into REITs because of what we discussed earlier. So, it's a combination of all these factors which led to a decline in the non-individual book during this quarter. Our sense is based on the pipeline that we see ahead of us we would expect to end the year with a positive growth. But also let me tell you that the spreads that we are talking about on the net interest margin that we are talking of, is actually at a much higher level than what historically it has been despite the fact that the non-individual book is showing a degrowth. Our net interest margin for the quarter is 3.7% and historically as last year's first quarter was 3.1% but let's not look at that. Normally, our net interest margin is in the 3.2% to 3.3% range.

Suresh Ganapathy: What explains the reduction in interest expense, I mean have you seen some cost of fund reduction because of some earlier high-cost borrowing repaid or prepaid?

Keki Mistry: That's the constant process that will keep happening, Suresh, because as the older borrowings keep getting paid back, newer borrowings coming at a lower rate and therefore the cost of funding also comes down.

Moderator: The next question is from the line of Prakhar Agarwal from Edelweiss. Please go ahead.

Prakhar Agarwal: Just two questions; one, just wanted to check for the customer segment that we deal with, how important is this mobility of collections seem for us to see this sort of NPA because I think while this could not be managed with all this and everything, how important is mobility of collection team for the customer segments that we did?

Keki Mistry: So, one is of course mobility. The other is also SARFAESI, the legal action that is possible to be taken. Now because of the pandemic, most high courts have said that you cannot take legal action against a customer. So, a combination of not being able to take legal action, coupled with the fact that we have not been able to make visits, has affected collection in some cases but as I mentioned in my call that June itself saw a 98.3% collection efficiency compared to 98.0% in March. July was a lot longer.

Prakhar Agarwal: So, while I understand from collection perspective, given the customers that we deal more with salaried segments and towards that extent, why is there such a high default levels, is there an income drop in the customer base that you are seeing, is that a reason why there is a default rise, I'm not even talking about collection at this point?

Keki Mistry: So, there will be people who are one month and two months outstanding who would not have been able to pay installment during this quarter and therefore have slipped into a 90-day category. That could be one of the reasons. The other is not that all our customers are salaried employees, we also have self-employed customers, self-employed customers would have been more impacted during the COVID first and second wave than employed customers. We have not seen that many job losses. Our sense is that if normalcy prevails, then we don't see a major third wave and recovery effort can start afresh, in the sense that legal action can start afresh. I would expect that within a reasonable period of time, we should get non-performing loans back to what they used to be in pre-COVID levels, but that would be a step, it will take a little while for it to get back to pre-COVID level.

Prakhar Agarwal: Any indication for the channel wise, how are we seeing stress in terms of DSA, HDFC Sales, HDFC Bank where large part of this is concentrated in particular channel or is it nothing specific as well?

Keki Mistry: Nothing like that, it is pretty much broad-based across different channels.

Prakhar Agarwal: One data points in terms of gross stage 3 in LAP portfolio if you could just highlight?

Conrad D'Souza: Offhand I may not have it, but as you are aware, that the LAP is under 5% of our portfolio, so it's not a big number but I can get back to you on the specific number.

Moderator: The next question is from the line of Mohit Surana from CLSA. Please go ahead.

Adarsh: My question is on your spreads. As you highlighted, we had a 3.7%, probably highest after we moved to IndAS accounting. How sustainable is it like to keep your margins at 3.7%? I understand that our liquidity is now closer to being more normal. So, should one expect margins to remain here or it may taper off, as you may take some pricing action?

Keki Mistry: At this moment we are not proposing to take any pricing action as you put it; however, having said that, historically our net interest margin have always been in a range of 3.2% to 3.3%. We have seen a sharp pick up in the net interest margin for the quarter ended March 2021 and now for the second consecutive quarter of June 2021. I personally think that the low interest rate environment will continue for a while. Also, you must understand one other thing that interest rates are low which has some positive impact in terms of lower cost of borrowing but it also has a negative impact in terms of the amount that we earn on our networth. So, we carry more than Rs.1 lakh crores of networth on which we earn the interest and where the cost is zero naturally and then we earn the interest rate that is prevalent in the market. So, rates in the market over the next x period of time go up by let's say 200 basis points theoretically, then we will earn 200 basis points more on the Rs.1 lakh crores of networth that we carry.

Adarsh: Second was a comment that came in your opening remarks about normalizing credit costs and you said over a couple of years, right. When we go through your provisions which is fairly high provisions that we have for a secured asset and collections have picked up in July, so should one expect a normalization in credit cost much sooner like it could happen this year itself or apart from say a big wave-3 what prevents a normalization in credit cost in the second half this year?

Keki Mistry: Historically, we have been extremely conservative in our provisioning. You would have seen that there have been several banks and several players in the financial sector over the last couple of years have seen a quarter or two where they've actually reported accounting losses because they had to catch up with provisioning which they had not made. We have been very proactive in our provisioning. What we've done is, we look at every single account, wherever we've seen the slightest degree of stress, we go ahead and make a provision on that account. Now, at some stage, some of that provision will get reversed, for example, for COVID we are carrying a 1,017 crore of COVID-related provisioning. We do not want at this point of time to release any provisioning. We would like to wait till normalization comes back to the market and then look at reducing the credit costs. But you have seen that over the last quarter or two, the actual credit cost marginally, might be a few basis points, has come down.

Adarsh: I understand. I was just asking this in the context of like you mentioned about collections in July is strong. So, I'm just wondering if you're too cautious and guiding to the fact that it may take a year or two years for credit cost to normalize because we are carrying very good provisions on our balance sheet?

Keki Mistry: Well, maybe one would like to be a little conservative in this. We would not like to straight away reverse our provisioning or slow down on our provisioning going forward till we have complete clarity on where COVID is ending and whether we have a third wave and a fourth wave or whatever. As long as that uncertainty remains, we would like to continue being higher provided than what is required by regulation. I'll just repeat some numbers for you. Our total provision we carry is 13,189 crores and the regulatory provisioning we are required to carry 5,778 crores. So, compared to a regulatory requirement we are carrying 128% higher provisioning.

Moderator: The next question is from the line of Subhranshu Mishtra from Systematic Shares. Please go ahead.

Subhranshu Mishra: The first question is it's slightly baffling to see slippages in home loans given the fact that largely it's a consumption product, whether it's for self-employed or for salaried? And also, it will be the last in the hierarchy of payouts for the customer to really slip because largely he would slip on an unsecured loan which is a personal loan or a credit card payment. So, if you could qualify this particular question? The second question is on we've been speaking about the digital platform. So, in the budgeting exercises which all life stages of the credit are we budgeting for OPEX decrease and what is the quantum of that? And the third is any thoughts on reverse merger with HDFC Bank?

Keki Mistry: Let me answer one and three and I will request my colleague, Renu, to answer the second one. The first one you talked about was credit cards and why customer default. See, what you must understand is that in the last one year or little more than one year it is not possible for us to physically meet any customer. So, all collection effort is done by on the phone or the customer would have given us a mandate and like based on that mandate we would debit his account. If for whatever reason that mandate bounces, then we normally would physically meet the customer, which we cannot do now. The second is as I mentioned earlier, courts have stopped any secured lender from taking action against the property. So, you can't go to SARFAESI action. So, that creates a little bit of I would say complacency on the part of a customer. I would say these are the two attributes. But having said that the average loan to value ratio at the time we grant the loan is only about 67% or 68%. And when the first round of COVID happened, we had done a very quick sort of back-of-the-envelope calculation of what the average loan to value ratio for the book as a whole would be and we were of the view at that time that it would be somewhere in the 40%, 42%-43% type of range. So, the security cover is huge. So, these are to my mind temporary slippages, these are not in any way to my mind going to result in loan losses or anything of that because the security cover is huge and if not today then whenever we see the end of COVID we should be able to take legal action and take possession of the property. So, this is as far as recovery is concerned. Your third question on reverse merger. We had looked at this very seriously sometime in 2014 and then we did not proceed because of the fact that there were a lot of reserve requirements of being a bank and we have not had any discussion with HDFC Bank after 2014 on a reverse merger. Renu, on the digital thing, you want to talk about?

Renu Sud Karnad: Yes, sure. So, I think as far as the bringing down costs is concerned, it will take some time. Right now what is happening is the sourcing. The sourcing has come through hugely on the digital platform. But having said that unlike a consumer product loan, in a housing loan you need a lot more documents that need to be uploaded, for example, the title documents regarding the property, etc., so the Indian consumer still needs a lot of help. So, the nudge is required from the call centres, the people who are handling them and thereafter even from some of our feet-on-street. So, to that extent it is going to take some time. Having said that, even signing of documents today has to be done in person, wet signatures have to be there, dry signatures are not allowed. So, the individual needs to come to the office. We need to have people who are going to make them sign this document. As far as legal checks are concerned, these are documents that have to be seen. As yet we haven't reached that level, I would say that by just looking at a document, on a screen you can be sure that it is the correct document. Technical appraisals and visits of properties still need to be done, people need to see it. We are using technology, once the technical appraisal has been done, to go ahead and then do the second and the third appraisal. So, they will definitely be but I think it has to still reach that level of total digitization which also means some piece of digitization of land records where you can access all those things at a flick of a button. Today, that is not happening. So, what has happened is the individuals coming to us on the digital platform, then having people either call centres or even feet-on-street helping them go and nudging them actually to upload the documents. So, that piece actually still needs some bit of human intervention. I think as property titles, etc., become more, on the technology front, the property documents get onto those municipality site, then I think you'll see a major cost reduction. So, some of these verification, validation from the point of view of making sure that everything is okay with the property, still continues to be in the non-digital mode. That's because the regulations are such and that is also partly because the authorities, the registrars are also not so digitalized as yet. But on the first piece that you are talking about sourcing, definitely we are seeing a huge traction. But having said that, when there's a huge lockdown, the numbers shoot up much more, when the lockdown starts opening up, even the customers are asking for some sort of more personal interaction. I think a housing loan is slightly different from a car loan or a personal loan where people also want to talk to somebody and want to get some sort of validation that the property is the right property, Am I getting the right rate, can I get a better rate, so some human interaction still is there.

Subhranshu Mishra: How far back do we go in the title history of a property?

Renu Sud Karnad: That is again the law of the land, so we go up to 12 years to understand what transacted during those 12 years and it's basically to understand the concept of adverse possession.

Moderator: The next question is from the line of Alpesh from Motilal Oswal. Please go ahead.

Alpesh: Two questions: First is, are there any networth adjustments because I can see network increase of around Rs.400 crores, I can understand Rs.150 crores would be because of the ESOP moving towards the networth. So, that Rs.250 crores would be on account of what, first? And secondly, the write-off number of around Rs.530 crores. Would that be a termination losses or the principal value of it, and if it's a termination losses then what's the principal value?

Conrad D'Souza: Alpesh, I will just get back to you but maybe Keki can carry on with the second question.

Keki Mistry: To your second question, Rs.500 crores will be the principal value.

Alpesh: And this Rs.500 crores would pertain to the restructured loan which did not qualify or it would be a separate loan?

Keki Mistry: No, this would be different, this would not be restructured loans, these would have been loans which would have been in stage 3 or stage 2. Most of these would be one-time settlement and this will be largely in the non-individual category, so the loan amount was x and you settle it at y, the balance is written off.

Alpesh: The COVID provision of around Rs.1,000 crores is sitting in the ECL right?

Keki Mistry: Rs.1,017 crores is sitting in ECL, yes.

Conrad D'Souza: On that networth adjustment, it's basically ESOP adjustments.

Alpesh: ESOP would be the amount that you rooted through P&L to reserve that it goes, it would be around 150…?

Conrad D'Souza: No, it's fresh ESOP which has been subscribed. So, we can talk offline but it is basically ESOP adjustments.

Moderator: The next question is from the line of Bunty Chawla from IDBI Capital. Please go ahead.

Bunty Chawla: Just two data key points if you can share. First is the absolute disbursement number for the quarter for the individual as you shared? And secondly, if any ECLGS disbursement we have done during the quarter? If I remember rightly last year FY'20 it was Rs.936 crores we have disbursed under ECLGS up to FY'21?

Keki Mistry: The disbursements in the first quarter, Conrad, if you can just call out the absolute rupee amount but to give you percentage growth, the percentage growth for the quarter was as much as 181% compared to what it was in the previous year.

Conrad D'Souza: Bunty, ECLGS disbursements as of June are Rs.1,455 crores.

Bunty Chawla: And same on disbursement number for the quarter specific absolute amount?

Keki Mistry: I will give you the disbursement number in a minute.

Moderator: The next question is from the line of Shweta Daptardar from Prabhudas Lilladher. Please go ahead.

Shweta Daptardar: Two questions: one, because the COVID impact was severe this time around in the hinterland, how has been the asset quality performing for affordable housing segment below Rs 20 lakhs? And secondly like you mentioned in your press release, so now that the SARFAESI resolutions will pick up for the individual home loan segment. Now that even the courts go to other temporary, which were holding up are all behind and the collection efforts which were hindered in the month of May, June, considering these going forward the EAD should be much lower for the remaining part of the year in the individual housing loan segment?

Keki Mistry: The first question on delinquencies. There is not much difference on whether it is in the affordable housing segment or otherwise, because for affordable housing if you look at it we give loans to customers in the economically weaker section and in the lower income group but this is not those very small size loans that some of the smaller housing finance companies do. Average loan to customers in the economic weaker section is 11.1 lakhs and the average loan to customers in the lower income group is 19.3 lakhs. So, again in terms of asset quality, not too much of it. Second is your question going forward. We are still not allowed to go through a legal process of recovery even now. So, we hope that if there is no major third wave, then sometime during the course of the next few months the courts will remove the restriction of not taking legal action. That should certainly help in the recovery effort. But collection efficiency let me tell you again, June was strong at 98.3%.

Moderator: The next question is from the line of Abhishek Muraraka from HSBC. Please go ahead.

Abhishek Murarka: I have just two questions: one, from our disbursements point of view, I know you've given percentages on growth versus July last year. But can you share how it compares with disbursements in February or March this year? The second question is on affordable housing. If you can share some more detail like incremental yields and also what is the mix of salaried, self-employed, in general the customer profile in the segment?

Keki Mistry: Before I answer your question, go back to the earlier question on that networth adjustment that someone had asked. There is no networth adjustment for anything other than one is for that ESOP exercise bit and the other is on the share premium that is received on allotment of stock options. So, when an employee exercises the stock option, he obviously buys the share at a premium and that premium comes as part of networth. So, that explains whatever 100, 150-odd crores increase in the networth.

You wanted a profile of new customers? So, roughly about 81%-odd of the new customers who've taken a loan are employed, roughly about 19% are self-employed which would include self-employed professionals. The average loan amount for new loans we've done in the current year is Rs. 30.9 lakhs. Now, if we were to compare with July, July was the third largest non-quarter end month disbursements we had in history. If we were to compare sequentially, March 21 was the highest level of disbursements we have ever had in history. If we were to compare Jan to March with April to June, we would have seen a sequential decline in disbursements during the quarter but that was largely because of the fact that the second half of April and almost the whole of May was impacted because of COVID.

Abhishek Murarka: Keki, my question was more of July versus let's say March. So, versus March…?

Keki Mistry: July was the third largest disbursements in history. Our disbursements in the month of July total to Rs. 12,518 crores and March was an absolutely exceptional month, March, the disbursements were Rs. 16,400 crores, but July would have been higher for example than February. If we compare July with February and March, July was higher than February but lower than March.

Abhishek Murarka: This is all individual disbursements?

Keki Mistry: I'm talking individual.

Abhishek Murarka: And the mix of salaried and self-employed that you shared, would that be similar for affordable housing portfolio, there the ratios would be much different?

Keki Mistry: I would say a bulk of the affordable housing segment would be in the employed category and not in the self-employed category, but I don't have a breakdown of how much is employed.

Renu Sud Karnad: You are right, Keki, the affordable is mostly in the employed category.

Abhishek Murarka: The incremental yield on the affordable portfolio would be approximately how much?

Keki Mistry: Will not be significantly different from what it is elsewhere because please understand that, affordable, I explained earlier is not that these loans of four lakhs and five lakhs, these are to good quality customers, it's just that the size of the loan is smaller and their income is relatively lower.

Renu Sud Karnad: And the units are smaller. I think one thing that we've seen in the month of June, July, the last few quarters high-end homes … by high end I don't mean very high-end but homes of 3-4 crores were not seeing much traction. What we've seen since March and the first quarter we're seeing those moving and I think that has been a positive because it is also middle to high income housing which in the last few quarters had slowed down to some extent. And that's been a big positive when you see middle income people going out and looking at apartments and the feedback you get from builders is also that a lot of people come on Saturday, Sunday. I think other than what you call sort of affordable which by definition seems smaller loans but I think the mid-level properties and mid-level homes are also now we are seeing the traction there.

Moderator: Thank you. The next question is from the line of Nischint Chawathe from Kotak Securities. Please go ahead.

Nischint Chawathe: Just before I ask my questions, I wonder if you share the disbursement number for the quarter.

Keki Mistry: Q1 disbursements for this year were Rs.25,518 crores and Q1 of last year has been Rs.9,074 crores.

Nischint Chawathe: Just on the write-off of Rs.500 crores, any breakup between individual and non-individual?

Keki Mistry: I mentioned it's almost entirely non-individuals, individuals is extremely small.

Nischint Chawathe: On the new business I know you mentioned the breakup between higher end and the affordable one. If you could give some color in terms of geographical trend and probably a breakup between new properties versus renewals?

Keki Mistry: Geographical trend as in north south, east, west, all right, so if you look at the northern branches, they account for about 26% of the business done in the first quarter, southern branches account for about 33%, western branches account for 37% and eastern branches account for 4%, that's the geographical breakdown. On new and renewal, roughly 56% would be new properties, 36% would be resale and about 8% would be self-construction.

Nischint Chawathe: And how would this be like a year back or how would this have changed, if you can give some color?

Keki Mistry: I don't think there would have been any significant difference, it would be more or less similar.

Renu Sud Karnad: Not that much of a difference. If you go back three, four years then you might see a difference but in the last couple of years it's been very similar. What happens a lot of people who are upgrading from a one bedroom to a two bedroom to a three bedroom, there are people who are coming more into the cities. We had two huge cycles actually if you look at HDFC, we're seeing a lot of that happening. Old customers are coming back and upgrading to a better property. It's not that it hasn't changed that much.

Moderator: The next question is from the line of Nitin Jain, private investor. Please go ahead.

Nitin Jain: The only question I have is what kind of traction are we seeing on the Indiabulls partnership and are we looking for any more such partnerships?

Renu Sud Karnad: It is still to actually take off. We are in the process of working out the documentation and how exactly it's going to pan out. But having said that I just want to reiterate which we've been saying in the past that as far as the credit assessment is concerned, as far as eligibilities are concerned, as far as the checks are concerned, it's all going to be with HDFC. Yes, Indiabulls is going to source it and are going to keep a certain percentage of the loan, but the credit call and the final sanctioning authority is going to be with us. As far as your second question on whether we are looking at tying up? Yes, we are in the process, more than us we've got feelers from a couple of others who want to tie up with us and want to see whether they can do that and so let's see, you might see in the next few quarters how this is going to work.

Moderator: The next question is from the line of Preethi RS from UTI. Please go ahead.

Preethi RS: Sir, my question is on the RBI guidelines with respect to the minimum assets towards housing finance and individuals. So, first of all this exercise is done at standalone and not consolidated because since the corporation has large investment? Two, where do we stand today? And three what it means to our strategy going forward looking towards '24 because that's where we have to adhere to all the guidelines that have been set, so what would it mean to a strategy on a non-housing?

Keki Mistry: I think Rangan answered that question in the beginning, I think that was one of the first questions that was asked. So, we are on track, we had laid down a plan on how we are going to achieve that requirement of 60% and 50% by RBI which as you said is over a period of time. And as we speak today, we are very much on track. As far as the 50% one is concerned we are already higher than that. So, that is not anything to sort of look at. As far as the 60% one is concerned, we were currently short in March by about 2.4% if my memory serves me right, but that was what the original plan was, we are little ahead of what the original plan was. Also, in the first quarter of this year, the growth has almost entirely been on individual loans and since it's been on individual loans that number we would have got closer to attaining that 60% gap in June.

V.S. Rangan: One more question was on the standalone versus consolidated. This is to be reckoned on the basis of standalone accounts. But having said that, the standalone accounts, you have to reckon the total assets which include the investments in the subsidiaries and associates.

Preethi RS: In terms of the strategy on the non-housing, so would it mean a higher construction finance going forward and lower corporate and LRD in the longer run?

Keki Mistry: Nothing like that. Once we fall into line, we would look at good business. Obviously, individuals is always going to be our biggest focus and this belief that non-individual business carries the higher yield and therefore is more profitable, it's not entirely correct because when you factor in the higher amount of capital required, when you factor in the higher amount of risk that is involved in non-individual business, the actual return on equity is the same whether it is individual or non-individual. But construction finance gives us access to customers who are looking to buy properties. It gives us access to information on individuals even before they've actually gone and executed the sale deed or registered deed or entered into an agreement with the builder. So, that's why construction finance is obviously something which we will continue to sort of focus on. But all elements, whether it is individual, non-individual, construction finance, corporate, LRD, we would look at all of them in the same sort of a manner, the credit quality being a paramount importance.

Moderator: Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

Conrad D'Souza: On behalf of HDFC, thank you to everyone for attending this call. In case you still have any questions, you can contact Anjalee or me after this call. Thank you, Keki.

Keki Mistry: Thank you.

Renu Sud Karnad: Thank you very much Bye-bye.

Moderator: Ladies and gentlemen, on behalf of HDFC limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines.

Housing Development Finance Corporation Limited

CONTENTS

HDFC SNAPSHOT

HDFC

WHO WE ARE…

- Incorporated in 1977 as the first specialised mortgage company in India
- Now a Financial Conglomerate with interests beyond mortgages
- 72% shares held by Foreign Investors

HDFC
Market capitalisation*:
US$ 60 bn

21.07%
HDFC BANK
Market capitalisation*:
US$ 111 bn
ADRs listed on NYSE

49.95%
HDFC Life
Market capitalisation*:
US$ 19 bn
Ranks 2nd in individual weighted received premium amongst private players

52.65%
HDFC MUTUAL FUND
Market capitalisation*:
US$ 8 bn
Amongst the largest AMCs with quarterly avg. AUM of US$ 56 bn

49.98%
HDFC ERGO GENERAL INSURANCE
Ranks amongst the top 3 private players in general insurance

100%
HDFC SALES
Financial services distribution company
Sources more than half of HDFC's home loans

100%
HDFC CREDILA The Education Loan Specialist
India's first dedicated education loan company with outstanding loan book of US$ 854 mn

100%
HDFC PROPERTY FUND | **HDFC** HDFC Capital Advisors
Property funds with AUM of ~US$ 2.2 bn; of which US$ 1.1 bn is committed for development of affordable housing

*As at June 30, 2021
US$ amounts converted based on exchange rate of US$ 1 = Rs. 74.33

HDFC

BUSINESS SUMMARY

• Loans Outstanding (Gross loans)	:	Rs. 5,741.36 bn
(As at June 30, 2021)	:	US$ 77.24 bn
• Individual Loans Originated CAGR (5 years)	:	16%
• Cumulative Housing Units Financed	:	8.6 million
• Cost to Income Ratio (excluding notional cost of Employee Stock Option Scheme & Corporate Social Responsibility Expenses)	:	8.0%
• Unaccounted gains on listed investments	:	Rs. 2,610.68 bn
in subsidiary and associate companies	:	US$ 35.12 bn
• Consolidated Profit After Tax CAGR (5 years)	:	21%

HDFC

IMPACT OF SECOND WAVE OF COVID-19

- The quarter ended June 30, 2021 witnessed an eruption of a second wave of COVID-19 in India, characterised by higher infections and morbidities.

- A significant part of the quarter entailed localised lockdowns and restrictions as against a national lockdown in the corresponding quarter of the previous year.

- The demand for housing continues to remain strong. Business picks up with unlocking.
  - 181% growth in disbursements in Q1FY22 over PY
  - Apr-Jul 21 disbursements (4 months) at 108% of the level achieved during the first 6 months of the PY

- Scale up on all digital platforms for borrowers, depositors, channel partners and deposit agents, amongst others.
  - 88% of new loan applications were received through the digital mode
  - 61% of retail deposits digitally on-boarded

- Total provisions carried as at June 30, 2021 stood at Rs 131.89 billion compared to the regulatory requirement of Rs 57.78 billion (based on period of default and standard assets). COVID-19 provision as at June 30, 2021 stood at Rs 10.17 billion.

- Rs 44.82 billion has been restructured under the RBI’s Resolution Framework - OTR 1& 2.0. This is equivalent to 0.9% of the loan book. 62% is in respect of just one account.

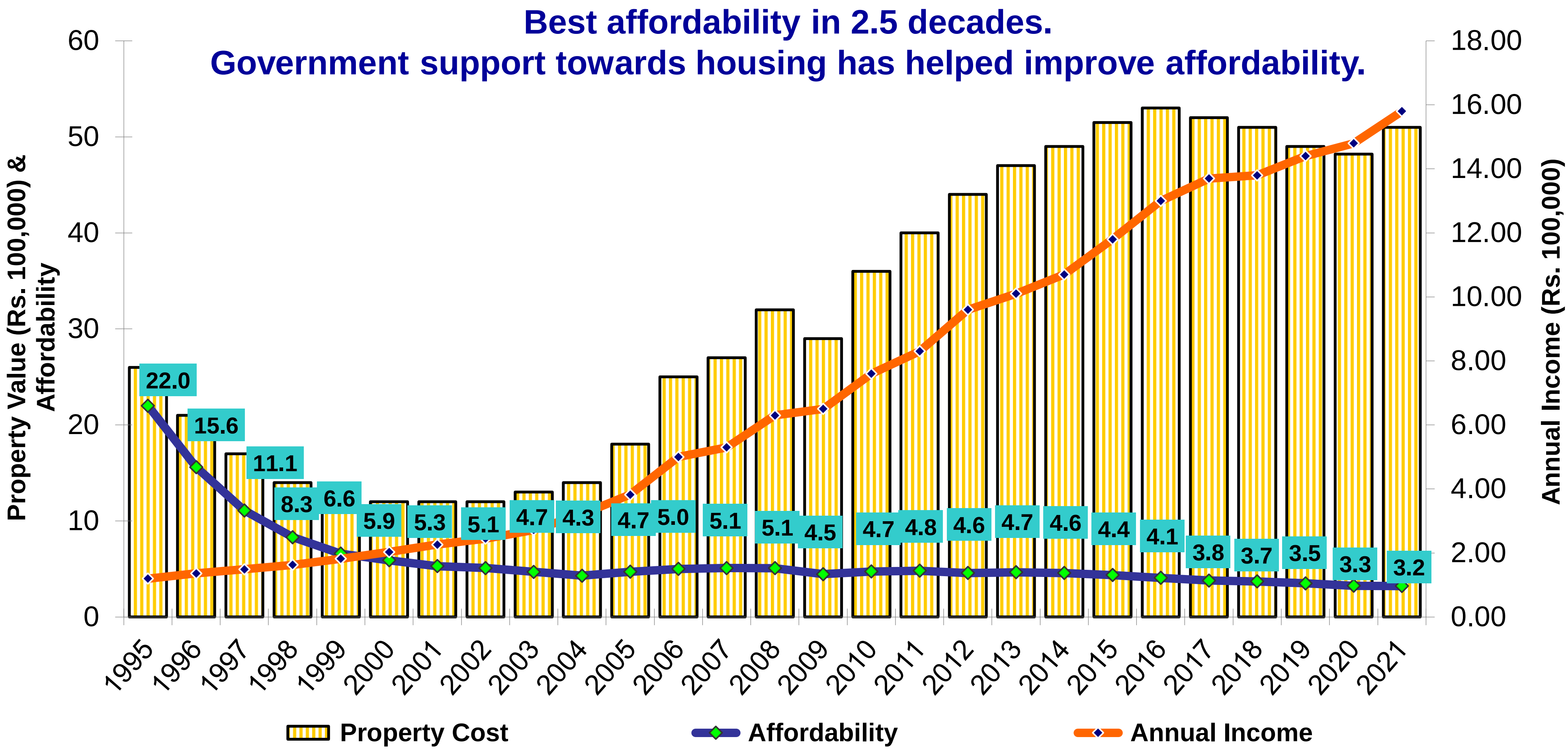
MORTGAGE MARKET IN INDIA

DRIVERS OF MORTGAGE GROWTH

- **Improved Affordability**
- **Low Penetration**
- **Government Incentives**
  - **Enhanced Fiscal Benefits**
  - **Credit Linked Subsidy Scheme**
- **Other Demand Drivers**

HDFC

IMPROVED AFFORDABILITY



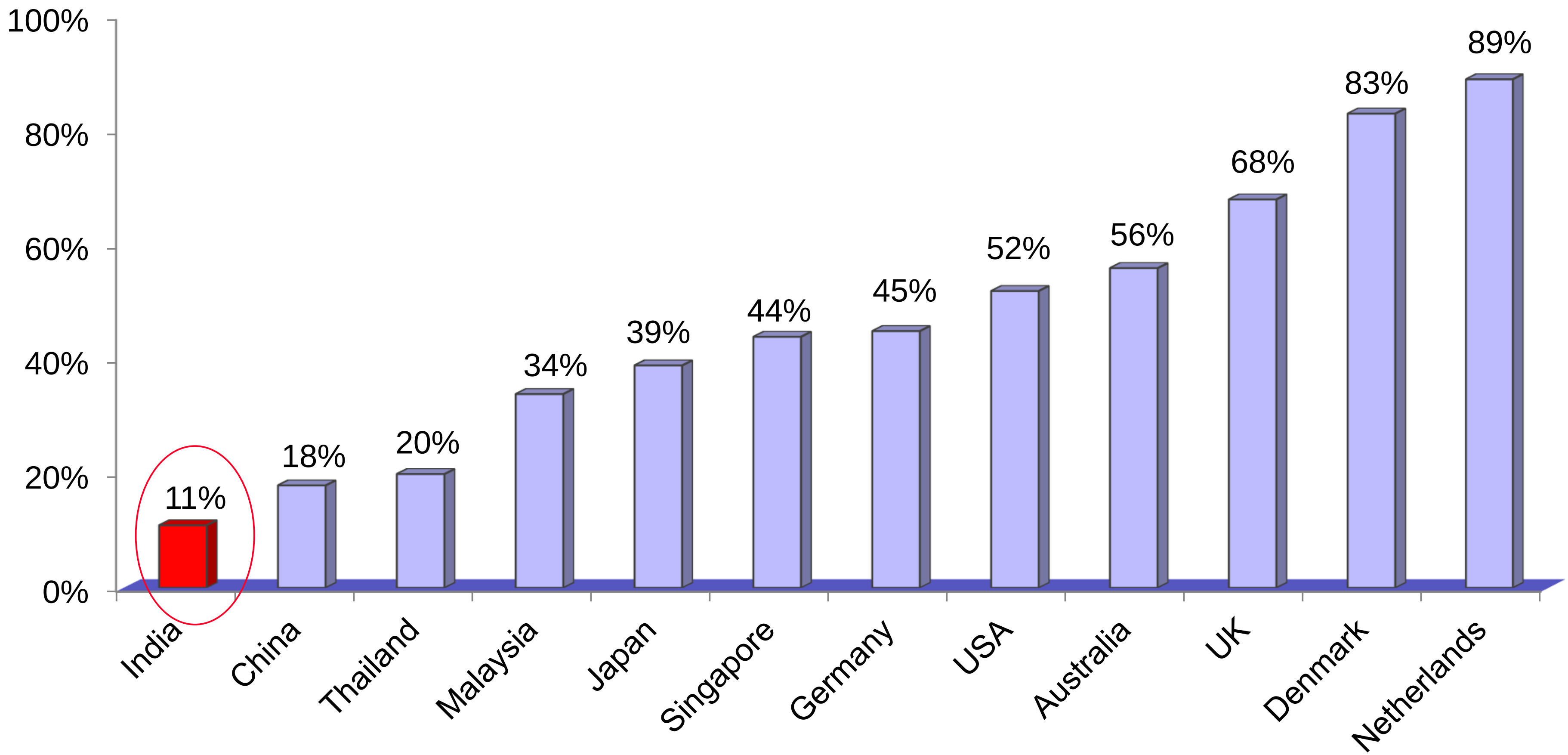
Representation of property price estimates

Affordability equals property prices by annual income

Based on customer data

LOW PENETRATION IMPLIES ROOM FOR GROWTH

MORTGAGES AS A PERCENT OF NOMINAL GDP



Source: European Mortgage Federation, Hofinet & HDFC estimates for India.

Note: India's lower GDP resulted in an increase in the mortgage to GDP ratio.

HDFC

GOVERNMENT/REGULATORY INITIATIVES

Government Incentives

Tax incentives on interest and principal amount for home loan borrowers

Interest rate subsidy under the Credit Linked Subsidy Scheme for EWS/LIG*

Liquidity Measures

Liquidity schemes and special refinance facilities for Non-Banking Financial Companies - Housing Finance Companies

Supply Side Incentives

Incentives to developers to build affordable housing

'Infrastructure' status accorded to affordable housing

External Commercial Borrowings/Rupee Denominated Bonds Issued Overseas

Economically Weaker Section (EWS): Income up to Rs 0.3 mn p.a ; Low Income Group (LIG): Income above Rs 0.3 mn to Rs 0.6 mn p.a.

TAX INCENTIVES HAVE LOWERED THE EFFECTIVE RATES ON MORTGAGES

	FY 2021	FY 2002	FY 2000
Loan amount	30,90,000	30,90,000	30,90,000
Nominal Interest Rate(%)	6.75%	10.75%	13.25%
Max deduction for interest allowed	2,00,000	1,50,000	75,000
Deduction on principal	1,50,000	20,000	20,000
Tax rate	30.90%	31.50%	34.50%
Tenor (years)	20	20	20
Total amount paid per year	3,58,575	3,59,400	4,21,068
Interest component	2,08,575	3,32,175	4,09,425
Principal repaid	1,50,000	27,225	11,643
Tax amount saved	1,08,150	53,550	32,775
Effective interest paid on home loan	1,00,425	2,78,625	3,76,650
Effective interest on home loan	3.3%	9.0%	12.2%

Note: Union Budget 2021-22: Additional interest deduction of Rs.1.5 lac for loans sanctioned from April 1, 2021 to March 31, 2022. This is for first-time home-buyers; house cost: up to Rs 4.5 mn.

OTHER DEMAND DRIVERS

- **Favourable Demographics**: 66% of India's population is below 35 years of age, hence large potential for home loans
- **Nuclear Households**: Rise in the number of households with a shift towards nuclear families
- **Urbanisation**: Currently 32% of the Indian population reside in cities; estimated to be 50% by 2030
- **Interest Rates**: Improved affordability through rising disposable incomes and lowest ever interest rates on home loans

OPERATIONAL & FINANCIAL HIGHLIGHTS: MORTGAGES

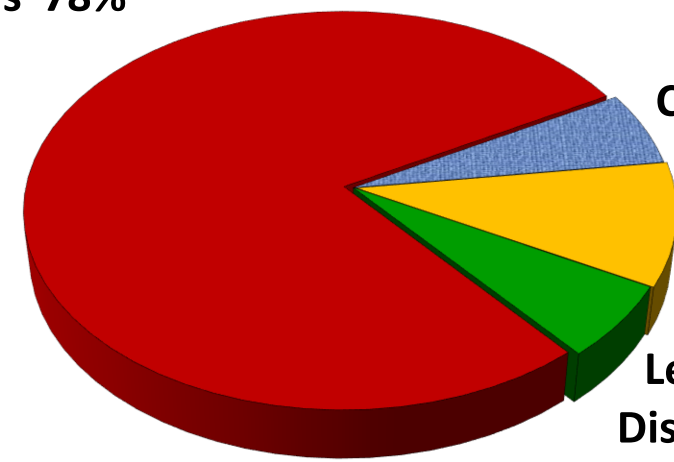
HDFC

CORE BUSINESS – LENDING

(As at June 30, 2021: Gross Loans - US$ 77.24 bn)

INDIVIDUAL LOANS

- Home Loans
  - Fixed rate loans
  - Floating rate loans
- Home Improvement Loans
- Home Extension Loans
- Home Equity Loans
- Rural Home Loans
- Loans to NRIs



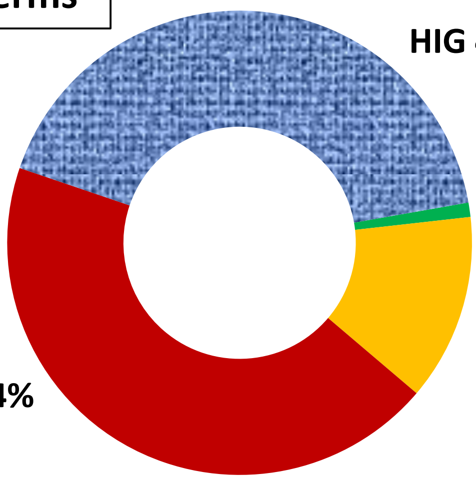
As at June 30, 2021	Loan Book Outstanding (After Sell Down)			Loan Book o/s Before Sell Down in last 12 months			Assets Under Management		
	Rs. bn	US$ bn	% Growth	Rs. bn	US$ bn	% Growth	Rs. bn	US$ bn	% Growth
Individuals	3,760	51	14%	3,991	54	22%	4,495	60	14%
Non-Individuals	1,245	17	-9%	1,245	17	-9%	1,246	17	-9%
Total	5,005	68	7%	5,236	71	12%	5,741	77	8%

Individual loans sold (outstanding): Rs. 734.71 bn (US$ 9.88 bn)

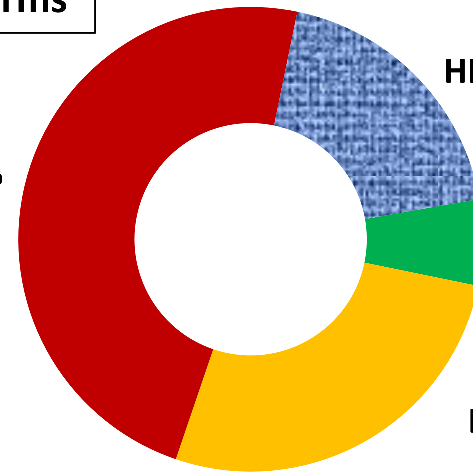
AFFORDABLE HOUSING

Housing Loan Approvals Based on Income Slabs Q1FY22

In Value terms



In Number terms



Economically Weaker Section: Up to Rs 0.3 mn p.a

Middle Income Group: Above Rs 0.6 mn to Rs 1.8 mn p.a.

Low Income Group: Above Rs 0.3 mn to Rs 0.6 mn p.a.

High Income Group: Above Rs 1.8 mn p.a.

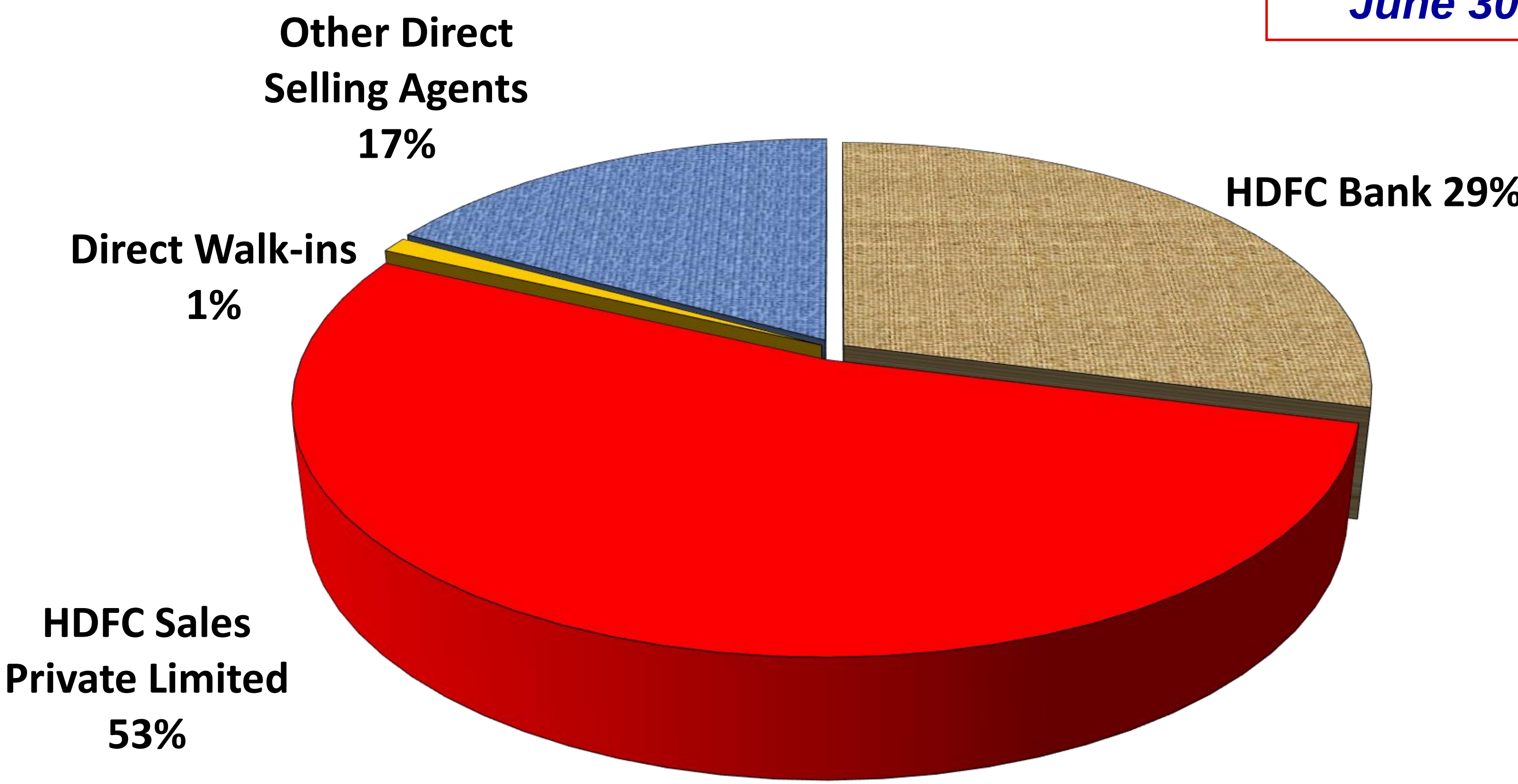
Housing Loans to EWS & LIG Segments

- 33% of home loan approvals in volume terms has been to the EWS & LIG segments and 14% in value terms
- Average home loan – EWS: Rs 1.11 mn, LIG: Rs 1.93 mn

Credit Linked Subsidy Scheme (CLSS): HDFC has the highest number of beneficiaries at over 250,000, with cumulative disbursements of Rs 430 bn and a subsidy amount of Rs 58 bn.

83% OF OUR MORTGAGES ARE SOURCED BY OURSELVES OR THROUGH OUR AFFILIATES

June 30, 2021

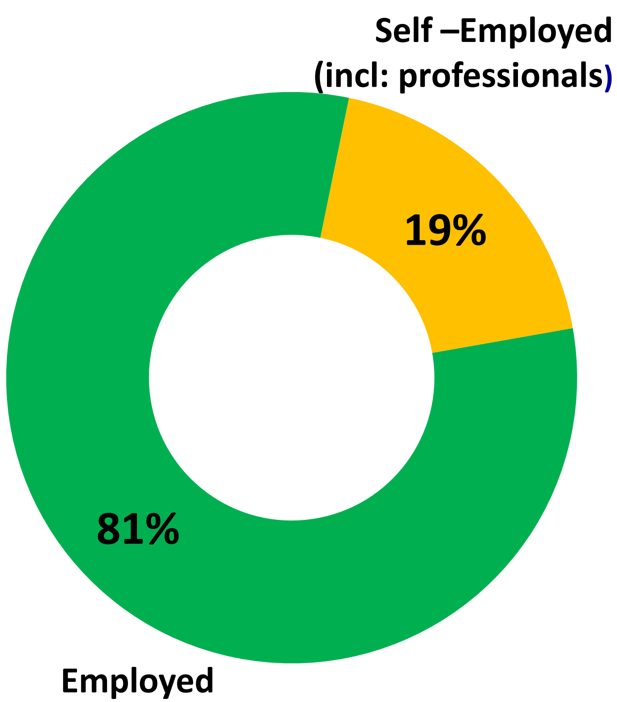


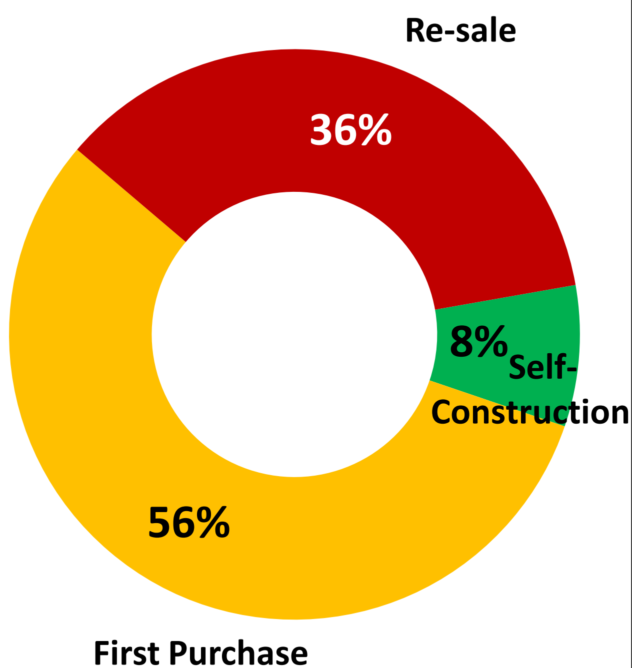
Deposit & loan products offered at several locations through outreach programmes.

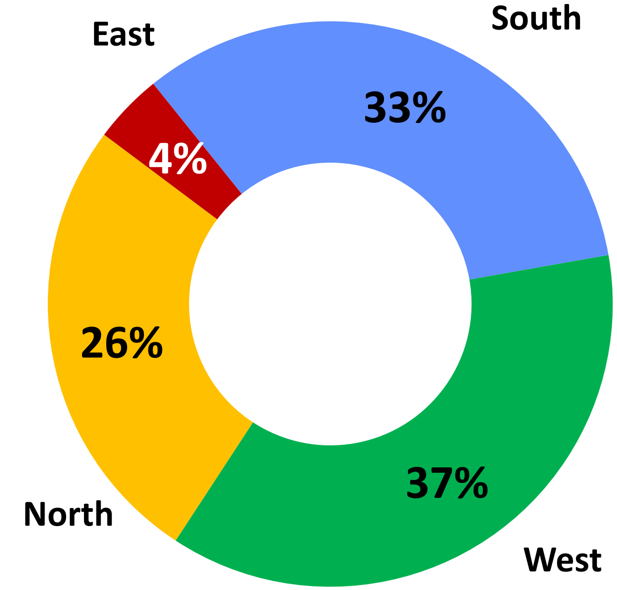
Total number of offices: 603 which is inclusive of 202 outlets of HDFC's wholly owned distribution company.

INDIVIDUAL LOANS Q1FY22 *

Employment	Acquisition Mode	Geographic Spread







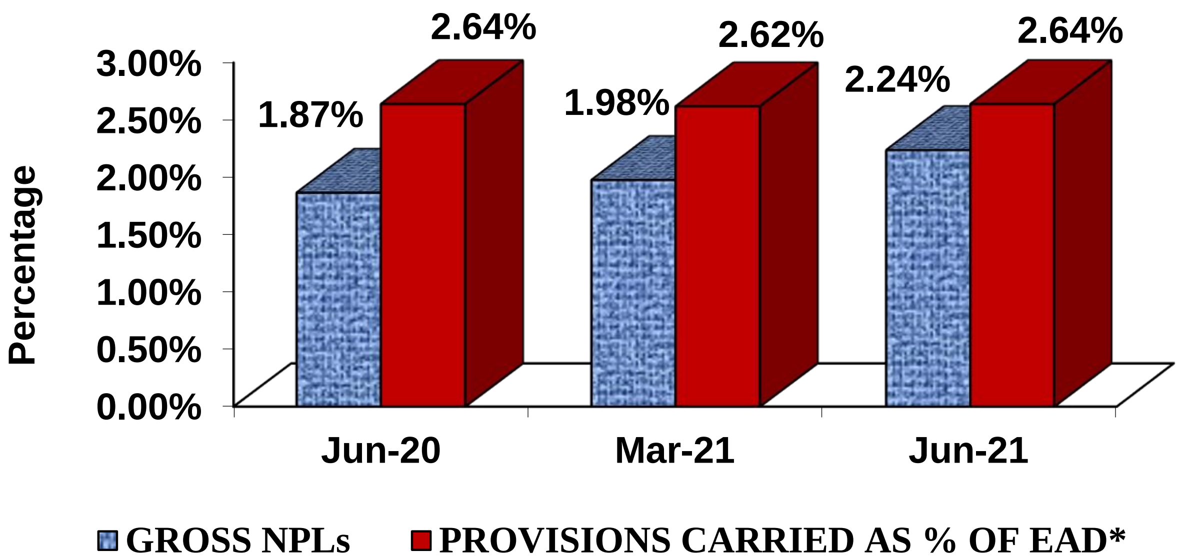
** Based on value of approvals*

HDFC

OUR CONSERVATIVE LOAN PROFILE UNDERLIES OUR HIGH CREDIT QUALITY

- Average Loan Size : Rs. 3.09 mn (~US$ 41,600)
- Average Loan to Value : 69% (at origination)
- Average Loan Term : 11 years
- Average Age : 38 years
- Primary Security : Mortgage of property financed
- Repayment Type : Amortising

NON-PERFORMING LOANS (NPLs) & PROVISIONS CARRIED



As at June 30, 2021

(Rs. in bn)

NPLs (3 months):	111.20
Provisions Carried:	131.89
Regulatory provision as per period of default & standard assets:	57.78

NPLs	June 30, 2021	March 31, 2021
Individual Loans	1.37%	0.99%
Non-Individual Loans	4.87%	4.77%
Overall NPLs	2.24%	1.98%

*EAD: Exposure at Default

HDFC

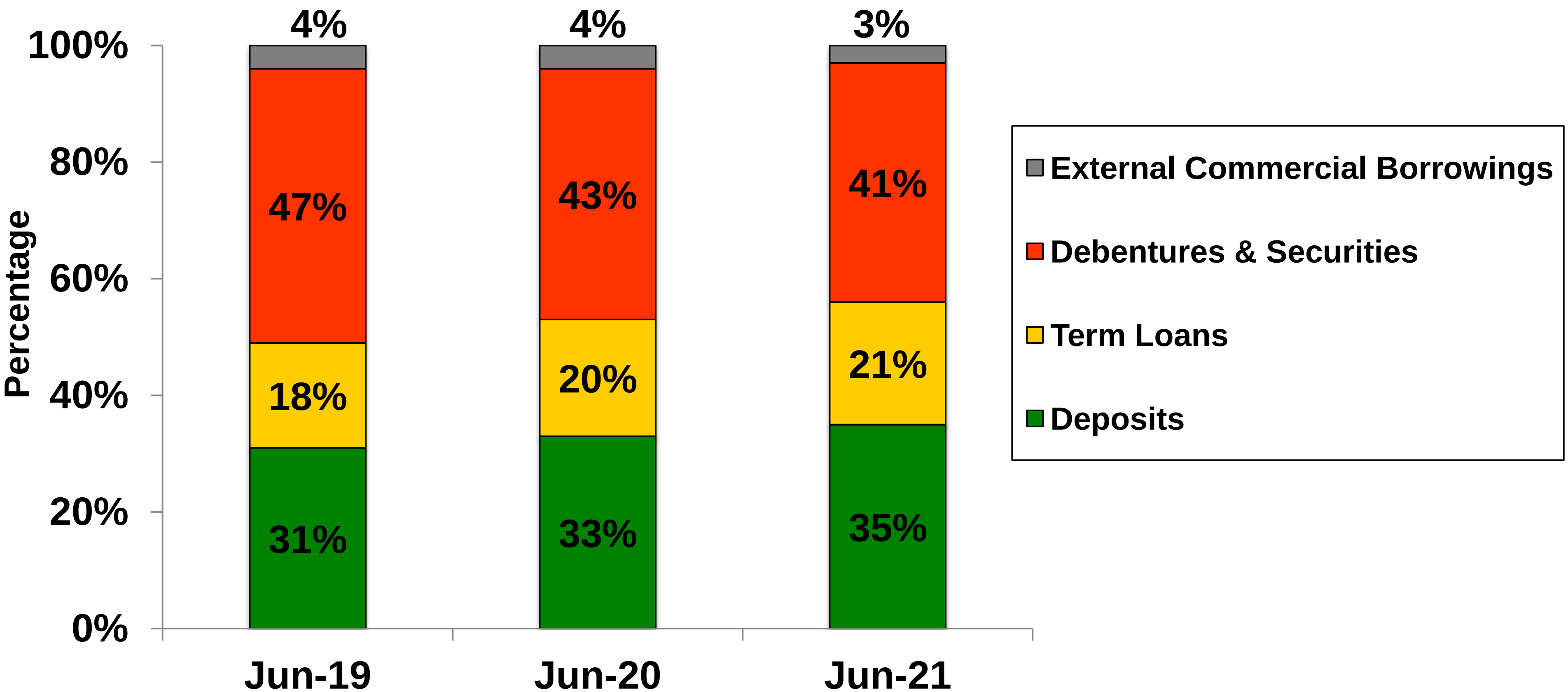
EXPECTED CREDIT LOSS (ECL) BASED ON EXPOSURE AT DEFAULT (EAD)

Rs bn

As per IND AS	Jun-21	Mar-21	Jun-20
Gross Stage 1	4,537.94	4,540.29	4,296.67
ECL Provision Stage 1	10.75	10.87	10.45
Net Stage 1	4,527.19	4,529.42	4,286.22
Coverage Ratio % Stage 1	0.24%	0.24%	0.24%
Gross Stage 2	331.86	315.47	246.74
ECL Provision Stage 2	58.24	58.81	63.98
Net Stage 2	273.62	256.66	182.76
Coverage Ratio % Stage 2	18%	19%	26%
Gross Stage 3	130.20	116.32	101.99
ECL Provision Stage 3	62.90	60.57	48.42
Net Stage 3	67.30	55.75	53.57
Coverage Ratio % Stage 3	48%	52%	47%
EAD	5,000.00	4,972.08	4,645.40
ECL Provision	131.89	130.25	122.85
Net	4,868.11	4,841.83	4,522.55
ECL/EAD	2.64%	2.62%	2.64%

Note: Loans under the one-time restructuring framework due to COVID-19 stress are classified under Stage 2.

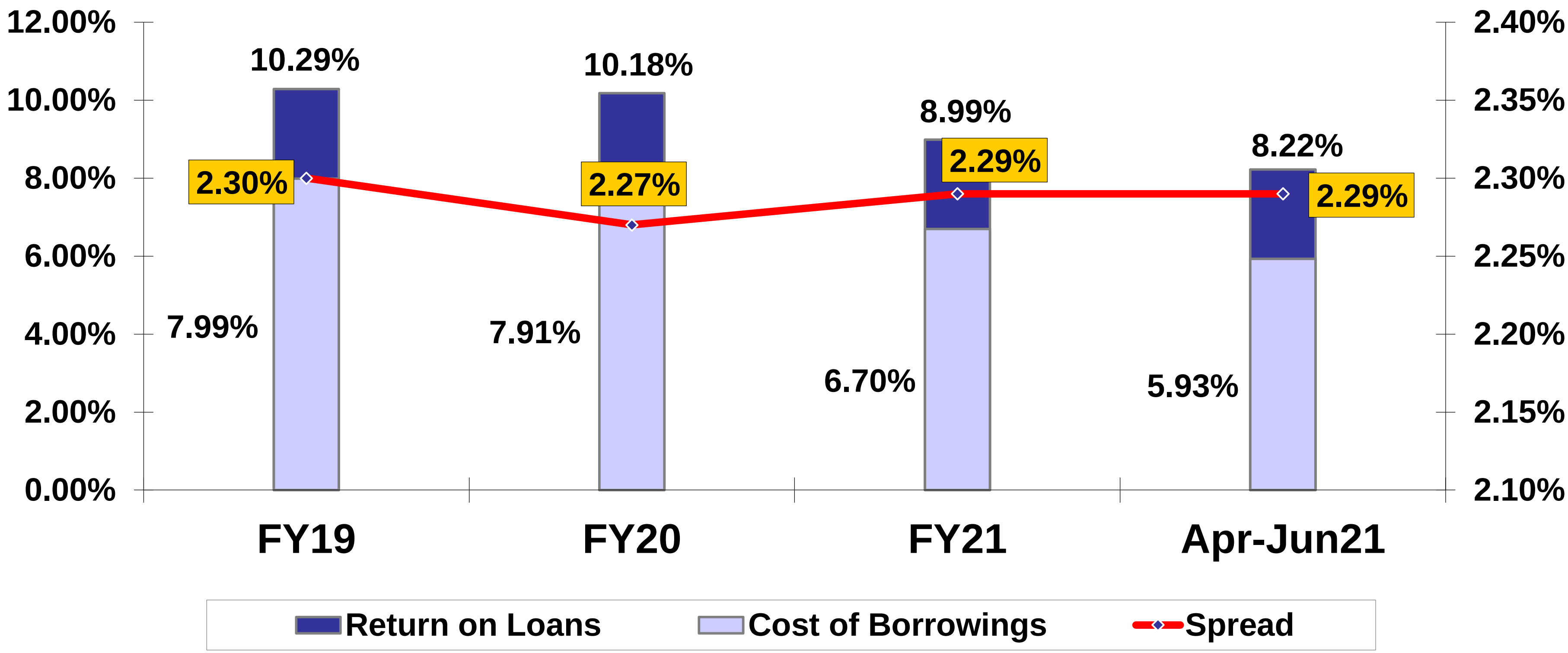
MULTIPLE SOURCES OF BORROWINGS
(As at June 30, 2021: Total Borrowings - US$ 58.98 bn)



Total Borrowings: Rs 4,384.13 bn (US$ 58.98 bn)

HDFC

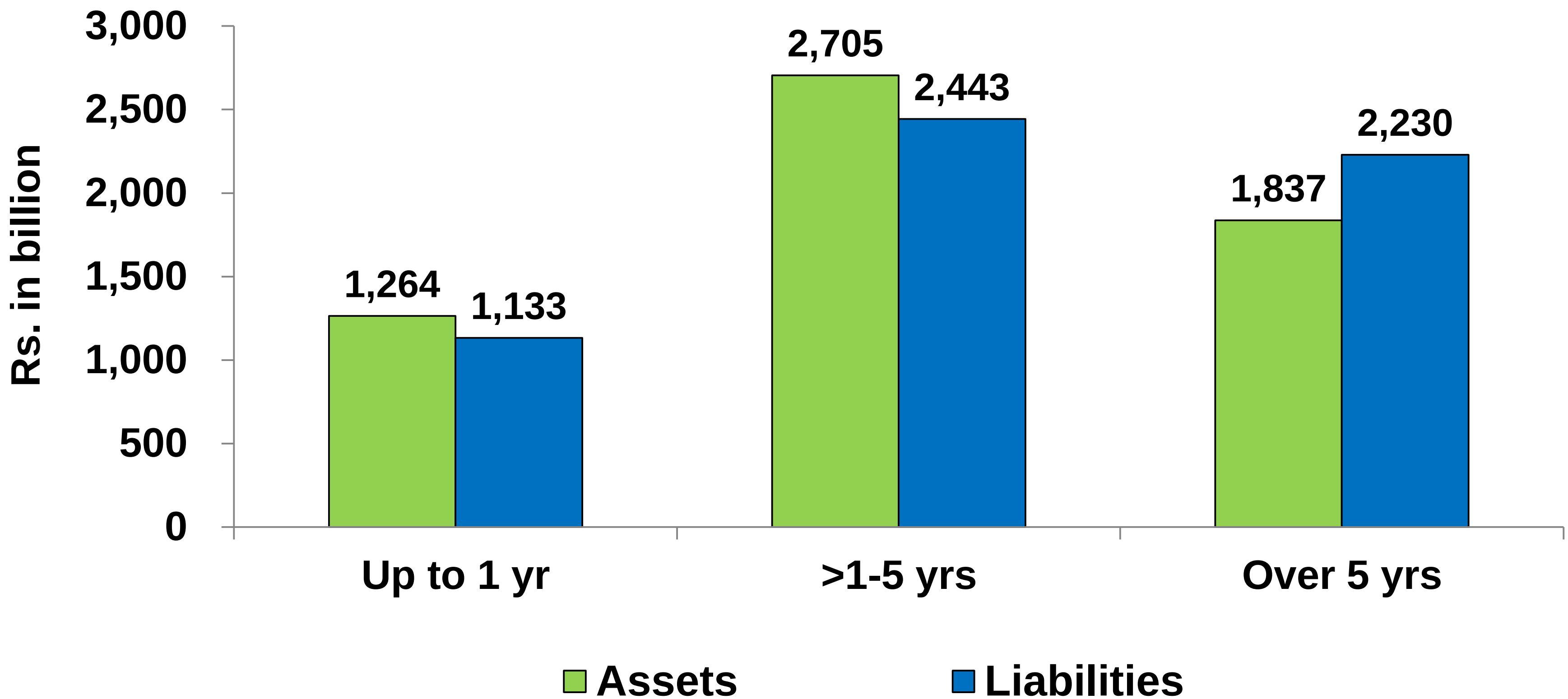
LOAN SPREADS



	Apr-Jun21
Spread earned on:	
Individual Loans	1.93%
Non-individual Loans	3.32%
Loan Book	2.29%

MATURITY PROFILE

(As at March 31, 2021)



The above graph reflects adjustments for prepayments and renewals in accordance with the guidelines issued by National Housing Bank.

PRODUCTIVITY RATIOS

	FY21	FY20
Number of employees	3,226	3,095
Number of outlets	390	379
Profit per employee (US$ '000)*	468	407
Assets per employee (US$ mn)	23.2	22.1
Admin costs/assets (%)^	0.21	0.24
Cost income ratio (%)^	7.7	9.0

****To make ratios comparable, profit on sale of strategic investments have not been considered.***

^Excluding notional cost of ESOS and CSR expenses

KEY FINANCIAL METRICS

	FY21	FY20
Net Interest Margin(%)	3.5	3.4
Pre Tax RoAA (%)^	2.6	2.5
Post Tax RoAA (%)^	2.1	2.0
Return on Equity (%)*	12.3	21.7
Return on Tier 1 Capital (%)^	14.8	14.8
Capital Adequacy (%)	22.0#	17.6
Of which Tier I (%)	21.3#	16.5
Tier II (%)	0.7#	1.1

^Adjusted for profit on sale of investments of strategic investments

**In FY20, GRUH Finance merged with Bandhan Bank. As per IndAS, the Corporation had on derecognition of the investment in GRUH, recorded a fair value gain of Rs 90.20 billion through the Statement of Profit and Loss of FY20.*

#As at June 30, 2021, capital adequacy ratio is after factoring in payment of dividend.

VALUATION & SHAREHOLDING

VALUATION – METHOD 1

- Number of shares outstanding: 1.81 billion
- Share Price (CMP as at June 30, 2021): Rs. 2,474
- Market Capitalisation: Rs. 4,467.4 billion (~US$ 60 bn)

	Rs bn	US$ bn
Net Worth	1,080	14.5
Add: Unaccounted gains on strategic listed investments	2,611	35.1
Add: Unaccounted gains on unlisted investments	203	2.7
Adjusted Networth	3,894	52.4
Market Capitalisation	4,467	60.1
Adjusted Price to Book Ratio	1.1	1.1

HDFC

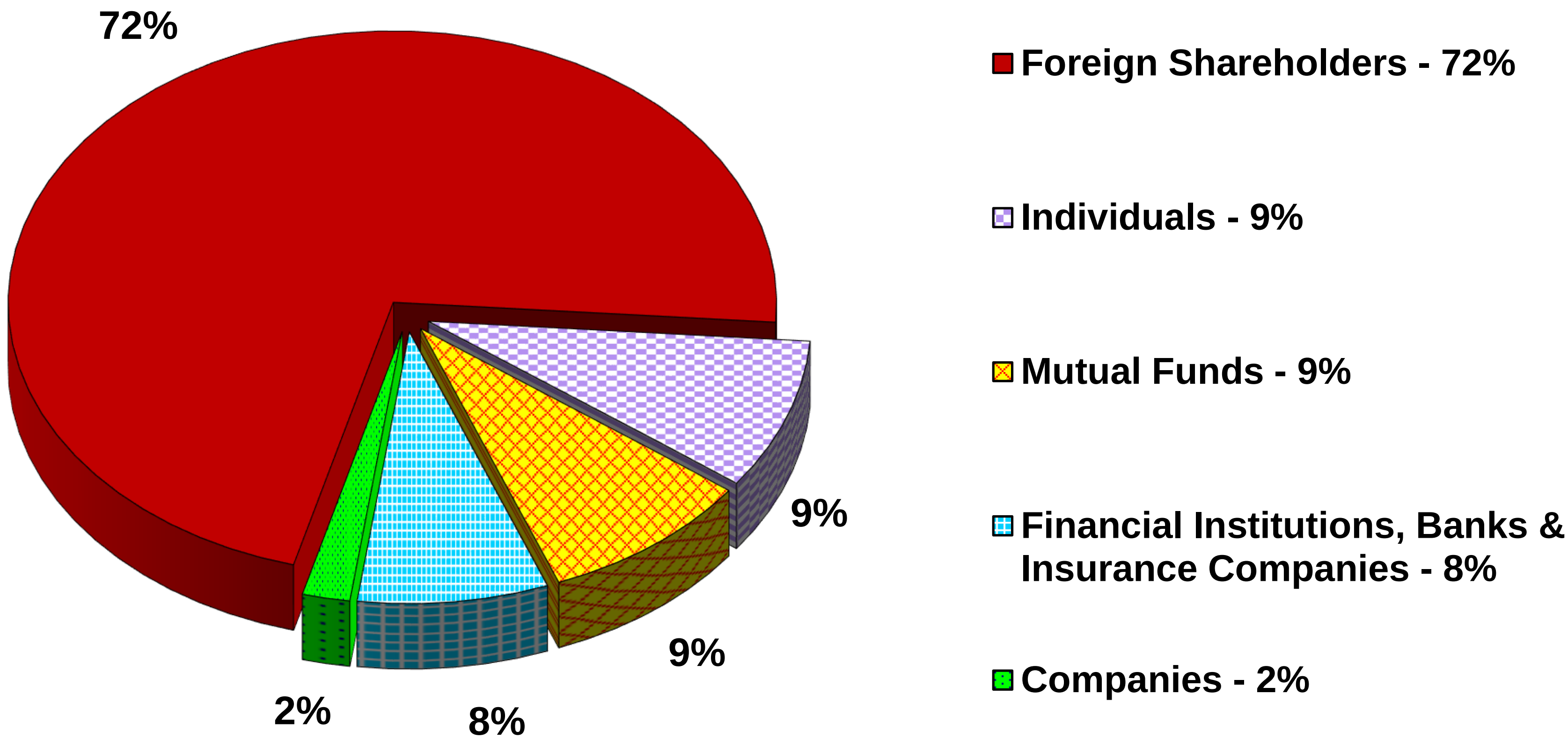
VALUATION – METHOD 2

- Number of shares outstanding: 1.81 billion
- Share Price (CMP as at June 30, 2021): Rs. 2,474
- Market Capitalisation: Rs. 4,467.4 billion (~US$ 60 bn)

Valuation	Rs bn	US$ bn
Market Capitalisation	4,467	60.1
Less: Unaccounted gains on strategic listed investments	2,611	35.1
Less: Unaccounted gains on unlisted investments	203	2.7
Adjusted Market Capitalisation	1,654	22.3
Net Worth (adjusted for dividend)	1,080	14.5
Adjusted Price to Book Ratio	1.5	1.5

SHAREHOLDING PATTERN

As at June 30, 2021



FINANCIALS

Standalone

(Based on Indian Accounting Standards)

HDFC

BALANCE SHEET

	Jun-21 (Rs in billion)	Jun-20 (Rs in billion)	Growth (%)
Sources of Funds			
Shareholders' Funds	1,121.90	915.32	
Borrowings	4,384.13	4,320.59	1%
Current Liabilities & Provisions	188.83	211.22	
	5,694.86	5,447.13	5%
Application of Funds			
Loans^	5,004.90	4,656.85	7%
Investments	688.44	746.90	
Current/ Fixed Assets	1.52	43.38	
	5,694.86	5,447.13	5%

^Net of loans sold during the preceding 12 months amounting to Rs 230.93 billion of individual loans. If these loans were included, the growth in loans would have been 12%.

HDFC

STATEMENT OF PROFIT AND LOSS – Q1FY22

	Apr-Jun 21 (Rs in billion)	Apr-Jun 20 (Rs in billion)	Growth (%)
Interest Income	106.69	112.09	
Interest Expenses	65.22	78.17	-17%
Net Interest Income	41.47	33.92	22%
Add: Net gain on derecognition of assigned loans	2.67	1.84	
Add: Fees Net of Commission (EIR)	(0.21)	(0.57)	
Add: Other Operating Income	0.61	0.49	
Net Operating Income	44.54	35.68	25%
Less: Non Interest Expenses	3.57	3.20	
Less: Amortisation of ESOS and CSR Expenses	1.93	0.77	
Add: Other Income	0.06	0.02	
Profit Before Sale of Investments, Dividend, Fair Value Changes and ECL	39.10	31.73	23%
Add: Net gain/(loss) on Fair Value Changes	4.02	0.94	
Add: Dividend	0.16	2.98	
Add: Profit on Sale of Investments	2.63	12.41	
Less: Expected Credit Loss (ECL)	6.86	11.99	
Profit Before Tax	39.05	36.07	8%
Provision for Tax	9.04	5.55	
Profit After Tax	30.01	30.52	-2%
Effective tax rate (%)	*23.1%*	*15.4%*	

KEY ASSOCIATES AND SUBSIDIARIES

HDFC BANK

- 21.07% owned by HDFC
- ADRs listed on NYSE
- 5,653 banking outlets, 16,291 ATMs
- Key business areas
  - Wholesale banking   Retail banking   Treasury operations
- Financials (as per Indian GAAP) for the quarter ended June 30, 2021
  - Advances as at June 30, 2021, stood at Rs. 11,477 bn – an increase of 14% over the previous year
  - Total deposits stood at Rs. 13,458 bn – an increase of 13% over the previous year
  - PAT (Indian GAAP): Rs. 77.30 bn – an increase of 16% over the previous year
- Arrangement between HDFC & HDFC Bank
  - HDFC Bank sources home loans for a fee
  - Loans originated in the books of HDFC
  - HDFC offers a part of the disbursed loans for assignment to HDFC Bank (up to 70% of loans sourced by HDFC Bank)
  - HDFC retains a spread on the loans that have been assigned
- Market Capitalisation (June 30, 2021): ~US$ 111 bn

HDFC

HDFC LIFE INSURANCE COMPANY LIMITED (HDFC LIFE)

- **49.95% owned by HDFC and 3.89% by Standard Life (Mauritius Holdings) 2006 Limited**
- **Total premium income for the quarter ended June 30, 2021 stood at Rs. 76.6 bn – growth of 31% over the previous year**
- **HDFC Life ranked 2nd in terms of individual weighted received premium with private market share of 17.8%.**
  - **In Q1FY22, 40% growth in terms of value of new business.**
  - **New Business Margin for the quarter ended June 30, 2021: 26.2% (PY: 24.3%)**
  - **Indian Embedded Value stood at Rs. 273 bn as at June 30, 2021 (PY: Rs. 226 bn)**
  - **Peak claim in the 2nd wave of COVID-19 (Q1FY22) was 3-4X of peak claim volumes in wave 1 (Q3FY21). Reserves as at March 31, 2021 were sufficient to cover claims received in Q1FY22.**
  - **Excess Mortality Reserve (EMR) of Rs 7 bn created based on current expectation of future claims to be received in future.**
  - **The strength of balance sheet and back book surplus has enabled HDFC Life to absorb the shock of heightened claims, whilst continuing to deliver growth**
  - **Assets Under Management as at June 30, 2021 stood at Rs. 1,813 bn, an increase of 30% over PY**
  - **PAT for the quarter ended June 30, 2021 (Indian GAAP): Rs. 3.02 bn**
  - **Product mix - Unit Linked: 27%, Non-Par Savings: 31%, Annuity: 5%, Non-Par Protection: 8%, Par: 29%**
- **Market capitalisation (June 30, 2021): ~US$ 19 bn**

HDFC ASSET MANAGEMENT

- 52.65% owned by HDFC and Standard Life Investments holds 21.23% of the equity of HDFC Asset Management.
- Quarterly Average Assets under Management (QAAUM) as at June 30, 2021, stood at Rs. 4.17 trillion (US$ 56 bn), with an overall market share of 12.6%
- India's largest actively managed equity mutual fund with a market share of 12.9% as on June 30, 2021
  - Equity-oriented assets of HDFC MF as a proportion of total AUM was 44%
- Individual accounts of HDFC MF as at June 30, 2021
  - 9 million live accounts
  - 58% of total monthly average AUM is contributed by individuals
  - Market share of 13.5% of individual monthly average AUM
- PAT for the quarter ended June 30, 2021 (as per Ind AS): Rs. 3.5 bn
- Market capitalisation (June 30, 2021): ~US$ 8 bn

HDFC ERGO GENERAL INSURANCE COMPANY LTD.

- HDFC holds 49.98% and ERGO International AG holds 41.79% and Munich Health Holding AG holds 7.20% of the equity of HDFC ERGO General Insurance Company Limited (HDFC ERGO)
- In June 2021, the Corporation's board approved the sale of 4.99% stake in HDFC ERGO to HDFC Bank, subject to the receipt of requisite regulatory approvals
- Gross direct premium for the quarter ended June 30, 2021 stood at Rs. 23.9 bn (PY: Rs 19.8 bn)
- Products: Motor, health, travel, home and personal accident in the retail segment; property, marine, aviation and liability insurance in the corporate segment; and crop insurance in rural segment
  - Retail accounts for 64% of the total business
- Market share of 9.4% (private sector) and 5.4% (overall) in terms of gross direct premium for the quarter ended June 30, 2021 (Source: GI Council)
- As at June 30, 2021: Combined Ratio – 124.9%, Solvency Ratio – 169% (as against regulatory requirement of 150%)
- Loss in Q1FY22 at Rs 0.36 bn owing to higher COVID-19 losses

PROPERTY FUNDS

HDFC PROPERTY VENTURES

- HDFC India Real Estate Fund International LLC comprises two funds:

- HIREF International LLC
  - Launched in 2007
  - Fund corpus : US$ 800 million
  - Fund has made 14 investments
  - 9 exits have been made and the Fund is in the process of exiting from the balance investments;

- HIREF International LLC II Pte Ltd.
  - Fund corpus: US$ 321 million
  - Final close in April 2015
  - International investors, 8 year close-ended fund
  - Fund has made 10 investments of which 3 investments have been profitably exited

HDFC CAPITAL ADVISORS

- HDFC Capital Affordable Real Estate Fund (HCARE)
  - Set up as a SEBI registered AIF in 2016
  - HCARE 1 & 2 together create a US$ 1.1 bn platform targeting affordable & mid-income residential projects
  - The objective is to provide long-term equity and mezzanine capital to developers building affordable and middle- income housing across India's leading 20 cities
  - Primary investors in HCARE 1 & 2 is a wholly owned subsidiary of Abu Dhabi Investment Authority (ADIA) along with the National Investment and Infrastructure Fund (NIIF) in HCARE-2
  - HDFC Capital Advisors is the investment manager for the funds and is one of the largest real estate fund managers in the country
  - Also an investment advisor to a special situations fund focused on high yield opportunities in the Indian residential real estate sector.

HDFC CREDILA

- HDFC holds 100% in HDFC Credila
- HDFC Credila is a non-banking finance company and was the first Indian lender to exclusively focus on education loans
- The company lends to under-graduate and post-graduate students studying in India or abroad
- As at June 30, 2021
  - Profit After Tax (as per Ind AS): Rs. 442.2 mn – 20% growth
  - Cumulative loans disbursed: Rs. 126 bn
  - Loan book outstanding as at June 30, 2021: Rs. 63 bn
    - 41% of the loan book is collateralised
  - Average loan: Rs. 2.9 mn
  - Gross non-performing assets: 0.26%

FINANCIALS

Consolidated

(Based on Indian Accounting Standards)

HDFC

BALANCE SHEET (Consolidated)

	Jun-21 (Rs in billion)	Jun-20 (Rs in billion)	Growth (%)
Sources of Funds			
Shareholders' Funds	1,714.65	1,420.10	21%
Liabilities Pertaining to Insurance Business	2,000.61	1,606.22	
Loan Funds	4,439.16	4,378.03	
Current Liabilities & Provisions	229.15	241.67	
	8,383.57	7,646.02	10%
Application of Funds			
Loans	4,931.09	4,589.68	7%
Assets pertaining to Insurance Business	2,131.65	1,716.35	
Investments	1,132.25	1,111.62	
Current Assets, Advances & Fixed Assets	172.57	212.36	
Goodwill on Consolidation	16.01	16.01	
	8,383.57	7,646.02	10%

HDFC

STATEMENT OF PROFIT AND LOSS – Q1 FY22

Rs. billion

	Apr-Jun-21	Apr-Jun-20	Growth
Interest & Other Operating Income	122.85	123.38	
Income from Insurance Business	183.76	174.32	
Profit on Sale of Investments	0.70	-	
Net gain on derecognition of assigned loans	2.60	1.83	
Other Income	0.06	0.06	
Total Income	**309.97**	**299.59**	**3%**
Finance costs	66.27	79.43	
Expenses from Insurance Business	183.74	169.19	
Non-Interest Expenses	8.99	6.78	
Impairment on financial instruments (Expected Credit Loss)	6.87	12.04	
Total Expenses	**265.87**	**267.44**	**-1%**
Share of profit of associates (equity method)	18.85	16.01	
Profit before tax	**62.95**	**48.16**	**31%**
Total tax expense	9.84	7.57	
Net Profit After Tax	**53.11**	**40.59**	**31%**
Profit Attributable to the Corporation	**50.41**	**36.14**	**39%**

HDFC

CONSOLIDATED PROFIT AFTER TAX – Q1 FY22

(As per Ind-AS)

	Apr-Jun 21	Apr-Jun 20	Growth
	(Rs in Cr)	(Rs in Cr)	
HDFC Profit After Tax	**30.01**	**30.52**	
HDFC Life	1.22	2.92	
HDFC Ergo	(0.05)	0.32	
HDFC Bank	18.44	16.41	
HDFC AMC	1.82	1.59	
HDFC Credila	0.44	0.37	
Property Funds (incl GRIHA)	0.04	0.11	
HDFC Invt & HDFC Holdings	0.14	0.13	
HDFC Edu, Sales & Others	(0.14)	(0.54)	
Adjustments:	-	-	
Profit on Sale of Investments	(1.44)	(12.41)	
Adjustment on account of dilution of stake in associates	0.41	(0.41)	
Dividend & Other Adjustments	(0.48)	(2.87)	
Net Profit Attributable to the Corporation	**50.41**	**36.14**	**39%**

ESG & OTHER INITIATIVES

THE ESG WAY: ENCOMPASSING ALL STAKEHOLDERS

ENVIRONMENTAL	SOCIAL	GOVERNANCE
• MSCI ESG Ratings – HDFC's environmental impact: minimal • Long-term commitment to finance affordable & green housing • Focus on responsible lending • 2/3rd of lease rental discounting portfolio certified as green buildings by the Indian Green Building Council or the Leadership in Energy and Environmental Design • Supporting programmes for environmental sustainability, recycling, conservation, animal & wildlife protection and the ecology • Employee sensitisation on environmental impact; initiatives to facilitate carbon offsets • Recycling efforts at HDFC – paper, plastic, wet waste, e-waste	• Shelter Assistance Reserve created in 1987: Set aside a portion of profits each year to support socially high impact projects • Cumulatively financed 8.6 million housing units • Focus on inclusion & diversity; employee engagement / training; • First institution to have over 0.25 mn beneficiaries under the government's Credit Linked Subsidy Scheme • HDFC primarily implements its CSR initiatives through the H T Parekh Foundation, a charitable institution set up by HDFC • CSR focus areas: COVID-19 relief, healthcare, education, skilling & livelihoods	• Founding principles of kindness, fairness, efficiency & effectiveness • Recent Awards for Governance - Golden Peacock Award for Excellence in Corporate Governance 2020 Governance QualityScore of 1 by ISS: highest quality of governance practices Best Audit Committee – 2019 by the Asian Centre for Corporate Governance & Sustainability Felicitated under the 'Leadership' in the Corporate Governance Score Card, 2020 under a joint initiative by IFC-IiAS-BSE • No promoter holding • Well reputed, independent directors since inception; core competencies directly linked to the strategy of HDFC • Undertaken board refreshment

ESG REPORTS

- **Report of Directors on Corporate Governance**
- **Annual Report on Corporate Social Responsibility (CSR) Activities**
- **Business Responsibility Report**
- **Business Responsibility and Sustainability Report - prescribed by SEBI in May21, voluntary for the top 1,000 companies by market cap for FY22, and mandatory from FY23 onwards. HDFC has voluntarily adopted this format in FY21 itself.**
- **Integrated Report**
- **HDFC COVID-19 Relief Response: Impact Assessment Report**
- **COVID Relief – 2nd Wave**
- **Social Initiatives Report**
- **Independent Review of HDFC's Sustainability Initiatives**

Reports are available on the website:

https://www.hdfc.com/investor-relations#environmental-social-and-governance

HDFC

IT & DIGITALISATION INITIATIVES

- **Board level Information Technology Committee – comprising two independent directors, a whole-time director and members of senior management.**
- **Information Security and Steering Committee monitors the progress of information security and cyber security.**
- **Emphasis on regulation and compliance with respect to consent management, data protection & privacy.**
- **Online portals for home loan customers, depositors, channel partners and deposit agents - growing trend of digital on-boarding of customers.**
- **HDFC's website in six vernacular languages to serve the needs of customers in Tier II and Tier-III cities and rural areas.**
- **Advanced conversational chatbot with Natural Language Processing (NLP) and Machine Learning (ML) technology.**
- **Using digital and social media marketing strategies and tools to reach out customers.**
- **Lifecycle management programme for upselling and cross-selling products to HDFC's existing customers using advanced predictive analytical tools.**

Thank You