HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED
www.hdfc.com

Ref. No. SE/2022-23/296

February 6, 2023

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: Transcript of earnings call – financial results for the quarter/nine-months ended December 31, 2022

We refer to our intimation dated February 2, 2023, informing that the Corporation has uploaded the audio recording of the earnings call hosted by it on February 2, 2023 to discuss the financial results for the quarter/nine-months ended December 31, 2022, 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.

The said transcript is also uploaded on the website of the Corporation and can be accessed through the link: *https://www.hdfc.com/sites/default/files/2023-02/q3earnings-feb02-2023-transcript.pdf*

Further, please note that no unpublished price sensitive information was shared/discussed by the Corporation during the said earnings call.

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 GIRIDHARILAL AGARWAL
Digitally signed by AJAY GIRIDHARILAL AGARWAL
Date: 2023.02.06 10:25:51 +05'30'

Ajay Agarwal
Company Secretary

Encl. a/a

"HDFC Limited Q3 FY23 Earnings Conference Call"

February 2, 2023

MANAGEMENT: **MR. KEKI M. MISTRY – VICE CHAIRMAN & CEO**
MS. RENU SUD KARNAD – MANAGING DIRECTOR
MR. V.S. RANGAN – EXECUTIVE DIRECTOR
MR. CONRAD D'SOUZA – MEMBER OF EXECUTIVE MANAGEMENT AND CHIEF INVESTOR RELATIONS OFFICER
MS. ANJALEE TARAPORE – ADDITIONAL SENIOR GENERAL MANAGER

Moderator: Ladies and gentlemen, good afternoon, and welcome to HDFC Limited Q3 FY ’23 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 presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note this conference is being recorded.

We have with us HDFC’s Vice Chairman and CEO – Mr. Keki M. Mistry, Managing Director – Ms. Renu Sud Karnad; Executive Director – Mr. V.S. Rangan; Member of Executive Management and Chief Investor Relations Officer – Mr. Conrad D’Souza, and Additional Senior General Manager – Ms. Anjalee Tarapore.

I would like to hand the conference over to Mr. Keki M. Mistry. Thank you, and over to you, sir.

Keki M. Mistry: Good Afternoon Everyone,

At the outset, I would like to welcome all of you to HDFC’s earnings call for the third quarter of the current financial year.

The Board of Directors at its meeting held earlier today approved the financial results for the nine months ended December 31, 2022, which were subjected to a limited review.

Let me start with outlining a few developments in the economy over the last three months which have a bearing on the Corporation:

The Monetary Policy Committee at its meeting held in December 2022 increased the policy repo rate by 35 basis points mainly on account of the need to keep inflation expectations anchored. This was in addition to the 50 basis points increase in the repo rate in October 2022.

As a result, there has been a further uptick in interest rates consequent to which we have increased deposit rates as well as rates on loan products.

As we had mentioned in our previous earnings calls too, the interest rate actions have a short-term impact on Net Interest Income.

Whilst we have seen rate action by RBI and have correspondingly passed on the rate increases to our customers, there has been a transmission lag between the increase in the interest cost on our liabilities and asset repricing. I will explain this in detail later.

In July 2022, the RBI had increased the limit of External Commercial Borrowings under the automatic route from US$ 750 million to US$ 1.5 billion per financial year. We have fully utilised this limit in the current year.

In August 2022, we had raised US $ 1.1 billion as a social loan under this window. Further, in December 2022, IFC disbursed a loan of US $ 400 million, which will be utilised primarily for the green, affordable housing portfolio. The borrowings are fully hedged for currency and interest rate risk and the all-in cost on the borrowings are comparable with our domestic cost of funds for a matching tenor.

The momentum in the economy was strong through the nine months of the current year. This is reflected in a pick up in individual loan disbursements and an 18 percent growth in the individual loan book on an AUM basis.

During the quarter, the loan book crossed Rs 6 lac crore and the AUM crossed Rs 7 lac crore.

Over the next few minutes, I will give you a summary of the key highlights of the performance for the nine months and the quarter ended December 31, 2022.

Let me start by summarising the progress of our business through the quarter.

Our individual loan approvals for the nine months ended December 31, 2022, were higher by 21 percent compared to the corresponding period in the previous year.

For the same period, individual loan disbursements grew by 23 percent over the corresponding period in the previous year.

I may mention here that due to the holiday season in October/ November the monthly disbursements were marginally lower than the previous months, but December saw a return to the normal trajectory.

Housing disbursements constituted 93 percent of individual disbursements in the current year.

Growth in home loans was seen in all segments of the market.

94 percent of new loan applications were received through digital channels.

During the third quarter, we sold individual loans aggregating to Rs 8,892 crores.

The individual loans sold during the last 12 months amounted to Rs 35,937 crores.

The total loans sold during the nine months ended December 2022, amounted to Rs 27,570 crore.

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

Individual loan book growth on an AUM basis was 18 percent. If the loans amounting to Rs 35,937 crores had not been sold during the preceding 12 months, then the growth in the individual loan book would have been 26 percent.

On a Balance Sheet basis our individual loan book increased to Rs 4,79,316 crores. In addition to this, the individual loans sold by the Corporation and outstanding as on December 31, 2022 amounted to Rs 97,700 crores. HDFC continues to service these loans. Individual loans outstanding on an AUM basis amounted to Rs 5,77,016 crores- a growth of 18 percent over the previous year.

As at December 31, 2022 our non-individual loan book on an AUM basis was Rs 1,24,469 crore.

As mentioned in our earlier calls, construction finance loans unlike lease rental discounting loans have a longer disbursement period as they are disbursed based on progress of construction and after the developer has brought in his equity.

Further, over the last few quarters we have seen some scheduled repayments of earlier facilities and resolution of some stressed assets.

We have also, on maturity, run down exposures in the loan book which are non-compliant with the norms applicable to commercial banks in lieu of the impending merger.

The total Assets Under Management (AUM) as at December 31, 2022 amounted to Rs 7,01,485 crores as compared to Rs 6,18,917 crores in the previous year - a growth of 13 percent.

If no loans had been sold during the preceding 12 months, then the growth in the total loan book would have been 18 percent.

Prepayments on retail loans, on an annualised basis, amounted to 10.7 percent of the opening loan book.

The average size of individual loans for the period ended December 31, 2022 stood at Rs 35.7 lacs as compared to Rs 33.1 lacs in FY22.

The contribution, in value terms, from customers with an annual family income of Rs 18 lacs or more has increased during the year to 52 percent from 44 percent during the corresponding period in the previous year.

Our thrust on affordable housing loans has continued.

During the nine months ended December 31, 2022, 23 percent of home loans approved in terms of number of customers and 10 percent in value terms were to customers from the Economically Weaker Section (EWS) and the Low Income Groups (LIG).

The average home loan to customers in the EWS segment amounted to Rs 10.8 lacs and to customers in the LIG segment amounted to Rs 19.5 lacs.

If we break up the loan book outstanding on December 31, 2022 on an AUM basis into different categories then individual loans constituted 82 percent of the total loan book, as compared to 79 percent in the previous year.

Construction finance constituted 8 percent, of the total loan book, Lease rental discounting loans constituted 6 percent of the total loan book while corporate loans constituted 4 percent.

If you were to look at the incremental loan book growth, then for the nine months ended December 31, 2022, the entire growth is from individual loans.

98 percent of the loans were sourced through distribution channels - however this is largely through HDFC Sales, a 100 percent subsidiary of HDFC Limited as well as through HDFC Bank.

HDFC Sales accounted for 51 percent of the loans sourced, while HDFC Bank accounted for 30 percent. Third Party DSAs accounted for 17 percent.

Thus, 83 percent of HDFC's individual business was sourced directly or through our associates.

The Emergency Credit Line Guarantee Scheme (ECLGS) was extended to mitigate the economic distress caused by the COVID pandemic.

Under ECLGS 1, 2 and 3, the Corporation has disbursed an aggregate amount of Rs 1,876 crores till December 2022. Amounts disbursed under this facility are guaranteed by the Central Government.

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

As at December 31, 2022 the outstanding loans under OTR 1 and OTR 2 amount to Rs 4,085 crores which is equivalent to 0.7 percent of the loan book - as compared to a peak of 1.4 percent in September last year.

98 percent of the OTR loans are in the individual loan book.

The average collection efficiency for individual loans on a cumulative basis over the last nine months is 99 percent.

RBI had on November 12, 2021 issued guidelines on harmonising NPAs across the financial system. Subsequently, RBI had deferred the effective date of the applicability of these guidelines and the NPA reporting under the revised guidelines was deferred to the quarter ending December 2022.

The Corporation, however, had continued to report NPAs in accordance with the revised RBI circular of November 12, 2021.

There has been a significant improvement in asset quality over the last 18 months.

December 2021, was the first quarter when we were required to report NPAs under the new norms brought in by RBI.

Since then we have re-engineered our recovery mechanism and processes and I am happy to report that as of December 31, 2022, Gross Non-performing individual loans calculated under the new norms stood at 0.86 percent - down from 1.44 percent in December 21.

Similarly, gross non-performing non-individual loans stood at 3.89 percent, down from 5.04 percent in December 21.

As per the new regulatory norms, the gross non-performing loans as at December 31, 2022 stood at Rs 8,880 crores. This is equivalent to 1.49 percent of the loan portfolio (down from 2.32 percent in December 21).

Calculated under the earlier norms the Gross Non-Performing loans as of December 2022 would be 1.38 percent (comprising 0.73 percent for individual loans and 3.89 percent for non individual loans).

The improvement in credit quality is also reflected in the credit costs which I will cover later.

As at December 31, 2022, the Corporation carried a provision of Rs 13,274 crores.

Impairment of Financial Instruments - Expected Credit Loss

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 6,01,765 crores is broken up as under :

Stage 1 94.5 percent

Stage 2	3.7 percent
Stage 3	1.8 percent

We have seen a 3.7 percentage point reduction in the aggregate of Stage 2 and Stage 3 assets from the peak of 9.2 percent in June 2021 to 5.5 percent of the Exposure At Default over the last six quarters.

In fact, in the current financial year we have seen a 120 basis point reduction in the aggregate of Stage 2 and Stage 3 assets from 6.7 percent in March 2022 to 5.5 percent in December 2022

During the quarter, we have charged the Profit and Loss Account with a sum of Rs 370 crores towards provisioning.

The aggregate charge to the Profit and Loss Account for the nine months is Rs 1,357 crores.

The ECL to EAD Coverage ratio for Stage 2 assets is 25 percent and for Stage 3 is 56 percent.

The provisions carried as a percentage of the EAD amounted to 2.21 percent.

As a result of the improvement in asset quality over the last six quarters, annualised credit cost for Q3 was 22 basis points, down from 33 basis points and 29 basis points during Q1 and Q2 respectively.

Credit costs for the nine month period is 28 basis points on an annualised basis.

We had stated in our earlier earnings calls, that as asset quality related issues get resolved we should, over a period of time, be able to normalise the credit costs to pre COVID levels on a sustainable basis. This in turn would have a positive impact on the 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 listed investments as at December 31, 2022 the unrealised gains, (which is the difference between the market price as on December 31, 2022 and the carrying cost), would be Rs 2,55,883 crores.

This unrecognised gain is not part of our net worth, nor has it been considered in our capital adequacy calculations.

Our capital adequacy ratio on December 31, 2022 stood at 23.7 percent of which Tier I capital is 23.2 percent and Tier II capital 0.5 percent. The capital adequacy is well above the regulatory requirement.

At this stage it is important to talk about the Return on Equity.

Under the IndAS accounting requirement, Net Worth includes certain items which do not form part of Tier I capital 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 and Associates in excess of 10 percent of Net Owned Funds

5] Securitisation gains recognised upfront in accordance with IndAS requirement

These items aggregate to Rs 22,193 crores. Hence, Tier I Capital is Rs 1,07,046 crores as against the Reported Net Worth in December 2022 of Rs 1,29,239 crores.

A more appropriate way of calculating the ROE would therefore be on Regulatory Tier I Capital as against the conventional method of computing it on total Net Worth.

Annualised ROE based on Tier I Capital for the nine months ended December 31, 2022 is 15.4 percent.

During the quarter 600 warrants were converted into 600 shares of the Corporation at a price of Rs 2,165 per share. The last date for conversion of warrants is August 10, 2023.

As at December 31, 2022 the Corporation's total borrowings amounted to Rs 5,43,664 crores.

Term loans including the External Commercial Borrowings of USD 1.5 billion equivalent drawn in the current year and Refinance from the National Housing Bank accounted for 27 percent of borrowings.

Market borrowings i.e. NCDs and Commercial Paper accounted for 43 percent of the borrowings.

Deposits as at the quarter end amounted to Rs 1,61,521 crores and constitute 30 percent of the borrowings.

It is important to mention here that while the deposit level has remained steady, retail deposits now constitute 70 percent of deposits as compared to 62 percent in March 2022.

We continue to encourage retail deposits and retail deposits have grown 14 percent during the current year.

During the earlier part of the year we had raised wholesale deposits pending drawal of the ECB of US $ 1.5 billion. These deposits have been repaid on maturity. Wholesale deposits are generally shorter term in nature and are not an attractive source given the Liquidity Coverage Ratio requirements.

I will now move to the Statement of Profit and Loss Account.

The year so far has seen a volatile interest rate environment and therefore some of the numbers of the current year are not strictly comparable with the previous year.

There are three factors which have affected the profits of the current quarter. These are

1] Impact on Net Interest Income due to the transmission lag between increase in funding costs and increase in lending rates

2] Due to volatile equity markets we had a loss on fair value of investments through the profit and loss account as compared to a gain in the previous year

3] The expense ratios are higher as we incurred expenses upfront on staffing, IT and branching to meet the increase in demand for housing loans.

There was also an increase in legal expenses due to an increase in business as well as resolution of some stressed assets. Needless to add, whilst these expenses have been incurred upfront the benefit of the expenses incurred will accrue over the coming periods.

Let me first of all speak of the issues which have had an impact on the NII.

1] In the nine months of FY23 we have had rate actions which have had an immediate impact on borrowing costs, which in turn, have not been simultaneous with the transmission of rates on the asset side. This has had a short term impact on Net Interest Income.

2] Secondly, RBI increased the repo rate five times since May 2022 in all aggregating to 225 basis points. The last increase of 35 basis points was on December 7, 2022. In the run up to the expectation of the rate hike, market rates and swap rates increased and this has had an impact on our borrowing costs. We have increased our lending rates in response to this hike by a similar 35 basis points with effect from December 20, 2022. Therefore, the benefit of this hike will be received over the next quarter.

Thus, whilst we have had an almost immediate impact on borrowing costs, the lending portfolio will reprice over a quarter.

This transmission lag has had a slight short term impact on the NII growth for this period. This should be regularised over the coming quarter.

3] Lastly, the proportion of the retail loan book has increased to 82 percent over the last few quarters.

Return on Equity on both the retail and the non-individual business is more or less the same. However, the spreads on the Non-Individual loans are higher due to higher capital allocation and higher credit costs.

Net Interest Income (NII) purely on the basis of interest without taking cognisance of the profit on sale of loans during the quarter ended December 31, 2022 amounted to Rs 4,840 crores compared to Rs 4,284 crores in the corresponding quarter of the previous year - a growth of 13 percent

For the nine months ended December 31, 2022 the Net interest Income amounted to Rs 13,926 crores compared to Rs 12,519 crores in the corresponding period of the previous year.

If we adjust for the one time impact of the transmission lag in passing on the rate hikes to the customers as well as the impact of the swap benefits in the previous year, the NII growth would have been 17 percent.

On the positive side, it is important to note that credit costs are lower on a sequential basis as a result of improved asset quality.

We have always targeted a NIM of between 3.3 and 3.5 percent.

I am happy to inform you that after a couple of quarters of reported NIM at 3.4 percent, the Net Interest Margin for the quarter and the nine months ended December 31, 2022 both, stood at 3.5 percent. This is an improvement over the last two quarters and reflects on our ability to manage the transmission lag risk.

The spread on loans over the cost of borrowings for the nine months ended December 31, 2022 was 2.29 percent. The spread on the individual loan book was 1.91 percent and on the non-individual book was 3.69 percent.

Income earned from Deployment of surplus funds in Cash Management Schemes of Mutual Funds and Government Securities was much lower at Rs 172 crores as compared to Rs 329 crores in the corresponding period of the previous year.

This was due to average level invested this year in liquid funds at Rs 4,507 crores as compared to Rs 13,549 crores in the corresponding period of the previous year.

With introduction of the Liquidity Coverage Ratio (LCR) in December 2021, the Corporation's liquidity is largely held in Government Securities. The Government Securities and liquid fund holdings as at December 31, 2022 is around Rs 56,000 crore.

The average level of liquidity held during the quarter was Rs 51,000 crore.

There was no profit on sale of investments during the third quarter.

There was a profit of Rs 184 crores on sale of investments during the nine months compared to Rs 263 crores in the same period last year.

Dividend received during the quarter was Rs 482 crores compared to Rs 195 crores in the corresponding quarter of the previous year.

During the nine months of the year, we earned Rs 2,528 crores by way of dividend income as compared to Rs 1,383 crores in the corresponding period of the previous year.

Dividend during the year was received predominantly from our group companies.

Largely owing to volatility in equity markets, during the quarter ended December 31, 2022, for investments classified as Fair Value Through Profit and Loss Account (FVTPL), there is a debit to the Statement of Profit and Loss of ₹ 62 crore as against a net gain of ₹ 124 crore in the corresponding quarter of the previous year.

For the nine months for investments classified as Fair Value Through Profit and Loss Account (FVTPL), the Net Gain on Fair Value Changes stood at Rs 89 crore which is significantly lower when compared to Rs 672 crore in the corresponding period of the previous year.

Fair value of Stock Options included in Employee Benefit Expenses

Under Indian 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 nine months includes an amount of Rs 176 crores compared to Rs 329 crores during the same period in the previous year.

For the period ending December 31, 2022, the cost income ratio stood at 9.5 percent.

The cost income ratio is relatively higher during the period on account of the increased retail business over the last year, as well as the increase in the branch network. The benefits of these cost increases will be derived over the next few quarters.

Increased technology and legal costs also contributed to the increase in the cost income ratio.

We expect the cost income ratio to remain in single digits for the year.

For the nine months ended December 31, 2022 the standalone profit before tax was Rs 14,616 crores (compared to Rs 12,624 crores in the previous year) a growth of 16 percent.

Tax provision during the 9 months ended December stood at Rs 2,802 crores compared to Rs 2,582 crores in the previous year.

The tax rate for the 9 month period during the current year was 19.2 percent - compared to 20.5 per cent in the previous year

The standalone profit after tax for the nine months stood at Rs 11,814 crores compared to Rs 10,042 crores in the previous year - a growth of 18 percent.

For the quarter ended December 31, 2022 the standalone profit before tax was Rs 4,612 crores (compared to Rs 4,048 crores in the 3rd quarter of the previous year) a growth of 14 percent.

Tax provision for the third quarter amounted to Rs 921 crores compared to Rs 787 crores in the 3rd quarter of the previous year.

The standalone profit after tax for the 3rd quarter stood at Rs 3,691 crores, compared to Rs 3,261 crores in the 3rd quarter of the previous year, resulting in a growth of 13 percent.

Pre Tax return on average assets was 3.0 percent. The post tax return on average assets was 2.4 percent.

The basic and diluted EPS (on a face value of Rs 2 per share) was Rs 64.95 and Rs 64.50 respectively.

The consolidated profit before tax for the nine months stood at Rs 22,826 crores as compared to Rs 20,195 crores in the corresponding period last year.

After providing Rs 3,131 crores for tax the consolidated profit after tax for the period stood at Rs 19,695 crores as compared to Rs 17,150 crores - a growth of 15 percent.

The profit attributable to the Corporation was Rs 18,537 crores as compared to Rs 16,136 crores in the previous year - a growth of 15 percent.

As at December 31, 2022 the Corporation had 3,925 employees.

Total assets per employee stood at Rs 171 crores.

Annualised Net profit per employee was Rs 4.0 crores compared to Rs 3.8 crore during the same period of the previous year.

Let me now spend a few minutes to give you an update on the merger.

As you are aware on April 4, 2022, the Board of Directors of HDFC Limited and HDFC Bank Limited approved a composite scheme of amalgamation of HDFC with HDFC Bank, subject to requisite approvals from various regulatory and statutory authorities, respective shareholders and creditors.

Upon the Scheme becoming effective, the subsidiaries/ associates of the Corporation would become subsidiaries / associates of HDFC Bank.

HDFC Bank will then be 100 percent owned by public shareholders and existing shareholders of HDFC will own 41 percent of HDFC Bank.

Pursuant to the "no objection" for the merger from various authorities, the Competition Commission of India had approved the proposed amalgamation.

Further the National Company Law Tribunal (NCLT), Mumbai Bench had passed an order in the matter of the amalgamation pursuant to which a meeting of the shareholders of the Corporation was convened on November 25, 2022. The resolution approving the Scheme of Amalgamation was passed with 99.9 percent of the shareholders voting in favour.

The final hearing of NCLT is scheduled to be held tomorrow February 3, 2023

Clarification from RBI on requested dispensations, grandfathering of assets & liabilities and shareholding limits in insurance companies is awaited.

HDFC's distribution network spans 724 outlets which include 213 offices of HDFC's wholly owned distribution company, HDFC Sales Private Limited. HDFC covers additional locations through its outreach programmes.

We continue to engage with all our stake holders on ESG.

Our ESG reports are on our website, including a recent report which is an introductory framework on Climate-related financial disclosures.

For further information on ESG related queries, you may engage with our Investor Relations team Anjalee and Conrad.

The Corporation's Corporate Social Responsibility activities focused primarily on Healthcare, Education, Persons with Disabilities and Environmental Sustainability.

CSR activities were conducted either directly or through the H T Parekh Foundation. The CSR spend during the nine months was Rs 161 crores.

We are also happy to inform you that HDFC was recently awarded -

The best performing housing finance company for CLSS under the Pradhan Mantri Awas Yojana by the Ministry of Housing and Urban Affairs ;

At the 19th Inclusive Finance India Awards, the Corporation was awarded the 'Jury Special Award' for Contribution to Financial Inclusion; and

At the Business Transformation Leader Awards by Mint and TechCircle!, the Corporation was declared the winner for 'Project DASH' - which is Digitally Agile Seamless Home Loans, marking its digital transformation journey.

The above are some of the highlights of the results for the period ended December 31, 2022.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Suresh Ganapathy from Macquarie Group. Please go ahead.

Suresh Ganapathy: Keki, I have two questions both on your loan growth and deposit growth. Now first on deposit growth, you know, the share of retail deposits as you said has gone up from 60% to 70% year till date, which means that if I were to calculate it backwards, the net accretion has been 13,000 crores of retail deposits over the nine-month period. I heard, of course, you guys have launched the Sapphire deposit in the previous quarter. Can you let me know how much mobilization you did through those deposits? And on a QoQ basis, what would have been the retail deposit accretion? This 13,000 crores is a nine-month number, but I also want to know the QoQ number.

V.S. Rangan: On the Sapphire **deposits** I think it was around 10,000 crores. That is what we mobilized from the launch of Sapphire .

Suresh Ganapathy: But Rangan, the total mobilization itself is 13,000 crores in retail on a nine-month basis. If I take 70% of the current deposit base, and I take 62% of March '22 number, the absolute difference comes out to be only 13,000 crore, and you are saying 10,000 alone you have got from Sapphire. So, somehow the numbers are not tallying.

Conrad D'Souza : Suresh, it may not tally because there would be some repayments, which could have got converted. So, it's not right to look at it from that perspective. But to answer your question as to how much was the net accretion to retail deposits in the third quarter, it is about 5,750 crores in the quarter.

Suresh Ganapathy: In the quarter, 3Q over 2Q, net accretion is 5,750, and the nine-month number is 13,000 crores. Fine. So, that's based on the calculation. Now, you know, my point here is this. Can this 70% go to 80%? I mean, because of the fact that you might have to do more corporate deposit run down. Is that the outlook going forward because, if I were to look at on a total deposit base, the QoQ decline has been minus 1% and YoY has only been 4%, right? So, can this continue in the coming quarters also, because of the LCR requirements?.

Keki M. Mistry: Suresh, it's not that there is no availability of corporate deposits. There is a very large availability of corporate deposits, which typically we have kept turning down. And the only reason we kept turning it down is because of the LCR requirement. If you have a short-term deposit, there is a very large LCR requirement that comes into play. Now, incrementally, we could look at probably maintaining a similar kind of ratio by the end of the financial year.

V.S. Rangan: Yeah. At the same time, you know, if there are corporate deposits, see, unfortunately, there are these corporate deposits, a lot of them may come with a withdrawable option actually. Withdrawable option doesn't work too much favourably on the LCR front. That's is the reason, but wherever we could get money on the basis of non-withdrawability or a limited withdrawability sort of clauses, so there we are open to actually accepting the deposit, but pure withdrawability for a very short-term doesn't really make sense.

Keki M. Mistry: See, the reason is that whilst the company will not withdraw money, I mean, this is a historical experience over the last 30-35 years, in actual practice from a LCR perspective, its is put in the first bucket just because it is a withdrawable deposit, which then defeats, you know, it becomes very expensive from the LCR requirement. That's the reason why we are discouraging it, but we will try to pursue it more of the companies to give us deposits if we need, if at all we need, where they don't have this withdrawable option, because in reality, this withdrawable option is rarely, , actually rarely is it ever exercised.

Suresh Ganapathy: Now the corresponding question is on the loan side of the balance sheet. So, again, there we have seen a rundown of the corporate book ahead of preparing yourself out of the merger because of certain non-compliant loans. Now, again, the number is (-6%) YoY and (-5%) QoQ or whatever. And the point here is, again, how much can you see this going down? I mean, is there a quantification that you can give that this is the proportion of loans which cannot be taken on HDFC Bank balance sheet and consequently, that is the rundown that we are expected to see?

Keki M. Mistry: So, Suresh, for most of the loans that we have, we have gone to RBI and we sought RBI dispensation that these loans were permitted under the NHB guidelines. RBI guidelines which apply to banks are different, and therefore, you grandfather these loans. As I mentioned to you, we still haven't heard from RBI. Now, hopefully in the coming quarter, we should hear from RBI. If RBI grandfathers these requirements, then we don't have to run these down.

But for example, there are certain loans which came up for maturity. And on maturity, we took that money back, we took the loan back. And the reason we took the loan back and did not give a fresh loan even though that company may have wanted it, is simply because, you know, those loans may not have fitted into the RBI banking structure. So, it is difficult to give a percentage.

But my sense is, as I said, as I think we mentioned in the call also, there is a reasonably good pipeline of loans, construction finance loans that is there with us. But as I have been explaining time and again, in a construction finance loan, whilst the loan may be given upfront, the disbursement for that loan is linked to the progress of construction. So, you disburse the loan as the project gets constructed.

Now, typically a real estate can run for three, four, five, six years. So, typically, what would happen is loans which would have got approved in 2018, 2019, 2020 would be the loans you should be getting disbursed now. Now the period of 2018, 19, 20 was a period when there was a slowdown in the real estate sector, which you are aware of, which we talked time and again.

The pickup in the real estate market really started in the latter part of 2020 and also in 2021. So, there is therefore a good pipeline of these loans coming in, but disbursement for these loans may not happen in the third and the fourth quarter of the financial year, , a lot of this may get disbursed over the next year.

Suresh Ganapathy: So, you know, the retail AUM growth has shown a marginal down take, you know, from 20% last couple of quarters, it has come down to 18%. I am not trying to nit-pick here, but is there some impact of rising rates because they have gone up 200 basis points from the bottom slowly getting felt here for this QoQ decline, sorry, slow down?

Keki M. Mistry: Suresh, I would attribute it to two factors, primarily because you can add rate, if you want as a third factor. But the two main factors are that if you look at the first half of last year, and I am talking of April 2021 to September 2021, the first quarter in particular, April, May, June, was significantly impacted because of the second wave of COVID. And because of that disbursements in that period was relatively low. So, therefore, we had relatively lower loan book growth. Now we are comparing our growth in the third quarter with growth in the third quarter of last year, by which time complete normalcy had prevailed. So, this was to my mind would be the primary reason why you would see the decline is from 20 to 18.3% or 18.4%.

But the other factor is also that we had Diwali and Dussehra in the months of October. As mentioned earlier, we saw a relatively lesser disbursements in October and November than what we have seen in September. But having said that, December was a normal month. So, things picked up from December.

Moderator: Thank you. We have our next question from the line of Mahrukh Adajania from Nuvama. Please go ahead.

Mahrukh Adajania: So, my first question was that now what is the size of infra bonds that could qualify, I mean, the size of bonds that could qualify as infra bonds?

Keki M. Mistry: So, the size of the bonds that qualify, infra bonds **of seven-years** would now would be to the tune of Rs.1,18,031crores.

Mahrukh Adajania: Sorry, Rs.1,18,031 crores, okay.

Keki M. Mistry: 1,18,031. This number when we spoke I think a few months ago, used to be a little under 1 lakh. So, we have added more of these long-term bonds.

Mahrukh Adajania: And my other question on numbers is that what would be the size of the SLR book now, total SLR?

Keki M. Mistry: Rs.56,000 crores is our G-Sec.

Mahrukh Adajania: And my broader question is, of course, your loan growth has been good. There were some small base effect in October and November which has corrected in December. But there are a few large banks that have seen some slowdown in home loan growth. So, what do you think is the outlook for mortgage growth from here on?

Keki M. Mistry: See, Mahrukh, I would never go in to this quarter, one quarter, one month high, one month low. There are seasonal factors which have an impact. But the reality of the matter is that it had gone up. Sentiments do get impacted to some extent. But the inherent demand for housing is very strong. What we find is that when interest rates go up, then typically for the first 8 to 10 days, we see a dip in the number of new applications that we receive. But by the time the 8 or 10 days are over, the number of applications revert back to what they used to be before that. So, this a temporary phenomenon, that because we have had such frequent increase in interest rates in this quarter, I think we had two, it could have some temporary impact. But I think once interest rates stabilize, and then 90% plus of any interest rate hike that could have happened, has already happened, we should start seeing steady and a rising growth.

Mahrukh Adajania: And just one last question, Keki. In terms of these, these loans which you have requested RBI to grandfather, and hopefully, they should be, in terms of what's eligible for banks and what's eligible for non-banks, could you quantify would there be any rough quantum that you could share?

Keki M. Mistry: I won't be able to give you a rough quantum, but there are things which are very, very small and fairly irrelevant things, like, for example, there could be cases of pledge of shares / loan against shares, for example, could be one category.

V.S. Rangan: So, Mahrukh, I think what has gone to RBI is in terms of, you know, the loan against shares and all, which are clearly not permitted in the bank beyond a certain limit. So, those numbers are not more than Rs.5,000 crores - Rs.6,000 crore as I have told you in the past. And depending upon how this things move, either they will get grandfathered and they will get run down over a period of time.

Mahrukh Adajania: Okay, but we are still talking about that book only, right?

V.S. Rangan: That is the book which is this thing, because the rest of the book is actually, sort of, they don't, I mean, all the construction finance and all that, they are all permitted book in the banking.

Keki M. Mistry: So, these are the differences between the regulations that the Housing Finance regulation permitted certain kinds of loans, the banking regulation does not. But as I said, we have asked RBI for grandfathering and probably hopeful, that they would normally, in a merger grandfathering is usually always done. But the point is that when these loans mature, we do not give fresh loans or new loans simply because if it doesn't qualify under RBI, we don't want to add more to these loans which do not, you know, which do not form into the banking regulations.

Moderator: Thank you. We have our next question from the line of Multi-Act PMS. Please go ahead.

Akshat Hariya: This is Akshat here from Multi-Act. I had two questions. One, I wanted to, you know, get a hang on the restructured book and wanted to understand what percentage of our restructured book is, you know, now started its repayment and what would be our collection efficiency on that 0.7% of the book? And second, I wanted to know the disbursement figure for the quarter?

Keki M. Mistry: So, the OTR book that we had, I mentioned that in my initial comments, our total OTR book now stands at about 4,000 crores, which is roughly 0.7% of the loan book, and a lot of these repayments will have started.

V.S. Rangan: We never changed the repayment terms.

Keki M. Mistry: The repayment terms were never changed.

Akshat Hariya: So, almost the entire book is repaying, and our collection efficiency would be similar to that of the overall book.

Keki M. Mistry: I mean, more or less the same. It's such a small amount, about Rs.4,000 crores on a book of 6 lakh crores, it really doesn't move the needle. One way or the other, it might be marginally lower, but not significantly. There is nothing which has become sort of very apparent.

Conrad D'Souza: And to answer your second question, disbursements is a little over 40,000 crores for the quarter. These are retail disbursements.

Moderator: Thank you. We have our next question from the line of Nishant Shah from Millennium Capital Management. Please go ahead.

Nishant Shah: Just one data keeping question. What is the proportion of the book that is eligible for priority sector lending today? And what is the pace that this book is growing by?

V.S. Rangan: See, on an outstanding basis, I think the last number which we worked out was coming around close to Rs.1,20,000 crores, the priority sector book in our book. Net of the book sold actually. It doesn't include the books which has been sold…

Keki M. Mistry: So, this are loans given by HDFC which would qualify as priority sector in a banking structure.

Nishant Shah: And is this book growing faster than the rest of the book?

Keki M. Mistry: I mean, it's growing in more or less in the same line as the rest of the book.

Nishant Shah: And just one I want to confirm about the number, right. Infra bonds that you mentioned was Rs.1,18,000 crores.

Keki M. Mistry: Yeah. 1,18,000 crores

V.S. Rangan: These are bonds which have an original maturity of seven years and above.

Moderator: Thank you. We'll take the last question from the line of Santosh Keshri from Keshri Wealth. Please go ahead.

Santosh Keshri: Mr. Keki, just one question. After the NCLT hearing tomorrow, are we expecting other than RBI, are we waiting for some other approval, some other big regulatory approval? Or it will all be done after that?

Keki M. Mistry: No. So, there will be other processes, and I will request my colleague, Rangan, to talk about it. But basically, the way it works, I will give you one example. We have an asset management company. Now a through the asset management company, we have raised money through, you know, thousands and thousands of / lakhs of customers. Now under the SEBI rules, we have to write a note to each one of these unit holders and give them the option, if they wish to withdraw their money, because the promoter of HDFC Asset Management will now be HDFC Bank and not HDFC Limited. So, in reality, no one is going to, you know, withdraw the money because of that, because HDFC Bank and HDFC Limited are equally strong, but it is still a process, which has to be gone through. So, there are processes like this, which are required by different regulators, but these processes are more a formality rather than anything which will be an impediment to the merger or something which will create a stoppage to the merger.

Santosh Keshri: So, other than this, there is nothing big like in terms of one is NCLT. Second is RBI.

Keki M. Mistry: That's correct. NCLT, RBI's approval, plus they have to give us response to the forbearance that we have sought, plus we have to write to all the stakeholders and SEBI.

V.S. Rangan: IRDAI also.

Keki M. Mistry: Then IRDAI.

V.S. Rangan: IRDAI will be one because there is a change of promoter there. So, that will also be obviously once the RBI gives it, IRDAI will also follow.

Keki M. Mistry: But I must also say that all these regulators had given an in-principal approval or a no objection approvals a few months ago. So, therefore, in that sense, there is no real reason why anyone would delay things too much other than the certain processes which need to be followed.

Santosh Keshri: So, in principal approval is there. I noted it.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Keki M. Mistry: Thank you very much. And I can only say that the outlook for housing continues to be extremely strong. My sense is that the interest rates have now more or less peaked. You might see a quarter percent rise in rates going forward, but I don't see much more than that. And therefore, I would say that the coming quarter and the quarter after that, market should start seeing a strong growth in the loan book. As far as non-individual loans are concerned: the construction finance loans are concerned, as I told you, there is a reasonably decent pipeline, but the disbursement of these loans will be linked to the construction and therefore, may not happen in the immediate quarter.

Moderator: Thank you. On behalf of HDFC Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.