Ref. No. SE/2023-24/54

May 8, 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 – audited financial results for the quarter/year ended March 31, 2023

We refer to our intimation dated May 4, 2023, informing that the Corporation has uploaded the audio recording of the earnings call hosted by it on May 4, 2023 to discuss the audited financial results for the quarter/year ended March 31, 2023, 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/content/dam/housingdevelopmentfinancecorp/pdf/investors/relations/financials/2023/mar-2023/HDFC_Ltd-earnings-may04-2023-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Further, please note that no unpublished price sensitive information was shared/discussed by the Corporation during the said earnings call.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: 2023.05.08 18:02:05 +05'30'

Ajay Agarwal
Company Secretary

Encl. a/a

"HDFC Limited Q4 FY '23 Earnings Conference Call"

May 04, 2023

MANAGEMENT: **MR. KEKI M. MISTRY - VICE CHAIRMAN AND 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 Q4 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 now 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 current financial year.

The Board of Directors at its meeting held earlier today approved the financial results for the year ended March 31, 2023, which were subjected to an annual audit.

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 February 2023 increased the policy repo rate by a further 25 basis points to keep inflation expectations anchored. The aggregate increase in repo rate since May 2022 has been 250 basis points.

During the quarter there was a further uptick in interest rates consequent to which we have increased deposit rates as well as rates on loan products.

In its April 2023 monetary policy RBI has paused the rate hikes. RBI will however monitor price stability in determining further rate actions.

The momentum in the economy was strong right through the financial year ending March 2023. This is reflected in a significant pick up in individual loan disbursements and a 17 percent growth in the individual loan book on an AUM basis.

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

March 2023 witnessed the highest ever monthly individual disbursements in HDFC's history.

Asset quality has continued to reflect improvement. Stage 2 and Stage 3 loan assets have reduced from a peak of 9.2 percent in June 2021 to 6.7 percent in March, 2022 and now further down to 5.0 percent in March, 2023.

Over the next few minutes, I will give you a summary of the key highlights of the performance for the year and the quarter ended March 31, 2023.

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

Our individual loan disbursements for the year ended 31st March 2023 grew by 16 percent over the previous year.

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 fourth quarter, we sold individual loans aggregating to Rs 9,340 crores

The individual loans sold during the last 12 months amounted to Rs 36,910 crores.

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 17 percent. If the loans amounting to Rs 36,910 crores had not been sold during the preceding 12 months, then the growth in the individual loan book would have been 24 percent.

On a Balance Sheet basis, our individual loan book increased to Rs 4,99,496 crores. In addition to this, the individual loans sold by the Corporation and outstanding as on March 31, 2023 amounted to Rs 1,02,071 crores. HDFC continues to service these loans. Individual loans outstanding on an AUM basis amounted to Rs 6,01,567 crores- a growth of 17 percent over the previous year.

As at March 31, 2023 our non-individual loan book on an AUM basis was Rs 1,22,421 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 to ensure compliance with HDFC Bank's norms in view of the impending merger. Such loans aggregating to around Rs 18,000 crores have been repaid over the last year.

The total Assets Under Management (AUM) as at March 31, 2023 amounted to Rs 7,23,988 crores as compared to Rs 6,53,902 crores in the previous year - a growth of 11 percent.

If no loans had been sold during the preceding 12 months, then the growth in the total loan book would have been 16 percent.

Prepayments on retail loans, amounted to 11.3 percent of the opening loan book.

The average size of individual loans for the year ended March 31, 2023 stood at Rs 36.2 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 53 percent from 45 percent during the corresponding period in the previous year.

During the year ended March 31, 2023, 23 percent of home loans approved in terms of number of customers and 9 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 10.7 lacs and to customers in the LIG segment amounted to Rs 19.4 lacs.

If we break up the loan book outstanding on March 31, 2023 on an AUM basis into different categories then individual loans constituted 83 percent of the total loan book, as compared to 79 percent in the previous year.

Construction finance constituted 7 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 year ended March 31, 2023, the entire growth is from individual loans.

98 percent of the loans were sourced through distribution channels - however this is largely through HDFC Sales and HDFC Bank.

HDFC Sales accounted for 51 percent of the loans sourced, while HDFC Bank accounted for 31 percent. Third Party DSAs accounted for 16 percent.

Thus, 84 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 1,883 crores till March 2023 which amounted to 0.3 percent of the loan book. 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 March 31, 2023 the outstanding loans under OTR 1 and OTR 2 amount to Rs 3,889 crores which is equivalent to 0.6 percent of the loan book - as compared to a peak of 1.4 percent in September of the previous 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 year is over 99 percent.

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

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 March 31, 2023, Gross Non-performing individual loans calculated under the new norms stood at 0.75 percent - down from 0.99 percent in March 22 and a peak of 1.44 percent in December 2021. So, effectively the decline has been from 1.44 percent to 0.75 percent.

Similarly, gross non-performing non-individual loans stood at 2.90 percent, down from 4.76 percent in March 22.

As per the new regulatory norms, the gross non-performing loans as at March 31, 2023 stood at Rs 7,246 crores. This is equivalent to 1.18 percent of the loan portfolio, down from 1.91 percent in March 22 and a peak of 2.32 percent in December 2021. So, effectively, over this period of time from December 2021 to March 2023, we have seen a decline from 2.32% to 1.18%.

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

As at March 31, 2023, the Corporation carried a provision for loans of Rs 12,145 crores.

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 6,19,798 crores is broken up as :

Stage 1 - 95.0 percent

Stage 2 - 3.6 percent

Stage 3 - 1.4 percent

We have seen a 4.2 percentage point reduction in the aggregate of Stage 2 and Stage 3 assets from the peak of 9.2 percent in June 2021 to 5.0 percent of the Exposure At Default over the last seven quarters.

In fact, in the current financial year itself we have seen a 170 basis point reduction in the aggregate of Stage 2 and Stage 3 assets from 6.7 percent in March 2022 to 5.0 percent in March 2023.

During the quarter, we have charged the Profit and Loss Account with a sum of Rs 438 crores towards provisioning.

The aggregate charge to the Profit and Loss Account for the year is Rs 1,795 crores.

The ECL to EAD Coverage ratio for Stage 2 assets is 27 percent and for Stage 3 is 53 percent.

The provisions carried as a percentage of the EAD amounted to 1.96 percent.

As a result of the improvement in asset quality over the last eight quarters, annualised credit cost for Q4 was 25 basis points.

Credit costs for the year is 27 basis points (previous year 33 basis points).

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 will 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 March 31, 2023 the unrealised gains, (which is the difference between the market price as on March 31, 2023 and the carrying cost), would be Rs 2,41,392 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 March 31, 2023 stood at 24.3 percent of which Tier I capital is 23.8 percent and Tier II capital 0.5 percent. The capital adequacy is well above the regulatory requirement.

Risk weighted assets are Rs 4,75,567 crore

At this stage and as we have done it in the past, in the past earnings calls, it is important to talk about the Return on Equity (ROE).

Under the IndAS accounting norms, 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 20,725 crores. Hence, Tier I Capital is Rs 1,13,260 crores as against a Reported Net Worth in March 2023 of Rs 1,33,985 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.

ROE based on Tier I Capital for the year ended March 31, 2023 is 16 percent.

As of date 3,600 warrants were converted into 3,600 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 March 31, 2023 the Corporation's total borrowings amounted to Rs 5,68,222 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 28 percent of the borrowings.

Market borrowings i.e. NCDs and Commercial Paper accounted for 45 percent of the borrowings.

Deposits as at the year end amounted to Rs 1,52,111 crores and constitute 27 percent of the borrowings.

It is very important to mention here that while the deposit level has remained steady, retail deposits now constitute 73 percent of deposits as compared to 62 percent in March 2022.

We continue to encourage retail deposits which constitute 16 percent of the incremental borrowings during the year.

With the introduction of the Liquidity Coverage Ratio (LCR) in December 2021, the Corporation is required to maintain liquidity in High Quality Liquid Assets (HQLA). The Corporations HQLA is largely Government Securities. The Government Securities holding as at March 31, 2023 is around Rs 63,000 crore. The average LCR for the last quarter was 128 percent significantly higher than the regulatory requirement.

I will now move to the Profit and Loss Account.

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

The year 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:

The impact on Net Interest Income due to the transmission lag between increase in funding costs and increase in lending rates.

Due to volatile equity markets we had a significantly lower gain on fair value of investments through the profit and loss account as compared to the previous year. Fair value gains for the current year was lower at Rs 362 crore and compared to Rs 938 crore in the previous year.

Thirdly, the expense ratios are higher as we incurred expenses upfront on staffing, IT and branching to meet the increase in demand for housing loans as well as merger related costs.

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.

In the 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. We however overcame this by passing on the rate hikes so as to maintain net interest margins and spreads.

Secondly, during the financial year, RBI increased the repo rate six times in all aggregating to 250 basis points.

In the run up to the expectation of the rate hikes, market rates and swap rates increased and this had an immediate impact on our borrowing costs whilst our lending rates increased only after an increase in policy rates.

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

This transmission lag has had a slight short term impact on the NII growth.

Lastly, the proportion of the retail loan book has increased to 83 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 March 31, 2023 amounted to Rs 5,321 crores compared to Rs 4,601 crores in the corresponding quarter of the previous year - a growth of 16 percent.

For the year ended March 31, 2023 the Net interest Income amounted to Rs 19,248 crores compared to Rs 17,119 crores in 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 for the year would have been 17 percent.

It is important to note that credit costs are lower as a result of improved asset quality consequent to a larger proportion of individual loans.

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

The Net Interest Margin for the year ended March 31, 2023 stood at 3.6 percent. This is an improvement over the year and reflects on our ability to manage the transmission lag risk. NIM for Q4 was 3.7 percent

The spread on loans over the cost of borrowings for the year ended March 31, 2023 was 2.29 percent. The spread on the individual loan book was 1.92 percent and on the non-individual book was 3.62 percent.

Income earned from Deployment of surplus funds in Cash Management Schemes of Mutual Funds and Government Securities was much lower at Rs 245 crores as compared to Rs 561 crores in the previous year.

This was due to average level invested this year in liquid funds at Rs 4,553 crores as compared to Rs 11,843 crores in the corresponding period of the previous year.

There was no profit on sale of investments during the fourth quarter in the current year as also in the fourth quarter of the previous year.

For the full year there was a profit of Rs 184 crores on sale of investments compared to Rs 263 crores in the previous year.

Dividend received during the quarter was Rs 207 crores compared to Rs 128 crores in the corresponding quarter of the previous year.

During the year, we earned Rs 2,735 crores by way of dividend income as compared to Rs 1,511 crores in the previous year.

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

During the quarter ended March 31, 2023, for investments classified as Fair Value Through Profit and Loss Account (FVTPL), there is a gain of Rs 273 crore as against Rs 267 crore in the corresponding quarter of the previous year.

Similarly, for the full year, the Net Gain on Fair Value Changes stood at Rs 362 crore which is significantly lower when compared to Rs 938 crore in the corresponding period of the previous year owing to volatility in equity markets.

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 year includes an amount of Rs 205 crores compared to Rs 390 crores during the previous year.

For the year ending March 31, 2023, the cost income ratio stood at 9.2 percent.

For the quarter ended March 31, 2023 the standalone profit before tax was Rs 5,398 crores (compared to Rs 4,622 crores in the 4th quarter of the previous year) a growth of 17 percent.

Tax provision for the third quarter amounted to Rs 973 crores compared to Rs 922 crores in the 4th quarter of the previous year.

The standalone profit after tax for the 4th quarter stood at Rs 4,426 crores, compared to Rs 3,700 crores in the 4th quarter of the previous year, resulting in a growth of 20 percent.

For the year ended March 31, 2023 the standalone profit before tax was Rs 20,014 crores compared to Rs 17,246 crores in the previous year a growth of 16 percent.

Tax provision during the year ended March stood at Rs 3,775 crores compared to Rs 3,504 crores in the previous year.

The standalone profit after tax for the year stood at Rs 16,239 crores compared to Rs 13,742 crores in the previous year - a growth of 18 percent.

Pre Tax return on average assets for the year was 3.0 percent. The post tax return on average assets was 2.5 percent.

The basic and diluted EPS on a face value of Rs 2 per share was Rs 89.2 and Rs 88.5 respectively.

The consolidated profit before tax for the year stood at Rs 32,131 crores as compared to Rs 28,252 crores in the previous year.

After providing Rs 4,431 crores for tax the consolidated profit after tax for the year stood at Rs 27,700 crores as compared to Rs 24,042 crores - a growth of 15 percent.

The profit attributable to the Corporation was Rs 26,161 crores as compared to Rs 22,595 crores in the previous year - a growth of 16 percent.

The Board of Directors after assessing the capital buffers and liquidity levels have declared an interim dividend of Rs 44 per equity share of face value Rs 2 each as compared to Rs 30 per share in the previous year.

The dividend payout ratio is 49.7 percent.

The record date for determining the shareholders entitled to receive the interim dividend for the financial year ended March 31, 2023, is May 16, 2023.

As at March 31, 2023 the Corporation had 4,017 employees.

Total assets per employee stood at Rs 175 crores.

Net profit per employee was Rs 4.0 crores.

Let me 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.

The final hearing of NCLT was held on February 27, 2023 approving the scheme of amalgamation.

You may also be aware that clarifications on requested dispensations have been provided by RBI.

We are in the process of obtaining all the residual approvals for the respective regulators in respect of the subsidiary and associate companies.

We expect the effective date of the merger to be around July 2023 based on the current progress.

HDFC's distribution network spans 737 outlets which include 214 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 stakeholders on ESG.

In accordance with the SEBI requirements, the Business Responsibility and Sustainability Report for the year will be uploaded on our website shortly.

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 year was Rs 214 crores.

The above were some of the highlights of the results for the year ended March 31, 2023.

We may now proceed to Q&A. I would request you to kindly introduce yourself and be brief with your questions and I and my colleagues who are sitting here will try to respond to your questions. Thank you.

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 Capital. Please go ahead.

Suresh Ganapathy: Yes, my first question is on the warrants which are expiring on 10th of August. What happens to that if suppose the merger happens in July?

Keki M. Mistry: So, the warrants by which the warrant holder would have got HDFC Limited shares will now get HDFC Bank shares in the same proportion as the merger share exchange ratio which is 1.68.

Suresh Ganapathy: So, that's clear.

Keki M. Mistry: Let me complete that. In other words, if you were entitled to, let's say, 100 shares of HDFC, instead of getting 100 shares of HDFC, you will now get 168 shares of the Bank.

Suresh Ganapathy: Now, on the LCR thing, you know, so you are saying our LCR is 128%, and your government securities holding is 63,000 crores. In other words, 63,000 crores divided by the net cash outflow is equal to 128%. Is that the way we should look at it? I mean, I am just wanting to understand what is the excess cushion that you hold? Because once you go into the bank, you need to have an LCR of 100%. So, will I calculate that excess 28% as the excess SLR? If I do that, it comes out to be 15,000 crores.

V.S. Rangan: So, Suresh, that amount actually keeps fluctuating because it all depends on the next 30 days outflows. So, as I mentioned to you last time also, depending upon how the liability profile is actually shaping up, the next 30 days outflows will keep fluctuating.

So, as you are talking, today based on that, and also the way the LCR is computed for NBFCs and the banks are different, because the run rate for some of the liabilities are different for the bank and different for the NBFC.

So, if you consider all that, if you were to apply this 128 roughly, this is just a rough number, this 128 will probably convert back into something like 70 odd percent of the bank, 70%, 75% LCR for the bank in a banking model actually.

Suresh Ganapathy: So, the corporation doesn't carry any excess liquidity, right? Because on the contrary, then the banks will have to scale it up on day one as per the RBI requirement.

V.S. Rangan: No. But there are two parts. One is that you are talking about SLR, CRR. You are talking about LCR.

Suresh Ganapathy: Yes. I mean, look, the point is if you guys don't carry any excess liquidity, because this goes to 75%, that means there is no excess government securities which is sitting on the HDFC Limited balance sheet which will be counted. I mean, what we are arguing here is that there is no cushion being provided by HDFC Limited whatsoever to the bank on the effective date of merger.

V.S. Rangan: But as I mentioned to you, this figure is not going to be constant till the date of merger. Because as the liabilities are getting replaced with longer term liabilities, the LCR will automatically go up, and it will move higher in the banking system also.

Suresh Ganapathy: I am sorry. I am just going to push myself for another two quick couple of questions because this is important for everyone. Can you tell me based on your AUM pattern, how much proportion of term loans, deposits, and bond market borrowings will mature in the next 12 months?

V.S. Rangan: So, roughly about, if you take, this is a rough number. Every month, the monthly maturities -- the scheduled maturities of all the various borrowings are somewhere in the range of Rs 10,000 crores to Rs 15,000 crores.

Suresh Ganapathy: Per month. Fine. So, that's the schedule maturity. And my final question is the future for HDFC Credila.

Keki M. Mistry: So, we will engage with RBI to sort of try and see whether we can get this onboarding of new customers resolved. Once we have some clarity, we will certainly come back to you, but we have already announced that we are willing to look at reducing our stake in the company from 100% to 10%, and a variety of people are calling and making bids. So, we are still collating all that.

Suresh Ganapathy: You can do this before July or you can, I mean, it is flexible? I mean, it can be done…

Keki M. Mistry: To my mind, it can be done in the next couple of months because the number of bids are, we have received a lot of bids. So, hopefully by the end of June, we will be able to arrive at some finality on how to close this theoretically, assuming that there is no extension from RBI in terms of onboarding new customers.

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

Mahruk Adajania: What would have been the growth liability mobilization during the fourth quarter?

V.S. Rangan: Fourth quarter, okay, I will just give you.

Keki M. Mistry: I think while Rangan is looking for the numbers, can you come to your second question?

Mahruk Adajania: Yes. My second question is then what would be the contractual maturity of these liabilities, right? Because the swap does not…

Keki M. Mistry: Yes. So, when you see the current exchange filings we have been doing, you would have seen like a lot of incremental borrowings that we have been doing in recent times have all been long-term liabilities. We raised 10-year bonds a month ago. We raised 10-year bonds recently. So, we are elongating, increasing the tenure of our liabilities.

Also, if you look at the deposits and I mentioned this in the call, that we are reducing the level of corporate deposits and increasing the level of individual deposits because individual deposits typically have a longer term. Rangan will answer your question.

V.S. Rangan: The last quarter gross mobilization, this is a gross number- now the net gross mobilization of liabilities across all products is Rs 85,000 crores.

Mahruk Adajania: And the total maturity of the book will be what now? The contractual maturity? I know that the newer borrowings are at a higher maturity, but any ballpark number?

V.S. Rangan: I mentioned it in the last response, this is ranging from about Rs 10,000 crore to Rs 15,000 crore every month. More on the Rs 10,000 crores side.

Mahruk Adajania: So, that's the repayment in terms of years the…

V.S. Rangan: Scheduled maturities. Scheduled maturities of repayments.

Keki M. Mistry: So, you know, when a scheduled maturity, for example, you take a deposit, a significant portion, more than two-thirds, probably much more than that, 70% plus of our deposits tend to get renewed on maturity. But when you look at this number, when you ask what is the scheduled maturity, it will be included as part of scheduled maturity even though the amount will get renewed. So, while 10,000 crores might be the scheduled maturity, in reality, these numbers turn out to be lower depending on the quantum of deposits that are maturing in a month.

Mahruk Adajania: And in terms of classification of infra bond or classification of long-term bonds as infra, that should be easy to combine, though I do know that it requires RBI approval.

Keki M. Mistry: Well, this is something we will seek clarity from RBI and come back to you.

Mahruk Adajania: I just have one final question. So, it happens in many quarters, but just trying to understand the logic behind it. So, how does the direct, the income from assignment move because sometimes it looks too high?

Keki M. Mistry: So, what happens is at the beginning of the year, it is based on certain estimates, estimates as regards to expenses by the end of the year and end of estimates of pre-payments, by the end of the year, you have the exact number, and therefore there would be some adjustment that would happen in the last quarter.

Moderator: Thank you. We have our next question from the line of Mansi Sajeja from SBI Funds Management. Please go ahead.

Mansi Sajeja: Sir, the liabilities that you have raised in last year is amounting to Rs 78,000 crore, and in this current financial year, we have seen another couple of bond issues. So, what is from that is, you know, all mainly long term, but from an interest rate sensitivity perspective, you know, how are you managing the interest rate risk now that they are going to be transferred to a bank and for all the approvals, fundraising approvals that you have taken for the current financial year also, how would you do that?

V.S. Rangan: So, on the interest rate sensitivity, I think we mentioned it the last time also, that if you look at the total liabilities, there are swaps which are done to manage the liabilities from converting from fixed to floating. They are roughly about Rs 2,20,000 odd crores, and over and above that, the other liability is like a bank borrowing and others, which is another about Rs 1 lakh crore that would be also the more or less linked to the market benchmark whether it is repo rate or whether it is linked to the T-Bills and all that.

So, if you were to broadly look at the total liabilities of Rs 5.5 lakh crores, about Rs 2,20,000 crore plus another about Rs 1,10,000 i.e. about 3,40,000 crores will be liabilities which are sort of linked to the external benchmarks or some sort of banking benchmarks.

Keki M. Mistry: So, you would have seen in all these quarters that interest rates go up, interest rates go down. You generally see that our spreads remain within a very narrow band because of our ability to hedge these risks.

Mansi Sajeja: So, just one last thing. In terms of various exemptions needed from various debt investors, you know, there is classification of bonds and housing finance, and there is classification of CP as a different category. Any representation again done from your side or it is depending upon each investor's classification?

So, you know, you are classified as a Housing Finance Company, but then all these bonds will be grandfathered in a bank which may have a different kind of classification.

Keki M. Mistry: So, obviously, we have represented to all the respective regulators, and we will obviously hear from them in due course, but my sense is grandfathering is something which we would logically think that they would be able to grant us.

Moderator: Thank you. We have our next question from the line of Adarsh Parasrampuria from CLSA. Please go ahead.

Adarsh Parasrampuria: Question is on your rundown of loans on the corporate side. Are we largely through or there is still some more to go before you get to merger for...

Keki M. Mistry: I would say we are significantly done, very, very significantly done. There might be a little bit more left, but I don't think it will be much.

Adarsh Parasrampuria: And, sir, on your PSL compliant book, right, I just wanted to understand what could you quantify by March end where we stand today? What could be the PSL compliant book that would be on our balance sheet?

V.S. Rangan: Rs 1,10,000 crores.

Keki M. Mistry: So, roughly about 1,10,000 crores.

Adarsh Parasrampuria: And lastly, you did respond in terms of maturity per month, but if you could just broadly indicate some more color on especially the bank loans and bonds because deposits might, you know, you can renew that. Term loans and bonds, what kind of maturity increase that one would have seen because we have seen you issue many long-term bonds and probably would have done something similar on the bank loans as well? So, what kind of duration increase have you seen through the last six months or 12 months?

Keki M. Mistry: So, you would have seen, Adarsh, that all the borrowings we have been doing through the bond market have all been long-term borrowings. We did a Rs 25,000 crore issue a couple of months ago of 10-year bond. Recently we did a bond issue, again 10-year bond. So, it's all largely long-term bonds. And ever since this LCR requirement came in, we have been trying to raise more of long-term funding because short-term funding brings with it a certain element of cost because of the LCR requirements.

V.S. Rangan: So, Adarsh, if you have to look at the current year borrowing whatever we have done on a gross basis, the NCDs have come for a close to almost 100 months, which is almost close to a 10-year type of a borrowing. The bank loans on average has been about 15 months, but what is happening is as the bank loans are maturing and all, we are also negotiating it for a longer period. So, by the time I think the merger happens, some of the borrowings would have been actually converted into longer term. And similarly, if you look at, we raised an ECB which is close to about 42, 43 months, and then the deposits are close to about 3, 3.5 years.

Adarsh Parasrampuria: Just on the bank loan part, given that it's been more like 15 months in the last 12 months, would the stock be also like a 15-month bank loan or the efforts would be to really because this probably is the largest refinancing pressure as you move into the bank, so the bank loan book, right, which is about Rs 1.5 lakh crores, that book, what on a stock basis would be the duration?

V.S. Rangan: So, typically, if you have to take the total bank book, they will be of a, on a stock basis as they exist today on 31st March, they would be somewhere at about 10 to 11 months depending upon the quantum of the amount by various others, but what is happening is the maturities and also some of the loans we are already talking to the banks, so they will probably be getting moved to a three-year type of a duration as we get into in the next few days or in the next one month. So, to combine as we move the stock, the stock roughly about 60%, 70% of the stock will get moved to about a three-year period.

Adarsh Parasrampuria: Got it. This has been helpful.

Conrad D'Souza: Adarsh, just to clarify, Rs 1,50,000 crores that you mentioned as bank loans, out of that roughly Rs 1 lakh crores is bank loans. The balance -- that number of Rs 1,50,000 crores also includes other term loans, which is ECBs and NHB refinance, which is actually long term.

V.S. Rangan: Bank loans are only about one lakh crores.

Conrad D'Souza: Bank loans are only about one lakh crores.

Adarsh Parasrampuria: So, broadly, the way to understand is this lakh odd crores, which would have been on a stock basis today having a refinancing in the next 12 months, that's where the efforts will be to like renew it and have it for a longer tenure.

Keki M. Mistry: Absolutely.

Moderator: Thank you. We have our next question from the line of Shalini Vasanta from DSP Mutual Fund. Please go ahead.

Vivek Ramakrishnan: This is Vivek Ramakrishnan. My question was on SLR. You will have to build the SLR book from what I understand at the time of the merger, and HDFC bank has excess SLR. So, I just wanted to know how much SLR you have at this point of time, and how much you need to build up by the time of the merger? That's my only question.

V.S. Rangan: So, broadly, the SLR as Keki mentioned is about Rs 63,000 - Rs 64,000 crores, that is the G-sec plus the cash which we have, and from a requirement perspective, on our balance sheet, it is about a lakh of crore. So, you know what is the excess at the bank level, and also you can compute the, because the bank's holding is higher because the LCR is about 110%, which automatically translates to a close to about 22%- 23% from an LCR perspective.

Moderator: Thank you. We have our next question from the line of Srikarthik Velamakanni from Investec. Please go ahead.

Srikarthik Velamakanni: I just wanted to confirm the disclosure around LCR that you mentioned that the 127 under an HFC translates to a 75% under a bank. Is that the right interpretation?

V.S. Rangan: Yes. It works out around 75%, 80% in the bank format because the bank format is different.

Srikarthik Velamakanni: And you also indicated some glide path as to how this happening 80% moves to 100 eventually. Could you please elaborate on that again, please?

V.S. Rangan: See basically what is happening is some of the, as Keki mentioned, the corporate deposits which are there, the growth has been lower. So, we have been replacing some of these maturities into longer term. So, automatically that changes the color of the LCR.

And secondly, some of the, you know, sort of deposits where the runoff is actually higher, we are trying to get consent from some of the higher value depositors to make it 31 day type of a notice type of a product where they can, they will actually give a 31 day notice prior to taking any premature withdrawals. So, that basically increases the LCR component.

Srikarthik Velamakanni: And, sir, lastly, the interest rate swap book that you are currently carrying, could it be transferred into a bank as is? And what could be the implication from a regulatory perspective because of this particular portfolio?

V.S. Rangan: So, our understanding is that we have, I mean, the entire swap book will go into the bank. There is no regulatory restrictions on that. From an accounting perspective also, it will remain pretty much the same. The same hedge accounting which we follow here will continue to be followed at the bank level also. So, there is no change as far as either the accounting is concerned or the regulatory position is concerned.

Moderator: Thank you. We have our next question from the line of Pooja Kabra from Sahasrar Capital. Please go ahead.

Pooja Kabra: I just wanted to ask that what is your attrition rate in the management level and one step down level?

Keki M. Mistry: Zero. Management level zero.

Pooja Kabra: And what is your ESOP working ratio? ESOP provision for that?

Keki M. Mistry: Provision cost that we mentioned I think is some 200 crores or something for the year. I mentioned in the…

Pooja Kabra: The next question is on digitalization improvement area. Do you have any….

Keki M. Mistry: Digital improvement?

Renu Sud Karnad: Yes, we are continuing to do what we are doing on digitalization, and as we move ahead and we got a new LOS and sales force package and we are trying to have the full journey different. So, you know, this is an ongoing process. It takes a few months or maybe a year or so, but as we go ahead, things are getting added more and more. So, I think in another six months, the whole process most probably will be through. So, it's going on, and it's going on very well.

Keki M. Mistry: Just two things to add. One is that the employee benefit cost you wanted, we talked about the ESOP cost. It is Rs 205 crores for the whole year compared to Rs 390 crores in the previous year, and 94% of the new loans we have done have been digitally onboarded.

Moderator: Thank you. We have our next question from the line of Saurabh Kumar from JPMorgan. Please go ahead.

Saurabh Kumar: Sir, I just wanted to confirm three numbers. One is for the NDTL calculation, the SLR number will be 4.7 lakh crores and for CRR 3.6 lakh crores. Is that assumption right?

V.S. Rangan: You are talking from HDFC Limited's perspective, right?

Saurabh Kumar: Yes.

V.S. Rangan: I will just come back to you on that.

Saurabh Kumar: And also the adjusted net bank for PSL should be about 5 lakh odd crores based on the numbers you have given. I just wanted to confirm.

V.S. Rangan: Yes.

Moderator: Thank you. We have our next question from the line of Rakesh Kumar from B & K Securities. Please go ahead.

Rakesh Kumar: So, just from this longer term borrowing that we are doing, so is it to do with maintenance of NSFR for banking for the HDFC Bank post-merger or is it, you know, it doesn't look like that it is for short-term liquidity.

V.S. Rangan: So, it's not a short-term liquidity thing, but even if you look at the interest rate today, it is pretty flat whether you borrow one year or whether you borrow a 10 year. And the assets are particularly longer term, so you need to fund these assets with longer term liabilities. And as Keki mentioned that when you borrow short term, then it also hits into our LCR.

Rakesh Kumar: And the total SLR, we gave the number of, can you repeat the number, sir, please?

V.S. Rangan: Our SLR we said is about 64,000 crores. We are holding about 64,000 crores of government securities.

Rakesh Kumar: So, even in the case of HDFC Bank, though it has excess security, the LCR is just around 10% more than what is the mandatory requirement. So, like how would it add up, like, you know, post-merger?

V.S. Rangan: So, basically, these two numbers are interdependent actually, the LCR and the SLR numbers. So, when you convert that 110% LCR into a SLR number, the SLR actually moves up from 15 to, my guess, is about 22%, 23%. So, to that extent, from an SLR perspective, there will be a surplus which will be coming in there.

Moderator: Thank you. We have our next question from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama: For this quarter we have seen deposit book actually running down quarter-on-quarter, is it more strategic or basically…..

Keki M. Mistry: So, I mentioned that when I originally spoke, that we have not been encouraging or not been looking out too much for corporate deposits because generally, these tend to be of a shorter term, and as I have been saying repeatedly on the call, when we get short-term money, there is a higher cost because of the LCR requirement. So, we prefer to take the individual deposits which have a longer tenure, and the proportion of individual deposits as a percentage of the total deposit has gone up quite sharply during the year. Individual deposits has constituted about 16% of our incremental funding during the year. So, corporate deposits has gone down. Individual deposits has gone up quite sharply. The proportion of individual deposits to total deposits has also correspondingly increased.

Anand Dama: And sir, what will be the average cost of this deposit book that we are carrying right now?

Keki M. Mistry: Yes. I am giving you a spread. The spread is 2.29%. Now deposits will, it varies from time to time depending upon how much deposits you are carrying. Broadly, the spread is the same in whichever segment you look at.

Anand Dama: Sir, on the wholesale book that we carry on our book, so within which basically we have lot of these construction developers financing book. What's going to be the status of that once the merger happens?

Keki M. Mistry: Of course, it continues in the bank. Of course, it continues into the bank. And in fact, as we do more construction finance loans, see, let me explain this, I have explained this in the past several times, that when you do a corporate loan or you do a lease rental discounting loan, your entire loan gets disbursed in one go, but when you do a construction finance loan, the disbursement is linked to the stage of construction.

So, the developer first puts in his equity, and then after that you start disbursing as he constructs. So, construction finance disbursements come over a longer time frame. So, there is a reasonably healthy pipeline in terms of construction finance proposals. It's just that as we have been saying quarter after quarter, it takes a while before these disbursements happen.

So, there would be some fair amount of disbursements that have happened this quarter also, and there will be more as time goes by. And all these construction finance loans will move into the bank because these are bank compliant.

Anand Dama: But what's basically the land funding book because HDFC Bank in the call said that there is a land funding book basically where they will need to seek the RBI permission?

Keki M. Mistry: Land funding book?

Anand Dama: Yes. They said something about that. So, there I think they said that you will have to seek permission from the RBI to carry on to HDFC Bank's book.

V.S. Rangan: No, some of the dispensation on the non-individual book, they have…

Keki M. Mistry: So, those were, whatever is there is not material at all. You see whenever a merger happens, there is also a grandfathering of assets and liabilities which is sought. So, in the grandfathering, there would be a whole lot of items which should have been included which could have included some elements of what you are talking, but that quantum would be insignificant.

Moderator: Thank you. We have our next question from the line of M B Mahesh from Kotak Securities. Please go ahead.

M. B. Mahesh: Just two questions from my side. One is, if you look at the disbursement number, there seems to be over a period of time a little bit of a slowdown in the last couple of quarters. If you could just kind of highlight how is the situation on the ground?

Keki M. Mistry: The situation on the ground continues to be strong. I don't know whether you were there on the call right through or not, but I mentioned at the very beginning that March 2023 saw the highest amount of individual loan disbursements we have done in any month in HDFC's history. So, we said that the momentum we would expect would continue, and I would hope that the year ended March 2024 should see almost similar kind of a growth, almost.

M. B. Mahesh: And so far you would say that the impact of interest rates has been extremely negligible on the ground.

Keki M. Mistry: It is apparent no? If the disbursements are strong and March is the strongest one, it is apparent. See, you must understand that a housing loan is a long-term loan. It's not a one-year loan or a two-year loan. So, when you are taking a long-term loan on a floating rate basis, interest rates will go up, and interest rates will come down. But the reality of the matter is that when you are taking… all these loans are floating rate loans. So, if rates are high today, when they come down, we will get the benefit of lower rates. If they were low today, you will get the benefit of higher rates. So, it has more of a sentimental impact, if any, but not really an economic impact. On the other hand, shorter loans, shorter term loans probably would have a bigger impact, because it's unlikely that in the very short term, interest rates would come down.

M. B. Mahesh: So, just to clarify here, is that number right that we have that the disbursements in the month in the fourth quarter would be about 52,500 crores? Is that number right? Because we don't get the absolute numbers. We just get the percentage.

Conrad D'Souza: So, it's a little under Rs 50,000 crores. Yes, it's a little under Rs 50,000 crores.

M. B. Mahesh: So, that would translate to about a 10% growth on a Y-o-Y basis on disbursements for the fourth quarter. Is that number…?

Conrad D'Souza: See, you have to look at it for the whole year because we have each quarter has had its own challenges. But the fact is, you know, if you look as Keki mentioned, March, which was the last month of the year, was the highest ever. So, you know, now if you go back to October and November, there was a relative lower number because of the holiday season between Diwali and Dussehra and such and school holidays. So, I would really look at it over a longer period. And if you look at a longer period, I think the absolute disbursement growth between '23 and '22 has been 16%, which I think is very healthy given the interest rate movements that have taken place during the year.

M. B. Mahesh: The second question is how have borrowers managed the increase in interest rates in the sense that is there an outside limit under which a loan tenure can be increased?

Keki M. Mistry: Of course, there is an outside limit. Every case is evaluated on a case-to-case basis. It is not that automatically when rates go up, the term goes up. In a normal case, the term does go up. However, the system is geared to identifying cases where there is some degree of concern. In those cases, the customer is explicitly contacted, and then either the term is lowered by him making a part prepayment or the installment amount is increased.

M. B. Mahesh: Would you be able to quantify that as well or you think it's going to be difficult?

Keki M. Mistry: Quantify what?

M. B. Mahesh: However, you addressed it, in the sense that how much of these loans may have seen tenure extensions versus EMI increases?

Keki M. Mistry: In the normal course, if you understand the business, you will know that when rates go up, we increase the tenure of the loan. When rates come down, we will reduce the tenure of the loan. Housing loans get prepaid. Roughly about 10%, 11% of the loans get prepared ahead of schedule every single year. This is a normal trend which happens. So, when you look at a three-year, five-year period, it all sort of neutralizes.

In the short term, you might find that the term has gone up compared to what the original term was, but it will not happen in a situation where the term goes up so much that it causes any kind of concern or discomfort. In such cases, the system identifies such individuals, and then on a case-to-case basis, the individual is contacted, and either the installment is increased, or the part of the loan is the customer is requested to prepay part of the loan.

So, it's worked several times over the years, and frankly, it had never resulted in any kind of impact on recovery. Historically, and this is probably the third or fourth time probably, that we have seen this thing happen.

Moderator: Thank you. We have our next question from the line of Jai Mundhra from ICICI Securities. Please go ahead.

Jai Mundhra: Good afternoon. Sir, if you can share the indicative yield on your corporate, LRD and construction finance book for fourth quarter?

Keki M. Mistry: Look, I told you that the spread on non-individual loans is 3.62%. The spread on individual loans is 1.92%, and the overall spread that we earned was 2.29%.

Jai Mundhra: And the cost of deposit or the cost of funds that you use, is that similar for both these segments or that can…?

Keki M. Mistry: Broadly, broadly, broadly similar. Broadly similar, but you can't pinpoint these things because you raise funds right through the quarter, and you are in the course of the quarter, interest rate volatility is always there. So, there may be times when they're are 20 basis points higher, and there may be times when they're are 20 basis points lower. So, what we have to do is we have to manage our spreads carefully, and that's what we have been doing all these years.

Jai Mundhra: And during the call, I think it was mentioned that the absolute amount which would be reckoned for SLR and CRR calculation, if you have that number handy? I think it was told that previously..

Keki M. Mistry: No, I think we mentioned that the total amount of government securities we carry is Rs 64,000 crores.

Jai Mundhra: No, no, sir, I was asking for NDTL. NDTL, the total NDTL as of FY '23?

Keki M. Mistry: I think Rangan will just give that.

Conrad D'Souza: Jai, can you call separately? We can give you the numbers.

Moderator: Mr. Mundhra, are you done for now?

Jai Mundhra: Yes. Thank you. Yes. Done.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you.

Keki M. Mistry: Well, I'd just like to thank everyone for all your help and support all these years, and if you have any further questions on the results or on the process of merger, then please get in touch with Conrad, Anjalee, Rangan, me, whoever you like. Thank you everyone.

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