Press Release

AUDITED STANDALONE & CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND THE YEAR ENDED MARCH 31, 2021

PERFORMANCE HIGHLIGHTS

- **42% increase in the standalone Profit After Tax for the quarter ended March 31, 2021 to stand at ₹ 3,180 crore**
- **19% growth in individual loans (after adding back loans sold in the preceding 12 months)**
- **Spreads at 2.29% for the year ended March 31, 2021**
- **Net Interest Margin at 3.5% for year ended March 31, 2021**
- **Capital Adequacy at 22.2%; Tier 1 Capital at 21.5%**
- **Recommends final dividend of ₹ 23 per equity share, compared to ₹ 21 per equity share in the previous year**
- **Standalone Profit After Tax for the year ended March 31, 2021 stood at ₹ 12,027 crore**
- **30% increase in the consolidated Profit After Tax attributable to the Corporation for the quarter ended March 31, 2021 to stand at ₹ 5,350 crore**

The Board of Directors of Housing Development Finance Corporation Limited (HDFC) approved the standalone and consolidated audited financial results for the quarter and year ended March 31, 2021 at its meeting held on Friday, May 7, 2021 in Mumbai.

Following the strict national lockdown imposed in March 2020 up to early June 2020, there was a substantial recovery, especially in the second half of the financial year ended March 31, 2021.

Since April 2021, however, India has been witnessing an eruption of a second wave of infections. At this juncture, there continues to be a great deal of uncertainty on the duration and intensity of the second wave and the resultant impact it may have on the Corporation and the overall economy.

Though the second wave and partial lockdowns have brought new challenges, given the scale up of the Corporation's digitalisation platforms for borrowers, depositors, channel partners and deposit agents, coupled with the learnings of the past year, as of date, the Corporation stands in a ready state to tackle the extant challenges.

FINANCIAL RESULTS

Financials for the quarter ended March 31, 2021

The profit before tax for the quarter ended March 31, 2021 stood at ₹ 3,924 crore compared to ₹ 2,692 crore in the corresponding quarter of the previous year, representing a growth of 46%.

After providing for tax of ₹ 744 crore, the profit after tax stood at ₹ 3,180 crore compared to ₹ 2,233 crore in the previous year, representing a growth of 42%.

Financials for the year ended March 31, 2021

The reported profit before tax for the year ended March 31, 2021 stood at ₹ 14,815 crore.

The profit numbers for the year ended March 31, 2021 are not comparable with that of the previous year. In the previous year, the Corporation had recorded a fair value gain consequent to the merger of GRUH Finance Limited (GRUH) with Bandhan Bank Limited amounting to ₹ 9,020 crore.

The profit numbers are also not comparable due the profit on sale of investments which was lower at ₹ 1,398 crore during the year compared to ₹ 3,524 crore in the previous year.

Further, dividend income received during the year was lower at ₹ 734 crore (no dividends were received from HDFC Bank Limited and HDFC Life Insurance Company Limited) as compared to ₹ 1,081 crore in the previous year. In the first half of the year under review, the regulators for banks and insurance companies did not permit payment of dividends from the profits pertaining to the financial year ended March 31, 2020 owing to uncertainties due to COVID-19.

To facilitate a like-for-like comparison of the financials, after adjusting for profit on sale of investments, dividend, fair value adjustments, income on assigned loans, charge for employee stock options and provisions, the adjusted profit before tax for the year ended March 31, 2021 stood at ₹ 13,823 crore compared to ₹ 11,586 crore in the previous year, representing a growth of 19%.

After providing for tax of ₹ 2,788 crore, the reported profit after tax for the year ended March 31, 2021 stood at ₹ 12,027 crore.

Total comprehensive income for the year ended March 31, 2021 stood at ₹ 13,762 crore.

DIVIDEND

The Corporation did not declare interim dividend during the year ended March 31, 2021.

The Board of Directors reviewed the performance of the Corporation and after assessing the financial performance of the Corporation, its liquidity position and capital buffers, recommended a dividend for the year ended March 31, 2021 of ₹ 23 per equity share of ₹ 2 each compared to ₹ 21 per equity in the previous year.

The dividend pay-out ratio is 34.5%.

LENDING OPERATIONS

The demand for home loans continued to remain strong owing to low interest rates, softer property prices, concessional stamp duty rates in certain states and continued fiscal incentives on home loans.

During the quarter ended March 31, 2021, individual loan disbursements grew by 60% over the corresponding quarter of the previous year. The month of March 2021 witnessed the highest levels in terms individual receipts, approvals and disbursements. Growth in home loans was seen in both, the affordable housing segment as well as high-end properties.

Individual disbursements in the first half of the financial year was 35% lower compared to the corresponding period in the previous year. This was on account of the strict national lockdown that was imposed up to early June 2020. In the second half of the financial year, individual disbursements were 42% higher compared to the corresponding period in the previous year. Consequently, during the year ended March 31, 2021, individual loan disbursements reported a growth of 3% compared to the previous year.

The pandemic has given a strong fillip to various digital initiatives offered by the Corporation. Approximately 81% of new borrowers opted for the digital mode.

Affordable Housing

During the year ended March 31, 2021, 33% of home loans approved in volume terms and 16% in value terms were to customers from the Economically Weaker Section (EWS) and Low Income Groups (LIG).

The average home loan to the EWS and LIG segment stood at ₹ 10.8 lac and ₹ 18.6 lac respectively.

The Corporation continued to have the largest number of home loan customers of approximately 2.3 lac who have availed benefits under the Credit Linked Subsidy Scheme (CLSS). As at March 31, 2021, cumulative loans disbursed by the Corporation under CLSS stood at ₹ 39,333 crore and the cumulative subsidy amount stood at ₹ 5,211 crore.

Overall Lending Operations

The average size of individual loans disbursed during the year ended March 31, 2021 stood at ₹ 29.5 lac compared to ₹ 27.0 lac in the previous year. There was an uptick in the average ticket size during the quarter ended March 31, 2021 to ₹ 31.4 lac, attributable to the demand for higher end properties, especially in the metro cities.

As at March 31, 2021, the loans on an assets under management (AUM) basis stood at ₹ 5,69,894 crore as against ₹ 5,16,773 crore in the previous year.

As at March 31, 2021, individual loans comprise 77% of the Assets Under Management (AUM).

As at March 31, 2021, the individual loan book on an AUM basis grew 12% and the non-individual loan book grew by 4%. The growth in the total AUM was 10%.

Loans sold in the preceding 12 months amounted to ₹ 18,980 crore (PY: ₹ 24,127 crore).

As at March 31, 2021, the outstanding amount in respect of individual loans sold was ₹ 71,421 crore. HDFC continues to service these loans.

The growth in the individual loan book, after adding back loans sold in the preceding 12 months was 19%. The growth in the total loan book after adding back loans sold was 15%.

Collections, Non-Performing Assets (NPAs) & Provisioning

Overall collection efficiency ratios for individual loans have improved, nearing pre-COVID levels. The collection efficiency for individual loans in the month of March 2021 stood at 98.0% compared to 96.3% in the month of September 2020.

As per regulatory norms, the gross non-performing loans as at March 31, 2021 stood at ₹ 9,759 crore. This is equivalent to 1.98% of the loan portfolio.

The non-performing loans of the individual portfolio stood at 0.99% while that of the non-individual portfolio stood at 4.77%.

As per regulatory norms, the Corporation is required to carry a total provision of ₹ 5,491 crore. The regulatory provisioning for non-performing loans is determined solely on the period of default.

The provisions as at March 31, 2021 stood at ₹ 13,025 crore. The provisions carried as a percentage of the Exposure at Default (EAD) is equivalent to 2.62%.

The Corporation's Expected Credit Loss charged to the Statement of Profit and Loss for the year ended March 31, 2021 stood at ₹ 2,948 crore.

NET INTEREST INCOME

The pure NII for the year ended March 31, 2021 stood at ₹ 15,172 crore compared to ₹ 12,904 crore in the previous year, representing a growth of 18%.

The NII for the quarter ended March 31, 2021 stood at ₹ 4,065 crore compared to ₹ 3,564 crore in the previous year, representing a growth of 14%.

Inclusive of fees and income from assigned loans, the NII for the quarter ended March 31, 2021 stood at ₹ 4,532 crore compared to ₹ 3,846 crore in the previous year, representing a growth of 18%.

SPREAD AND MARGIN

The spread on loans over the cost of borrowings for the year ended March 31, 2021 was 2.29%. The spread on the individual loan book was 1.93% and on the non-individual book was 3.22%.

Net Interest Margin for the year ended March 31, 2021 stood at 3.5%.

COST INCOME RATIO

For the year ended March 31, 2021, cost to income ratio stood at 7.7% compared to 9.0% in the previous year. The reduction in the cost to income ratio during the year is attributed to COVID-19 induced lockdowns and restrictions, thus leading to lower expenses incurred on travel and conveyance, electricity charges and digitalisation initiatives have reduced expenses such as printing, stationary and postage charges.

INVESTMENTS

All investments in the Corporation's subsidiary and associate companies are carried at cost and not at fair value.

Accordingly, as at March 31, 2021, the unaccounted gains on listed investments in subsidiary and associate companies amounted to ₹ 2,61,590 crore.

CAPITAL ADEQUACY RATIO

The Corporation's capital adequacy ratio stood at 22.2%, of which Tier I capital was 21.5% and Tier II capital was 0.7%. As per the regulatory norms, the minimum requirement for the capital adequacy ratio and Tier I capital is 14% and 10% respectively.

CORPORATE SOCIAL RESPONSIBILITY

During the year, the Corporation's CSR activities focused primarily on COVID-19 relief, healthcare and sanitation, education and livelihoods. The total CSR spend stood at ₹190 crore.

CONSOLIDATED FINANCIAL RESULTS

For the quarter ended ended March 31, 2021, the consolidated profit after tax stood at ₹ 5,669 crore compared to ₹ 4,342 crore in the corresponding quarter of the previous year, reflecting a growth of 31%.

The profit attributable to the Corporation for the quarter ended March 31, 2021 stood at ₹ 5,350 crore compared to ₹ 4,116 crore in corresponding quarter of the previous year, reflecting a growth of 30%.

The profit attributable to the Corporation for the year ended March 31, 2021 stood at ₹ 18,740 crore.

DISTRIBUTION NETWORK

HDFC's distribution network spans 593 outlets which include 203 offices of HDFC's distribution company, HDFC Sales Private Limited (HSPL). HDFC covers additional locations through its outreach programmes. Distribution channels form an integral part of the distribution network with home loans being distributed through HSPL, HDFC Bank Limited and third party direct selling associates. The Corporation also has online digital platforms for loans and deposits.

To cater to non-resident Indians, HDFC has offices in London, Dubai and Singapore and service associates in the Middle East.

IMPACT OF COVID-19

As of date, unlike in the previous wave of infections, there is no national lockdown stipulated by the central government. Instead, the strategy of micro-containment zones has been adopted and various state/local governments have announced lockdowns or restrictions of varying degrees. Accordingly, some offices of the Corporation are presently closed or working on revised timings in accordance with extant guidelines. Customers, however, are continuing to be served through the online platforms of the Corporation.

In locations where offices are open, the necessary hygiene protocols, safety precautions and social distancing requirements are being followed. Where mandated, staff work in office on a rotational basis and in accordance with extant regulations.

Various schemes and regulatory forbearances have been put in place by the government and the RBI to facilitate revival of real sector activities and mitigate the impact on customers.

As at March 31, 2021, ₹ 4,479 crore is being restructured under the RBI's Resolution Framework for COVID-19 Related Stress. This is 0.8% of AUM. Of the loans being restructured, 27% are individual loans and 73% non-individual loans. The largest account under the resolution framework accounted for 0.5% of AUM.

Cumulative COVID-19 provision as at March 31, 2021 stood at ₹ 844 crore.

The Corporation has gradually unwound its high liquidity levels as seen in the previous quarter. The average daily balance in liquid funds during the quarter ended March 31, 2021 was ₹ 15,700 crore compared to ₹ 16,800 crore in the previous quarter.

With various liquidity measures taken by the RBI, the Corporation is maintaining comfortable liquidity levels, whilst also endeavouring to minimise negative carry.

The Corporation has continued to raise resources from a diversified base.

May 7, 2021