

Press Release

STANDALONE & CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER ENDED JUNE 30, 2021

PERFORMANCE HIGHLIGHTS

- **Profit After Tax for the quarter ended June 30, 2021 stood at ₹ 3,001 crore**
- **22% growth in individual loans (after adding back loans sold in the preceding 12 months)**
- **Sharp pick up in disbursements in the month of July 21, which was the highest ever in a non-quarter month**
- **22% growth in Net Interest Income**
- **Spreads at 2.29%; Net Interest Margin at 3.7%**
- **Capital Adequacy at 22.0%; Tier 1 Capital at 21.3%**
- **39% increase in the consolidated Profit After Tax attributable to the Corporation for the quarter ended June 30, 2021 at ₹ 5,041 crore**

The Board of Directors of Housing Development Finance Corporation Limited (HDFC) announced its unaudited financial results for the quarter ended June 30, 2021 at its meeting held on Monday, August 2, 2021 in Mumbai. The accounts have been subjected to a limited review by the Corporation's statutory auditors in line with the regulatory guidelines.

The quarter ended June 30, 2021 witnessed the eruption of a second wave of COVID-19 in India. There was a sharp increase in infections and morbidities during the second wave compared to the first wave of the pandemic. A significant part of the quarter ended June 30, 2021 entailed localised lockdowns and restrictions. The second wave, however, was less disruptive compared to the corresponding quarter of the previous year where there

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was a national lockdown. In addition, there now is a significant increase in the usage of digital platforms to conduct business.

FINANCIAL RESULTS

The profit before tax for the quarter ended June 30, 2021 stood at ₹ 3,905 crore compared to ₹ 3,607 crore in the previous year.

During the quarter ended June, 30, 2021, the growth in Net Interest Income was healthy at 22%.

The profit numbers for the quarter ended June 30, 2021, however, are not directly comparable with that of the previous year for the following reasons:

- Profit on Sale of Investments: ₹ 263 crore (PY: ₹ 1,241 crore)
- Dividend: ₹ 16 crore (PY: ₹ 298 crore)
- Charge for employee stock options: ₹ 146 crore (PY: ₹ 1 crore)
- Effective tax rate of 23.1% (PY: 15.4%). In the previous year, the tax on capital gains on sale of equity shares was low on account of grand fathering provisions as per the Income Tax Act, 1961.

After providing ₹ 904 crore for tax, the reported profit after tax stood at ₹ 3,001 crore.




LENDING OPERATIONS

During the quarter ended June 30, 2021, individual loan disbursements grew 181% over the corresponding quarter of the previous year. Growth in home loans was seen in both, the affordable housing segment and high end properties. There was a preference for ready to move in properties compared to under construction properties.

The demand for home loans continues to remain strong and disbursements have picked up with the unlocking of respective locations. While disbursements during April and May of the current financial year were somewhat impacted, business has reverted to normalised trends in the months of June and July.

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

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Disbursements between April to July 2021 i.e. four months were 108% of the disbursement levels achieved during the first six months of the previous year.

During the quarter ended June 30, 2021, 88% of new loan applications were received through digital channels.

Affordable Housing

During the quarter ended June 30, 2021, 33% of home loans approved in volume terms and 14% in value terms have been 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 ₹ 11.1 lac and ₹ 19.3 lac respectively.

Overall Lending Operations

The average size of individual loans stood at ₹ 30.9 lac (compared to ₹ 29.5 lac in FY21).

As at June 30, 2021, the assets under management stood at ₹ 5,74,136 crore as against ₹ 5,31,186 crore in the previous year.

As at June 30, 2021, individual loans comprise 78% of the Assets Under Management (AUM).

On an AUM basis, the growth in the individual loan book was 14% and growth in the total loan book was 8%.

During the quarter ended June 30, 2021, the Corporation assigned loans amounting to ₹ 5,489 crore (PY: ₹ 1,376 crore) to HDFC Bank. Loans sold in the preceding 12 months amounted to ₹ 23,093 crore (PY: ₹ 18,273 crore).

As at June 30, 2021, the outstanding amount in respect of individual loans sold was ₹ 73,471 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 22%. The growth in the total loan book after adding back loans sold was 12%.

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Collection Efficiency, Non-Performing Assets (NPAs) & Provisioning

The overall collection efficiency ratio for individual loans has improved during the month of June 21 to pre-COVID levels. The collection efficiency for individual loans on a cumulative basis in June 2021 stood at 98.3% compared to 98.0% in March 2021.

Individual NPAs increased due to slippages on account of the impact of the second wave of the pandemic. Collection efforts were hindered due to the recovery teams being unable to do field visits during the lockdown period.

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

As per regulatory norms, the gross non-performing loans as at June 30, 2021 stood at ₹ 11,120 crore. This is equivalent to 2.24% of the loan portfolio.

As per regulatory norms, the Corporation is required to carry a total provision of ₹ 5,778 crore. Of this, ₹ 2,443 crore is towards provisioning for standard assets and ₹ 3,335 crore is towards non-performing assets.

The provisions as at June 30, 2021 stood at ₹ 13,189 crore. The provisions carried as a percentage of the Exposure at Default (EAD) is equivalent to 2.64%.




The Corporation's Expected Credit Loss charged to the Statement of Profit and Loss for the quarter ended June 30, 2021 was at ₹ 686 crore (PY: ₹ 1,199 crore).

Net Interest Income

The net interest income (NII) for the quarter ended June 30, 2021 stood at ₹ 4,147 crore compared to ₹ 3,392 crore in the previous year, representing a growth of 22%.

Inclusive of income from assigned loans, the NII for the quarter ended June 30, 2021 stood at ₹ 4,414 crore compared to ₹ 3,576 crore in the previous year, representing a growth of 23%.

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Spreads and Net Interest Margin

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

The reported Net Interest Margin (NIM) was 3.7%.

INVESTMENTS

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

Accordingly, as at June 30, 2021, the unaccounted gains on listed investments in subsidiary and associate companies amounted to ₹ 2,61,068 crore.

COST INCOME RATIO

For the quarter ended June 30, 2021, cost to income ratio stood at 8.0% compared to 9.0% in the previous year.

CAPITAL ADEQUACY RATIO

As of date, the Corporation's capital adequacy ratio stood at 22.0%, of which Tier I capital was 21.3% 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 15% and 10% respectively.

CONSOLIDATED FINANCIAL RESULTS

For the quarter ended June 30, 2021, the consolidated profit after tax stood at ₹ 5,311 crore as compared to ₹ 4,059 crore in the previous year, representing a growth of 31%.

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For the quarter ended June 30, 2021, the consolidated profit after tax attributable to the Corporation stood at ₹ 5,041 crore as compared to ₹ 3,614 crore in the previous year, representing a growth of 39%.

DISTRIBUTION NETWORK

HDFC's distribution network spans 603 outlets which include 202 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

In continuation with the former updates detailing the impact of COVID-19 on the business, all offices of the Corporation are open for business and are following the necessary hygiene protocols, safety precautions and social distancing requirements. Where mandated, staff continue to work in office on a rotational basis and in accordance with extant regulations.

The Corporation has organised various vaccination camps and tie ups with various hospitals to help the staff and their families get vaccinated. As at June 30, 2021, 85% of the staff had taken at least one dose of the vaccine.

The demand for housing continues to remain strong and business has reverted to normalcy in the months of June and July 2021. The key risks to business remains a third wave and variants of the virus.

As at June 30, 2021, ₹ 4,482 crore has been restructured under the RBI's Resolution Framework for COVID-19 Related Stress (OTR 1& 2.0). This is equivalent to 0.9% of the loan book. Of the loans restructured, 38% are individual loans and 62% non-individual loans. Of the total restructured loans, 62% is in respect of just one account.

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Cumulative COVID-19 provision as at June 30, 2021 was ₹ 1,017 crore.

The Corporation stands comfortable on liquidity. The average daily balance in liquid funds during the quarter ended June 30, 2021 was ₹ 15,200 crore, lower than ₹ 32,000 crore in the corresponding quarter of the previous year, thus reducing the negative carry.

The Corporation has continued to raise resources from a diversified base. Outstanding deposits as at June 30, 2021 stood at ₹ 1,53,704 crore and continued to form a major source of funding during the year. The online deposits platform has been very well received by both, customers and deposit agents.

The Corporation committed an initial amount of ₹ 40 crore from its Corporate Social Responsibility (CSR) budget towards COVID-19 second wave relief measures. Key focus areas include development of long-term health infrastructure, supporting children in distress as a result of COVID-19 and provision of food and rations for frontline healthcare workers, amongst others.

August 2, 2021

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