

HDFC Bank Concall

Q4 Earnings Call Highlights

Big Thanks to Health service workers, they are the one's doing a lot!

Covid 19 phone line there for workers. Branches remain opens for customers, 95% operational for people for some services. Mobile ATMs in 5 cities, 13000 ATMs are open in cities. Encouraged customers to do online transactions.

HDFC Bank says saw inflow of 80,000 crore of deposits from Jan to March! Largest deposit growth in 25 year history!

LCR at 132%. Focus on deposits and new

CAR at 18.5%, 7.4% more than the regulatory minimum of 11.08%

PCR at 142% including all types of reserves so that no shocks affect the bank.

NIM 10 year average of 4.1%-4.3%

Excess liquidity affected NIM by 10 basis points

Card spends - March was lower by 21%, H2 of March lower by 35% (compared to average of Jan and Feb)

Collections - In H2 of March, 100 cr of recoveries were impacted.

OpEx – 8278 Cr, increase of 16.3%, 313 banking outlets added, 71 during quarter, 1400 atms , 5379 business correspondent added during year, 2990 employees added in quarter. 250 branches are in stages of opening.

Cost to Income Ratio at 39%, stable range.

Asset Quality – Moratorium of 3 months March 1 2020 to May 1 2020 to all eligible borrowers even if overdue on Feb 29. 2020. The asset qualification for such will remain standard (the days past due will not count moratorium period).

Provisions – 1918 cr specific loan loss provisions, total provisions 3784 cr. 1457 cr COVID contingent provision. No technical writes off.

Credit costs Ratio – 77 basis points of advances as against 92 basis points (YoY). 151 basis points including Covid Impact.

CASA at 42.2%.

Credit deposit ratio at 87% against 89% (YoY).

Retail advances up by 14.8%, 2.7% (YoY, QoQ)

Credit Cards - 14.5 million credit cards, 1.8 million merchant acceptance points.

Management says “We are absolutely not chasing growth!”

Growth came from - Corporate banking business done with PSU, nodal agencies, Pvt Companies. Also broad based growth from power and power infra, agri and allied, consumer discretionary. PSL on lending, securitization, direct assignment also done by bank. Purpose for which corporates borrowed in this quarter (top 20 by value), 49% was during working capital, 23% capital expenditure, 17% for acquisition of assets, 9.3% towards on lending of PSL and 10% of other reasons such as liquidity. Bank did not lower risk threshold at all while lending to these purposes. 92% of the incremental book came from top 30% of rating scale.

Outlook – Flight to safety on liabilities (better borrowers will come to them for stable funding supply), growth rate will be higher than market. WE expect several large corporates to conserve cash.

Retail Portfolio – We still give 10 second loans, but risk has been brought down to an extremely low level. Probability of default is rather small. 80% of unsecured portfolio is to salaried individuals and 20% to self-employed. 2/3rd of salaried base is good salaried, the other 1/3rd 9 basis points delinquency level away from other category. Self-employed segment – greater impact due to COVID. Disruption in cash flow and some people will find it difficult to make payment.

Internal Rating system of 1 to 10 (10 being riskiest) – We would not on-board anyone who came in rating with lower than 7.

SME Segment – portfolio is collateralized 77% belonging to promoters to whom they have lent. They are either residential or commercial. 3 scenarios in this -

Strong stress scenario – 9% of portfolio will be vulnerable / difficult to honour obligations. This is without taking into account any concessions/moratorium/DPD. What may slip is 0.5%.

Retail - 95% of customers are non-overdue customers. Even from survey, very few customers (in single digit percentages) were trying to avail moratorium.

Credit tightening measures in Retail for Credit scoring – Every portfolio product, every product was filtered. From 1 years itself, bank started tightening measures due to some indicators in economy. That’s why bank was prepared going into the crisis.

HDB Financial Services – AUM growth 6%, no opportunity to grow even though March traditionally is strong. Also created contingent provision. HDBFS financial results were approved before RBI moratorium yesterday.

Retail will take some time to build its momentum.

LTRO 2.0 – assessing the same whether to participate or not.