

## Housing Development Finance Corporation Limited

April 07, 2022

### Ratings

| Facilities/Instruments                  | Amount<br>(Rs crore)   | Rating  |
|---|--|---|
| Issuer Rating <sup>^</sup>              | -  | CARE AAA (Is); Stable<br>(Triple A (Issuer Rating); Outlook:<br>Stable) |
| Long-term/Short-term Bank<br>Facilities | 1,30,000.00  | CARE AAA; Stable/CARE A1+<br>(Triple A; Outlook: Stable/A One Plus)     |
| <b>Total Bank Facilities</b>            | <b>1,30,000.00</b><br><b>(Rs. One lakh thirty thousand crore only)</b> |   |
| Commercial Paper                        | 75,000.00  | CARE A1+<br>(A One Plus)  |
| <b>Total Short-term Instruments</b>     | <b>75,000.00</b><br><b>(Rs. Seventy-five thousand crore only)</b>      |   |

<sup>^</sup>The rating is subject to the company maintaining overall gearing below 9x times

### Material event update

HDFC Bank Limited (HBL; rated 'CARE AAA; Stable') and Housing Development Finance Corporation Limited (HDFC), vide announcement to the stock exchanges on April 04, 2022, have informed that their respective Boards of Directors have approved a 'composite scheme of amalgamation' for the amalgamation of: (i) HDFC Investments Limited and HDFC Holdings Limited with and into HDFC; and (ii) HDFC into HBL; and their respective shareholders and creditors.

The amalgamation would be through exchange of share at an exchange ratio of 42 equity shares of face value of Re.1 each of HBL, for every 25 equity shares of face value of Rs.2 each of HDFC. As a result of the merger, upon the scheme becoming effective, HBL will be 100% owned by public shareholders and the existing shareholders of HDFC will own 41% of HBL.

The merger is subject to approval from creditors and regulatory approvals including approval from the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI), stock exchanges, the Competition Commission of India (CCI), and the National Company Law Tribunal (NCLT), and is expected to be completed by Q2/Q3 of FY24.

HBL is the second-largest bank in the country, with advances of over Rs.12.7 lakh crore as on December 31, 2021. The merged entity will have combined advances of over Rs.18 lakh crore and net worth of over Rs.3 lakh crore on pro forma basis. HDFC is the largest housing finance company in India, with a pan-India distribution network comprising 651 outlets with 79% of the portfolio (as on December 31, 2021) constituting individual home loans. The merger will increase the geographical reach of the bank, improve the proportion of secured loans, and make the advances profile more granular and diversified. HBL has the advantage of low-cost funding due to a strong Current Asset Savings Account (CASA) deposit base, which on merger, will help become more competitive in the home loan segment.

CARE Ratings Limited has taken cognisance of the above developments and does not expect any negative impact on the credit profile of both the entities.

HDFC reported a profit-after-tax (PAT) of Rs.10,042 crore on total income of Rs.35,682 crore for the nine months ended December 31, 2021 as against a PAT of Rs.8,847 crore on total income of Rs.36,468 crore (includes profit on sales of investment of Rs.1,398 crore) in the corresponding period of the previous year, registering a PAT growth of 13.51%. HDFCs return on total assets (ROTA) for 9MFY22 was 2.25%. It reported a capital adequacy ratio (CAR) of 22.4%, as on December 31, 2021 (March 31, 2021: 22.2%), with Tier-I CAR being 21.7% (March 31, 2021: 21.5%). As on December 31, 2021, HDFC's gearing levels stood comfortable, at 4.24x (March 31, 2021: 4.13x). HDFC reported NPLs at 2.32%, as on December 31, 2021.

Both, HBL and HDFC, continue to report strong financial performance, in terms of growth in business as well as overall profitability. The solvency positions also remain comfortable, as the total CAR and Tier-I CAR continue to be well above the respective regulatory requirements.

For the detailed press release of HDFC, please [click here](#).

### About the Company

HDFC was incorporated in 1977 as the first mortgage finance company in India. With over four decades of successful operations, HDFC offers a whole gamut of products, such as loans to individuals, loans to corporates, construction finance, and lease rental discounting. The financial conglomerate has subsidiaries and associates in insurance (general and life), asset management, education finance, venture funds, and banking services. The company had presence through 651 outlets (including 206 offices of its distribution subsidiary – HDFC Sales Private Limited), as on December 31, 2021. In addition, HDFC covers several locations through outreach programmes. Distribution channels form an integral part of the distribution network, with home loans being distributed through HDFC Sales Pvt Ltd, HDFC Bank Ltd, and third-party DSAs.

| Brief financials as per Ind AS (Rs. crore) | FY20 (A) | FY21 (A) | 9MFY22 (UA) |
|--|----------|----------|-------------|
| Total Income                               | 58,763*  | 48,176   | 35,682      |
| Reported PAT                               | 17,770*  | 12,027   | 10,042      |
| Total Assets                               | 5,24,094 | 5,67,599 | 6,23,420    |
| GNPA (%)                                   | 1.99     | 1.98     | 2.32**      |
| ROTA (%)                                   | 3.62     | 2.20     | 2.25        |

A: Audited

\*Includes fair value gain of Rs.9,020 crore and profit on sale of investment worth Rs.3,524 crore on the amalgamation of Gruh Finance with Bandhan Bank.

\*\*Prior period NPLs are not comparable due to the change in asset classification norms by the RBI in November 2021.

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### About CARE Ratings Limited:

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