



“HDFC Bank Limited  
Q3 FY '26 Earnings Conference Call”  
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**Moderator:** Ladies and gentlemen, good day, and welcome to HDFC Bank Limited Q3 FY '26 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Srinivasan Vaidyanathan, Chief Financial Officer, HDFC Bank. Thank you, and over to Mr. Vaidyanathan.

**Srinivasan Vaidyanathan:** Okay. Thank you, Nirav. Good evening, and a warm welcome to all the participants. At the outset, I know that it's 6:15, 15 minutes behind schedule. We had another meeting we had to conclude and come. Apologies for that, but we'll take as many questions as possible and extend where required.

With that, without much ado, we'll straight go into the opening remarks by our CEO and MD. And we have our DMD Kaizad, any comments we'll take, and we'll go straight to Q&A after that.

Sashi, over to you first, and then we'll take it from there.

**Sashidhar Jagdishan:** Good evening, friends. Thank you very much for joining in on a Saturday evening. I know it's rather late, but always appreciate your being here on a Saturday evening. I think we've just sort of declared the results, and you probably would have seen the financial numbers. We're reasonably sanguine and happy about the outcome that has happened. It's in line with our expectations.

Looking back, I think the credit growth buildup has been extremely encouraging. We set our sights on a very balanced credit across customer segments. The easing rate cycle and the benign credit has provided catalysts for the credit growth. The CRR release enabled credit deployment slightly ahead of our expectations.

As regards to funding, the funding through deposits, we continue to maintain rate discipline, and that has been extremely key. Core individual retail customer segments were seen to be quite strong. For both current and savings, having focused on granular segments have given us encouraging outcomes. And more of this, I'm sure Srini will sort of give the numbers. We did, however, fall short of our strong ambitions, but we are confident that continued focus on our strengths will bring the expected outcomes.

On the growth, profitable growth, as mentioned earlier, cost of funds has moved down, reflecting the tailwind effects. CASA growth has been positive. Cost has been under control as productivity improvements have brought in efficiencies. Credit, which has always been our USP, remains best-in-class, allowing us to deliver stable returns as we pivot to the next stage of growth.

Looking ahead, the regulator and government continue to be focused on supporting economic and credit growth, and at the same time, optimally managing external factors. During the quarter, availability of liquidity was impacted due to some of these. We saw enhanced activity in open market operations and FX swaps to combat some of these challenges.

India has demonstrated stable political conditions and consistent policy regime. This has led to [India] being one of the fastest-growing major economies in the world. Growth with subdued

inflation management was at the top of the order, and hence, we believe and we are very optimistic about outpacing loan growth in the coming year in FY '27, as we had sort of mentioned to you all along for the last 18 months.

Liquidity and benign credit costs provide us a lot of runway to grow. Overall, liquidity in the country is expected to stabilize post trade deals. The foundations are in place to build deposits to fund loan growth. We continue to expand our customer base. We are now intensifying customer engagement primarily and largely focused on granular mobilizations. We are aligning pricing with segmented approach, and we shall see that in the coming quarters as well.

There's been a lot of talk on the CD ratio. We did sort of drop our CD ratio significantly since the merger to March '25. As you know, the kind of indicator is not necessarily on the radar from a regulatory perspective. Having said that, we believe that our glide path to lowering of CD ratio will continue. It's an important focus for sustainable profitability. I completely acknowledge. The easing cycle with credit growth focus in the country surely needs our participation. So the speed of CD ratio movement depends on how we are able to provide funding in the system at rational rates. But having said that, we're very confident that whatever we seem to have committed in the last 2 years, I think by March, I think we should see and by March '26 and '27, we should sort of achieve most of the committed metrics that we have laid out for.

I would like to say that under the current scenario, we don't think that we shall be constrained by the CD ratio. To reiterate, we are confident that it will be on a downward glide path. I would also like to reiterate that we shall meet the glide path that we had indicated earlier in terms of the growth, our top line growth, which is in line with the system this financial year and faster than the system in the next financial year.

In summary, I have a great appreciation for our customers for partnering with us, and I have the greatest gratitude to all our 200,000 staff who are pillars making this place work successfully. We are confident of the path forward that we have set for ourselves.

Thank you very much, and we have all of us here, Kaizad, Srini, and the team here to take on any questions that you may have. Thank you.

**Moderator:**

Thank you very much. We now begin with the question-and-answer session. First question is from the line of Mahrukh Adajania.

**Mahrukh Adajania:**

Sir, my first question is on the LDR. You did allude to it. But when do you think now you would reach an LDR, say, close to 90% or below 90%, like any time frame? So that's my first question. And my second question really is on agri compliance.

So two large banks have been asked by RBI to make provisions on a certain agri portfolio because of non-compliance issues, provisions of 12 billion to 13 billion. So, as we stand today in terms of your agri portfolio, do you think there is full compliance or there could be some issues somewhere given that it's a large portfolio, it's spread out across the country? And do you think you would be liable to such provisions in the future?

**Srinivasan Vaidyanathan:** Okay. Thank you, Mahrukh. I'll take that. The first thing you touched upon is the LDR from a timing point of view. I think Sashi alluded to that we are committed on the glide path of taking it towards the downward glide path, and we continue to be in that. But on a quarter-to-quarter basis, it is slightly different. And that's because of the seasonality and the opportunity. And you know that in the recent time period, the further opportunity was also provided with the easing cycle and the credit growth focus in the industry as well as the CRR release, which provided that ample opportunity to do that.

So given that, we do expect that over the next 1 year to 2 years, we would be getting down further into the levels that we had previously been there, call it, the 90s or low 90s and so on. And that's the level of confidence we have and the pillars that are required to drive that are in place to do that. That's one.

The second one is in terms of the agri that you asked about, the regulatory kind of impact, if any. Our regulatory inspection is also complete. And whatever required according to the regulatory requirement, there was about 5 billion or so thereabouts, which have been taken. In the overall context of our book and our results, if you see, they have been absorbed within that, and there is no special and we have had certain other things that were there. And so in future, we need to operate in a model that is acceptable with the regulator. Whatever is that that's an ongoing process of what we do. Any one-time is already subsumed and it is there.

And as far as the calibration that we need to do on the agri consequent to those kind of things, recalibration of our book due to the scale of finance, so that what is indeed an agri and what is outside of the scale of finance, scale of finance is the one that determines how much is required for the farm and how much of that is over and above the farm requirement by the farmer. Those evaluations we will take and go through that process to calibrate that. That's in terms of the future impact on that.

**Mahrukh Adajania:** But did the 5 billion come this quarter only then?

**Srinivasan Vaidyanathan:** Yes, it is already subsumed in December.

**Mahrukh Adajania:** In December. Okay. And what would be the size of the portfolio? Any such indication you could give?

**Srinivasan Vaidyanathan:** Our agri portfolio is published. You'll be able to see the...

**Mahrukh Adajania:** No, the size of the portfolio on which the provision was taken.

**Srinivasan Vaidyanathan:** No, that's not consequent to this at all because it depends on loan item and what is the scale of finance on each one and so on. But at an aggregate level, that's the kind of level.

**Moderator:** Next question is from the line of Kunal Shah from Citigroup.

**Kunal Shah:** Yes. So again, getting on to the question on LDR and deposit growth in particular. So if we want to get the LDRs down and still want to grow loans above the industry average comfortably, then we need to see the acceleration in the deposit growth. And you said like pillars which are required

are very much in place. So, any reason maybe for a slightly slower deposit growth this quarter? Otherwise, we will need like almost 500, 600 basis points higher than the industry average deposit growth now to get the LDRs down. And any rundown in the bulk deposits, which have been there in this quarter? And if you can quantify that?

**Sashidhar Jagdishan:**

See, let me take this and maybe Srin and Kaizad can add into this if required. Kunal, if you recall, we gave a broad range. Number 1 is there is no regulatory, what shall I say, benchmark or a requirement to meet a loan deposit ratio.

Was it there as a bit of a nudge when the outlook was negative or when the system outlook was a little tight, liquidity is tight in the period when inflation was moving up and rates were moving up and there was a little bit of a concern on the credit quality of the system?

There were certain preventive measures that the regulator had said that try and ensure that you bring down the LDR or maintain a certain stability in LDR. That was at that point in time. Whether there is a number that you need to meet, I don't think there is any compulsion. But in our own interest, we had given a kind of a glide path wherein we had said that we will come to a certain number in FY '25, which we achieved. We said we will try and be in a range of somewhere between 90% to 96% in the year FY '26, which is what we will be is what we are very confident about.

And then maybe by FY '27, by the natural growth and even with the growth in the way we are expecting in terms of faster growth rate, I think we should land somewhere around the 85% to 90% for FY '27. We continue to believe that this is going to be there. It's not an easy thing, as we have said, of course, but we know what are the strategies we need to do. There were certain tactical measures we could have taken in the third quarter. We chose not to, but that's all right. I mean these are sometimes learnings we probably may have missed, but we know what are the things to be done to bring about these kind of meeting our glide paths that we have committed in the broader sense on a medium- to longer term basis.

So as regards the kind of deposit growth that is required, I think the pace at which we are growing deposits in line with the top line growth that is more or less matching 11 plus percentage in this year and probably slightly faster, which is what we normally do in the fourth quarter like what we have done in the past should lead us to the kind of range that we have committed to. And we are very confident that one as we have a clear cut, as I said, all things remaining same with whatever we are seeing in the macro, we should believe that the growth runway opportunities for growth and hence in the deposit requirements other than certain events that may happen, which you and I will not be able to predict now. We are reasonably confident that we will land -- and as Srin mentioned, don't look at quarter-to-quarter movements. You look at on an annual basis or on a medium-to long term basis, the trends will be in that kind of period. So I think the inflection has started. We had to contain ourselves in FY '25 for all the right reasons. I think now we are opening up, the engine is opening up and you will start to see this kind of a consistency in the trajectory that we have laid out for ourselves.

**Srinivasan Vaidyanathan:** Thank you, Sashi.

**Kunal Shah:** Sure. And anything on bulk deposits rundown, quantification, if possible?

**Srinivasan Vaidyanathan:** Like more than quantification. I mean, Kunal, that's part of the business. There are certain segments that we patronize. I think Sashi mentioned about where rate discipline has been the key. And to some extent, we participate for relationships and certain extent we don't need it, we don't go there.

But on the whole, if you look at the retail or non-retail - retail there are individuals in retail, which have been phenomenally growing and growing. There are certain non-individuals in retail, which is branch related, it could be institutions, trust and HUFs and what not. Examples of some non-individual, but branch related, where we have had some lower levels of growth. And there are certain other customer segments which we have seen, particularly capital market segments where it has been low, where we have not paid rates as much as what the market has demanded or what the competition has offered. And that is what you see that is reflected in our cost of funds.

If you look at our cost of funds is down by about 10 basis points, 11 basis points or so in the quarter. So we're trying to manage growth with the profitability and that is what you are seeing, right? So segment to segment, time to time it changes, but at least you've got a color of how we operated in the recent time period.

**Sashidhar Jagdishan:** So you're right, Kunal. Just to supplement what Srini is saying. The good part is retail has grown very steadily and all these are the granular ones. I'm very happy with that. In the non-retail, tactically we did not sort of offer the kind of market rates that were there. And we said it's all right because we did sort of know for the kind of growth that we needed, that is good enough.

**Kunal Shah:** Got it. And one last question on labor code. So the impact of almost 8-odd billion, looking at our employee cost and then comparing maybe the labor code impact vis-a-vis the employee cost for others. For us, it seems to be relatively on the higher side, more than 10% of the employee cost, not so much for the other banks. So is this more of an estimation which has been done and what would be the recurring impact which would be there on the cost as such?

**Srinivasan Vaidyanathan:** Good point. Thanks for raising that. One, it is an estimate given whatever information that we have. And that estimate is driven through an actuarial process, right? So you go through the normal process of how you do and there is an actuarial valuation and determination of how do you do. Again, there is some signs in that, but it is based on certain assumptions that come. That's the second thing.

The third thing is that variables. When you look at these variables, the definition of what is wage, what are determined to be wage inclusion, exclusion, the rule-making on that is pending. You know that, right? So there are some assumptions that go for one of the variables that go into those assumptions and that is not based on determined rules, that is based on some assumed things. So that's the third thing.

The next item is that individual organizations can be very different because of the longevity of the staff that you see there. So that determines on how long and what is the kind of tenure and so on and so forth, both historical and anticipated. And so many other factors like that go into play.

So at this time, I would just ask you to take it as a higher estimate based on best available information and through a scientific actuarial process that has come. And as and when the rulemaking evolves, as and when more information is available, this will be evolved. And again, I

can't venture to come out with a forward-looking or what impact on an ongoing basis, cannot do at this time. And the reason being that we need to have all of these in place before we can get there. And that is why this is not determined at an employee level to say next month when somebody retires, this is the kind of amount that it can come or what will be the amount determined for a provident fund and so on and so forth. It cannot be determined at this stage. This is a really high level based on this estimate.

**Kunal Shah:** Got it. Thank you. Thanks and all the best.

**Moderator:** Thank you very much. Next question is from the line of Chintan from Autonomous. Please go ahead.

**Chintan:** Hi, good evening. May I get into the LDR again, please? So Sashi, please did I hear you correctly when you said 85% to 90% by FY '27? That seems to be aggressive to me. If I look at consensus numbers, it's expecting 13% loan growth and 93% LDR. If you are going to achieve kind of the 90% in the next fiscal year, that suggests a very strong deposit growth number. And I know you've kind of said that you want to prioritize growth now. So it's not tallying up. So if you could help us in this circle?

**Sashidhar Jagdishan:** Chintan, thanks for asking. I've given you a broad range because I don't want to box myself with a narrow range. But having said that, we have been operating in a range of around the 87%, 88% in the premerger level, before the merger. And so when I say 90%, of course, I would have meant somewhere around the plus or minus in that particular range of 90%, maybe around the 88%, 89%, etcetera or it could be 90% to 91% as well.

But why I mentioned this, at least the trend lines that we are saying, it can be 96% for FY '26 or a 95. We are all right. At least the direction is what we are looking at for. We just gave a broad one so that we know what -- if we are lucky to really step up growth or the liquidity changes and we have more benign liquidity and no FX operations or FX swaps or open market operations, maybe then it will be wonderful.

So that is why I'm saying since I do not know what's going to be the liquidity condition in this, therefore, I gave a broad range. But even if I achieve these kind of directions, directionally going there, that's something that we can achieve. As I said, there is no regulatory number to comply to. It is just a direction that I think we need to achieve for ourselves, let alone the regulator asking us to do. It is something that we believe just by doing what we are supposed to do will lead us to that kind of thing. I don't have to do anything extra to measure that metric. It will happen. So, when we did sort of forecast a faster growth rate for ourselves than the system, as we have seen, we have been having deposit growth rates in line with normally the top line growth, slightly faster than the loan growth. So, estimating that is what we believe where we will land for FY '26 and '27. So don't take it literally that we may be on the lower end of that range. It could be anywhere in that range. Practically speaking, it will be somewhere, if 90% is that range, then somewhere around the 90% is something that we'll be happy with. Similarly, somewhere around the 95% is something that we'll be happy with for FY '26.

**Chintan:** Appreciate that. I mean if you're trading off EPS growth for slightly slower ROA improvement, that's fine. I mean that's not the issue, especially if the opportunity is there in the market. But I just wanted to make sure because we have an occupational hazard to kind of do our due diligence in our model. So I just wanted to get that flexibility that you have highlighted now.

The second question was around asset quality. You've got a unique vantage point, second largest bank in India, could you give us some idea about any pickup in growth momentum, any issues in asset quality, particularly due to the U.S. tariff or in the MSME area? So it's a combination of is growth improving and are there any asset quality concerns more broadly, if not in your book?

**Kaizad Bharucha:** So if I got the question right, you want to know the trend for asset quality and how it is looking. Across segments and even first at the sectoral, you're well aware that the banking industry right now to borrow a term is going through a Cinderella phase where you've got very strong balance sheets when I refer to that from an asset quality point of view.

We have the lowest accretion of gross NPAs and net NPAs are at decadal lows. Mirroring this trend has also been reflective on our books. We have seen very low accretion to gross NPAs. And none of the particular portfolios have indicated any stress building up. So I think the economic environment with the kind of GDP growth that one has seen, the kind of consumption growth that one is seeing as well as the wage increases that one has seen on one hand and on the other, the lowering of the interest rates and affordability therefore, going up, including the fiscal benefits that were given. To not take up much time, I would say the asset quality continues at the bank to be pristine. And as we see it, there is no particular segment which is showing any major signs of concern. Srin, would you like to...

**Srinivasan Vaidyanathan:** Perfectly good. There will be seasonality in agri segment. Outside of that, every segment, including the agri segment period-to-period, if you see is lower, both from a leading delinquency and into the slippages, which are far lower. And then from there, going into loss given default is also lower. You're seeing that the recoveries, wherever we are there, that is also on a good level. Chintan, I hope that gives you a perspective on both sides.

**Chintan:** Yes. Thank you. And just on growth momentum, are you seeing things improve generally in the economy?

**Srinivasan Vaidyanathan:** In the economy, the growth momentum, yes, if you look at some of those indicators that we have seen - take the crop cycle itself, very improved. The sowing cycle has improved over prior year, very healthy water reservoir levels have aided that. The manufacturing PMI continues to be in the expansionary zone with many programs that are coming in. Services sector doing very well on the consumption demand side. If you look at the recent time period for card spend, which is important for you to look at, the overall card spend up 15%, 3.4% sequentially. Within the card spend, when we look at the discretionary category of card spends, the discretionary category spends have grown 21% year-on-year. The non-discretionary, which is the bread and butter normal activity is about 13% up. So that indicates that when the kind of a discretionary spend goes up, people do go and indulge. That's what you're seeing there. On the other side, we do see revolver rates not picking up. So which means people are spending to pay down. So, there are certain other segments of the society, which is what is spending. So on an overall level, I would say that similarly, you've seen



the auto and the tractors and so on. Two-wheeler has been somewhat less than expected, but then the four-wheeler autos and the tractor type have done exceedingly well. And you're seeing some of that reflected in the aggregate level GDP output that gets reported too.

**Chintan:** That's interesting. Thank you.

**Srinivasan Vaidyanathan:** Thank you.

**Moderator:** Thank you. Next question is from the line of Nitin Aggarwal from Motilal Oswal. Please go ahead.

**Nitin Aggarwal:** Yes, hi. Good evening and thanks a lot for the opportunity. I have a question on the branch productivity and deposits now that we are so hopeful about the deposits pickup and targeting at close to 90% kind of a number. So like if you look back as to what kind of experiences that we used to have in terms of the branch vintage and the deposit buildup, is that kind of sustaining in the recent years because the deposit growth is just not picking up at the system level. And that is becoming a key constraint across banks with LDRs, the number that we are seeing across many banks. And related to this, own branch over the years has been like coming off from pretty high number now to every successive year, we are opening more branches. So do we...

**Sashidhar Jagdishan:** Nitin, repeat that. Nitin, repeat that? We could not hear you?

**Nitin Aggarwal:** Sorry. So I was also saying that related to this, if you look at the branch expansion run rate, every successive year, we are now opening up lower number of branches, like FY '23 versus '24 to '25, every year, we are going down in terms of branch expansion. So how do you look at this corollary between the branch vintage and the deposit buildup? And do you think that the current pace of expansion will be sufficient for us to sustain that above industry growth rate over the next 3, 4, 5 years? So just some thoughts around this.

**Srinivasan Vaidyanathan:** Okay. So I'll get started with the last one first, which is to do with the branches. Nitin, you can't look at 1-year branch, but you have to look at a trend of what was it, right? So for that, if you look at a 5-year branch trend, I'll give you round numbers of the branch trend. We opened about 250 branches in 2020, 350 in '21, 750 in '22. 1,500 in '23, 900 in '24, 700 in '25. So if you look at this, 250, 350, 750, 1,500, 900, the opportunity space that it provided, we took that and accelerated all within the overall returns framework, right?

All through this time period, if you look at our returns between 1.9 to 2, right, in that period. So where there was, we accelerated, and we don't need to do 1,500 or 900 and so on. We can be more modest, but still add to the branches. It is important to add to the branches because currently, we have only a little more than 6% of the country's branch network with us. So that means our branches 9,600 plus is about a little more than 6% of the systems branch, right. And we have more than 11% of the market share of deposits with us. So that's one, we have more room to run and more share to gain through that process.

Next is productivity, right? What does it do from a branch productivity? If you look at the per branch productivity, we are now at about INR305 crores or thereabouts on a per branch at an aggregate level. Despite all of these additions that I talked to you about, if you go back where I just mentioned to you about how we were doing per branch, if you go to '23 or '19 to '23, that time

period by time period, about INR237 crores per branch, right, at that time. And I told you INR237 crores per branch before I started to talk about those acceleration of the branches, right? Now with all of those acceleration, we are at INR305 crores per branch.

So at every incremental branch, when we add, it is also at an aggregate level added. But this is at an aggregate level. Then that takes to the next one that you talked about at a micro level, right? At aggregate level is one. Let's talk about micro level in terms of where it starts to have the pivoting point for further scale. First, the breakeven is about 2 years or so. When you look at the breakeven, branches that are in the metro and urban area typically breaks even in about 22 months. Branches that are in the semi-urban and rural area takes about 27 months, thereabouts. On an average, about 2 years, it breaks even. So that's one. And these models are in consistence with our legacy branch models, which means they are confirming to whatever traditionally there. That's number one.

Number two, the pivoting point where 4, 5 years ago, where we analyzed what does a branch do in 5 years, 5 to 10 years and 10 to 15 years and so on, when you look at it, where the scaling factor is about the fifth year mark to the 10-year mark, it moves, and it moves about 3 times, between 5 to 10 years, it goes about 3 times up. And then once it goes into 10 to 15 years, 10 times up. So that is very important, and that scaling factor continues to operate now. Now what is more interesting and important than that is, currently, if you look at the branches that are in the bucket, 5 to 10 years bucket, which are doing 3x than what they were doing 5 years ago, 1,232 branches, right, out of the 9,600, 1,232 branches are in that bucket, right. And if you look at the branches before that, the 3- to 5-year bucket, 3- to 5-year bucket, we have 1,300 branches. So we are entering into the pivoting point where the cohorts that are entering into the 5-plus bucket is more than the cohorts that are going to exit from 5 to 10. So that is, again, similarly, when you look at the 10- to 15-year bucket, it got 2,499 branches. And then the 5 to 10 branches are going to go into those cohorts. And so that's almost 43% of our branches are young vintage branches, less than 5 years. So this is the cohort that needs to move through the pipe and get there. And so we are at this point, I think we said that we are positioned well with good expectations coming out of that. And that's, again, aided by several factors that go. Another data point, Sashi was just reminding me because when we reviewed it within, on an incremental basis, when you look at it, these new branches contribute slightly north of 20% of the overall incremental deposits that come, which is very important, right, that these things keep adding accreting as we go along. That's something I wanted to leave.

**Nitin Aggarwal:**

Right. See, the reason to ask this is also because while advances side is still in our control, we can maneuver the advances growth and choose the business segments we want to underwrite. But deposits, if we compare across the best and private banks also, typically, the growth kind of has its own saturation point.

And if you look as to how HDFC Bank has done last year and versus what the current year, probably we will be closer to in terms of deposit rate versus what we were last year on a good case basis.

So for us to talk about that LDR can come so sharply next year, do we look at this deposit growth run rate break out from as to how the trends have been in the recent years? Can this really happen with the kind of vintage gains that we talk about?



**Srinivasan Vaidyanathan:** See Nitin these get benchmarked by district, by our presence in those districts, that's how we benchmark and that's how we work our marketing and product teams work with our distribution channels where we are present to orchestrate and move this, right. So, 2 things I want to mention. One is new account acquisition is an important element. We are at about 100 million customers. Last quarter, we added about 1, 1.5 million new liability relationships.

It is important to get that new account value because that's how you keep building. And the change in balances, so that means the existing customers adding, accreting has been lower in the recent time periods when some kind of choices into various other financial institution they take. So some of that has been slower.

But again, you beat that by getting more presence and more customers and have diversified asset product because you know that in the last 2 years, our retail asset products were slow than where we are now trying to accelerate or move. For every asset product that you have, again, cards, I think not in the last quarter, but maybe a few quarters ago, we have spoken cards.

For card customers spending on their card account and having 100 outstanding, at the aggregate level in the bank, we see almost north of 5.5x deposit balances from the customers. So what does it mean? We want more of our customers to have cards. And same with mortgages, which I think last time we spoke, 99% today, we have penetration. That means we are not selling a mortgage product. We want to get the customer relationship. When we are giving a mortgage product, we get the savings account and the savings account gets funded approximately today at initiation at about INR35,000. And then when you look at the 12-month, 18 months on books, which is the kind of vintage we can measure today and see, we are seeing that it is growing 2, 2.5x. But historically, some of those category customers that we have seen, it has got the propensity to have 5x more than a customer who does not have a mortgage. So, liabilities don't come only purely on just an engagement and asking. It also comes by multiple products that get sold.

**Nitin Aggarwal:** Okay, Sure. Thanks, Srini. Thanks for providing that color. Wish you all the best.

**Srinivasan Vaidyanathan:** Thank you.

**Moderator:** Thank you. Next question is from the line of Suresh Ganapathy from Macquarie Capital. Please go ahead.

**Suresh Ganapathy:** Yes. So first question is on LCR. What would be this quarter? And how it would move post the April 2026 guideline, whether it will move up, move down?

**Srinivasan Vaidyanathan:** LCR, we reported 116 in this quarter.

**Suresh Ganapathy:** And post the new guidelines?

**Srinivasan Vaidyanathan:** No. The new guidelines, we don't expect any material change that can impact us.

**Suresh Ganapathy:** Okay. And just a question on margins itself. It's been almost 9 quarters since the merger, your margins have not gone anywhere. In fact, it is even lower than what you had reported at 3.4%. I

know there are several moving parts. Are you really confident that you can get this up in the next 2, 3 years?

**Srinivasan Vaidyanathan:** Suresh, if you think about the margin, the most important lever on the margin is the cost of funds, which various points we have mentioned. And within the cost of funds, there are a few. One is the time deposit repricing, which has a lag effect. We have changed time deposit rates in line with the policy rate change, but not fully, but maybe two-third way, we have changed 125 basis points is what the policy has changed. We have done about two-third into that. We need to see what more. And again, that what's competitively priced, right. So, we are not at a disadvantage anywhere there. And that takes almost 5 quarters to flow in. Part of that this quarter, you have seen 10, 11 basis points change in cost of funds. That is the lag effect of that flowing through, then that continues. So that's one element. And the second element is the borrowing.

Quarter-to-quarter has remained static at about 13%. But again, more than a quarter, if you look at the year, we were at about 7%. Broadly, the industry is at about 6%, 7%. So there is an opportunity space to be that to keep coming down. That is another important lever that provides this cost of funds change.

And the third one is the CASA, which again is a customer on the other side more than we creating any action where we need to work through to bring selling within the new customers and better engagement, more products, more retail products. That's the kind of process we need to take through to get to that industry average and beat that industry average over time. Yes, there is a line of sight, and these are some of those elements we work towards.

**Suresh Ganapathy:** Okay. Thank you.

**Srinivasan Vaidyanathan:** Thank you.

**Moderator:** Thank you. Next question is from the line of Prakhar Sharma from Jefferies India. Please go ahead.

**Prakhar Sharma:** Thank you, everyone and congratulations on the results. Just wanted to delve on this deposit growth part. It was an interesting color that you said that the granular retail has grown, but slightly bulkier retail hasn't. Is there any sort of a data point that you can share in terms of the growth or the mix in the 2?

And one alternative is, can we use the LCR deposit number and the growth there as a reference point to just get some comfort on what's the range of growth there because 4Q onwards, it gets aggressive on pricing. So if you can share some color, that will be right, thank you.

**Srinivasan Vaidyanathan:** The second aspect of the question I didn't get, probably we will see. But as far as the rate of growth is concerned that you asked about the categories, certain other categories that you wanted. Yes, I mean, if you look at the institutional types, they were in the mid-single digits, right. The institutional type of deposits, mid-single digits. That's what we see. And within the retail branch, the non-individuals were much more modest. I think it was again a little more higher single digit. And the individual individual within the branches were in the solid double-digit growth.

**Prakhar Sharma:** Sorry, the individual at the branch was at?



**Srinivasan Vaidyanathan:** No, I didn't give you a number. I said it's a good double-digit, and everything else was in single digit. Yes.

**Prakhar Sharma:** Okay. And is there a way to just give a context of within your total deposits, 83% is classified as retail. How much would be the granular retail and how much would be the quasi-institutional retail?

**Srinivasan Vaidyanathan:** I don't think we have published that. But yes, when we say that is a branch-driven deposits where there are RMs engaged with either an individual or the individual's organizations and institutions, that is what.

**Prakhar Sharma:** Got it. Thank you so much and good wishes.

**Moderator:** Next question is from the line of Abhishek Murarka from HSBC.

**Abhishek Murarka:** So Srini, going back to the branch addition question, and thanks for giving so much color. But just net-net, are you still looking to grow or add about 5%, 7% branches this year and in FY'27, or what are your near-term plans? I understand the whole picture you painted about the scale-up of old branches and how that will accelerate deposits. I just want to know your next 1-year plans in terms of branch addition?

**Srinivasan Vaidyanathan:** Yes. To answer in short, 5% to 7% implies 500 to 700 branches annual. I don't believe that, that kind of branch addition in the near future. We'll evaluate as we go through the annual planning process and come back at some point in time, but it would be of a good order.

**Sashidhar Jagdishan:** Abhishek, just to add to what Srini is saying. If you've seen the last cohort of what he just said in terms of the 4,800-odd branches over the last 5 years. Today, it is contributing, as he mentioned, somewhere around the 20-plus percentage points in terms of the incremental liabilities or the deposits that we are mobilizing. As this cohort starts to, which we are seeing delivering, and getting to a substantial number, then we know that we have the confidence to start to step up our next phase of launching new distribution points.

Obviously, we want to wait and watch. We are not saying we will not add any branches. As he mentioned, we will add branches, but these are probably normally in suburbs where there is kind of an opportunity, that is what we are now focusing on. But we want to ensure and stabilize the last cohort of the 4,800 branches stabilize and start to get to a certain level of maturity and level of contribution, which is substantial, then we know that, that will be on an autopilot and then we can start to see the next phase of introduction. And obviously, at that point in time, we will have to rethink in terms of we would have probably moved far beyond in terms of our branch transformation and automation. So, there will be some new thought processes in terms of how we need to add or how we need to sort of expand our distribution. It's not that it's going to be different, but maybe there will be some amount of recalibration that we will do in the next phase of branch additions.

**Abhishek Murarka:** Sure. So Sashi, as I understand, that's a great point for making that point. So today, about 50% of branches, which is this 4,800 is contributing around 20% of incremental deposits. Is it correct to

think that when this starts contributing maybe 40%, 50% of incremental deposits, that is when you start thinking about future expansion. Is that the right way to think about it?

**Sashidhar Jagdishan:**

Whether it's 40%, 50%, 60%, we will keep on recalibrating because there are a lot of things that we are trying to do. Obviously, if you really look at it, we stepped up our distribution the moment we knew that we announced our merger. And we knew that we needed to fund not just at that point in time, in the future. So all this is going to add to incremental deposits in a substantial way into the future. So there will be a lot more dimensions that we will examine, not just the extent of contribution, but probably certain events that we may have or certain other dimensions that we may look at before we start to step up the pedal on the new phase of incremental. And you look at it even over our 30-year period, there have been these phases of right from 2009 onwards to 2013, 2014, we stepped up our distribution. Then we had a little bit of a pause, then we started off again.

So recalibration and doing it in phases is something that we have been doing, it's not a new thing. We have been doing this for right through our 30 years journey. And I think we will continue to do. Obviously, the dimensions keep changing in terms of what we need to look at as we move ahead because the world is changing very fast. The kind of technology implementations that we are doing, as we unveil, we probably may need different thought processes as well. So let me pause out here and you probably will get the drift.

**Abhishek Murarka:**

Sure. Thank you for that. And the second thing is on credit cost. Now if I look at your net slippages, ex of the agri part, but let's say, look at the net slippages in the 9 months or last few quarters, around 30, 35 basis points. Write-offs are holding steady at INR3,200 crores roughly a quarter. So why is the underlying credit cost around 55 BPS and not coming off? I mean, don't you think that should also start coming off at some point if this kind of trend continue?

**Srinivasan Vaidyanathan:**

Abhishek, a couple of things. One is the slippages. If you're looking at excluding agri slippages, it's 24 BPS in the quarter, prior quarter was 23 bps, prior year was 26 bps. So order of magnitude, call it, 25 basis points. That is the kind of a slippage in a quarter, right. That's what you're seeing. So not the 35 or something that you're talking about, that's one.

The second thing is that credit costs also, you have to look at it, including the recoveries because when you write off certain loans as it progresses through some of the delinquency buckets, then you get it in the form of recoveries. And net of recoveries, if you see, we are at about 37 basis points or thereabouts. And when you look at, again, last quarter, last year, order of magnitude, very similar within a few basis points, 5 basis points. So it's not just about the 55 basis points. It is also about the net of the recoveries, which comes in quite handy. And it's a function of how fast you write off and how you recovering.

**Abhishek Murarka:**

Sure, that's what I was referring to. So net of your recoveries, etcetera, it should keep coming down because your slippage performance is I mean, it's improving. The book is growing and your absolute is pretty much stable. So you're seeing very good asset quality trends. And I was sort of wondering why the credit cost is not coming off?

**Srinivasan Vaidyanathan:**

See, in a growing book, if the slippage is steady, the losses are steady, recoveries are steady. I don't know what you're expecting, maybe something.



**Abhishek Murarka:** So 50, 55 is more or less BAU is what you're seeing?

**Srinivasan Vaidyanathan:** No. GNPA?

**Abhishek Murarka:** No, no, no, no credit cost. Okay. I'll take this offline. Never mind. That's probably not saying myself clearly. No problem. And just one question on cards. Overall, card receivables are pretty stable. If I look at the data that comes out in RBI, the spend market share for you is doing well, CIF market share is doing well. So why is it not reflecting in the receivables? Is it just transactors running down, or is it something else?

**Sashidhar Jagdishan:** No, actually, great question, Abhishek. I think if you really look at it, the segment that we are patronizing is more the middle and upper middle segment. Therefore, slightly higher-end cards is what is in our portfolio. The proportion of that is large. And a large part of that, over a period of time, as you know, the credit card, what shall I say, the behavior has also changed over a period of time.

Today, we look at it not as net receivable from a revolve perspective, from an asset perspective and an earnings perspective, we are looking at it as an enabler for our liabilities or deposits. Srinivasan has mentioned in the past, and that is something that we are extremely proud of, the spends in the cards actually provide a significant portion of our deposit momentum.

Today, 20% to 25%, maybe in the mid of 20% to 25%, I can say, is the range at which, out of the total deposit basket, the kind of momentum that you're seeing, whether it's on the healthy balances and what it contributes to total, it's somewhere around that 20, 25.

So the credit card focus today is more not from a net receivable basis, but from a transactor basis. And as I said, I mean, whether it's a lot of you on the call or people in this room that we are, we all pay on a standing instruction basis on due dates. So this is something that we are very happy with. So this is the kind of a new strategy that we are evolving.

Obviously, we are also recalibrating some of the business model in cards. We have been doing that, and we probably have come out with something which is very encouraging and something that the organization will really benefit from our card strategy.

**Abhishek Murarka:** Thanks for answering my questions.

**Srinivasan Vaidyanathan:** I want to add one thing on the card, particularly the card revolving aspect of it, right, which is if you go back to 2020 or before and compare to today's revolvers, they are slightly under 2/3 level, right, slightly under 2/3 level. So that means of the pre-2020 levels revolvers, right, at level. And so the profile of the customers, and that is why you see the deposit balances of those customers, which is a little more than 5, 5.5x was slightly under 4x at that time. So the profile of those customers are also different where they do transact, they do keep balances and the revolver balances are lower for certain other segments. And we have not liberally offered the credit line increases and made more and more revolvers to tip them off into delinquency. Credit has been cautious on that.

**Abhishek Murarka:** Got it. Got it. Thank you so much for answering all those questions and all the best. Thank you.





**Moderator:** Thank you very much. Next question is from the line of Jayant Kharote from Axis Capital. Please go ahead.

**Jayant Kharote:** Thanks for the opportunity. Sir, one question is on your loan growth broad guidance of above system next year. Sir, I just wanted to understand when we are saying we'll grow above the system, what is our range of assumption for system growth? Because we are seeing some acceleration in the system growth itself where we are moving from this 11 to 13 band to maybe closer to 13, 15. If we were to move in that band, would we have accounted for that kind of system growth and we say we can grow above that pace?

**Kaizad Bharucha:** So our understanding as of now is next year, we expect system growth to be between 12% to 13%, when you look at nominal GDP and the credit growth that's required to support nominal GDP. So if we're talking about 12% to 13%, we are talking about a couple of percentage points above that going into the next year.

We see distribution on the retail side, you've been seeing over the last 2 quarters coming up, our positioning also in the MSME space, given our geographic coverage as well as our suite of products that we have out over there and the wholesale piece, which you would have seen in this quarter again coming back. We do believe that we have the customer segmentation to be able to grow at a couple of hundred basis points over system growth next year.

**Jayant Kharote:** Great, sir. I think this answers you're working with the 12 to 13 range at least. Second part is, on a broader 3-year or 4-year question. We have seen products like mortgage getting a lot of competitive intensity. PSU banks being well capitalized are probably being more aggressive in vehicle, increasingly auto. Do you see this competitive intensity eroding profitability for the larger players over the next probably 3 years, not a 6-month or 12-month question?

**Srinivasan Vaidyanathan:** See, we are addressing competition only through relationship and not through pricing. Mortgage product, as you've seen that in the last 12 months, we are not leading through a mortgage product. We are leading through relationships where the mortgage product could be a fulcrum around which we can operate.

Same with auto. I do want to let you know that our auto loans are almost a little more than 80% self-funded, which means the customers when they take auto loan, we want their liability accounts, we want them to have balances in that and the loan self-funds itself for the most part within the balance sheet. So it is about relationship offering, and that is part of the engagement in the branch, and it's not just a product and a loan balance sheet building approach.

**Kaizad Bharucha:** Having said that, Srini, absolutely in order. I think we do continue to be the largest financiers in the auto loan space in the country, not only in terms of the disbursements but also the book size as well as if you see our year-on-year growth in the entire automobile space, I think that is reflective of what our position is and the target market that we will have. So it is relationship. It is also ensuring that we have the right pricing for the product based on the customer segmentation, and we don't feel any need to do business at price points which don't make economic sense.

**Jayant Kharote:** And your market reading is, as of now, we are not in that situation where aggression is eroding margins for the broader system, at least in auto?





- Kaizad Bharucha:** I'm sorry, I didn't catch your question. Can you repeat it, please?
- Jayant Kharote:** So not for HDFC, but probably for broader system. Are you seeing that aggression in the auto segment from the public sector or maybe the broader system aggravating in the last couple of quarters?
- Kaizad Bharucha:** Yes. We've seen it not only in auto, but also in the home loan product. So these are two products where we have certainly seen some amount of, if I may say, a bit of irrational pricing, but irrational pricing has never sustained. It will play itself out and bury itself in a couple of quarters on the outer side, if not earlier.
- Jayant Kharote:** Great. This is very helpful. Thank you and all the best.
- Kaizad Bharucha:** Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen, we have come to the end of the allotted time for the call. I would now like to hand the conference to Mr. Vaidyanathan for closing comments.
- Srinivasan Vaidyanathan:** Okay. Thank you, Nirav, and thanks to all the participants for taking the time to attend. At the outset, I again want to mention that we did come 15 minutes late. We did extend to be there. Further questions, any more comments, Investor Relations team will be on standby to guide and help and explain or clarify anything you need today or over the weekend or next week, whenever you desire, we are available. With that, we'll sign off for today. Have a great weekend. Bye-bye.
- Moderator:** Thank you very much.
- Sashidhar Jagdishan:** Thank you all. Thank you very much for all the hard work.
- Moderator:** On behalf of HDFC Bank Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.