

Building on a solid foundation

Building on a solid foundation Housing Development Finance Corporation (HDFC) not only pioneered mortgages in India almost 40 years ago but has also turned the concept of selling mortgages into a profitable, professionally managed and world-class enterprise. It introduced the concept of 'Finance' as 'Service'. The trust that HDFC's customers and providers of capital have placed in it over the years has almost become legendary in the Indian corporate world. It has assisted over 6.2 million families.

HDFC's success in the mortgage industry and its spread across the financial services industry has made it a financial conglomerate with presence in banking, life insurance, non-life insurance, asset management, real estate fund, real estate, education Finance and education. The banking venture, HDFC Bank, commands the highest price earning multiples among India's Banking sector and is reckoned to be among the best in the business. The life insurance venture is with the Standard Life Assurance, UK, and the General Insurance with ERGO International AG of Germany a company of the Munich Re group, while the asset management company is in association with Standard Life Investments, UK. All of these diversifications have come over the last two decades thus creating a lot of value for its shareholders.

Currently the diversifications that HDFC has made into various areas of financial services yield a small portion of HDFC's consolidated earnings but as these businesses enjoy rapid growth prospects over the next few years their share in the consolidated profits will increase pushing up overall returns for HDFC's shareholders. The banking, life insurance and asset management businesses have already achieved scale and have the necessary critical mass to expand rapidly. HDFC Bank is already a leader in consumer banking, capital markets and transaction banking, HDFC Mutual Fund is country's 2nd largest Mutual Funds with average AUM of around Rs 3 trillion. The life insurance business has a huge value creation potential, as the penetration of insurance products currently is very low in India. The HDFC group has a customer base of around 66 million and an asset base of over Rs 16 trillion.

HDFC's brand positioning comes from the solidity - both financial and managerial that the company is well known for. Its capital adequacy, its ROE, and quality of assets reflect its financial solidity. It has consistently striven for and acquired an excellent reputation for professionalism, transparency, integrity and an impeccable record of customer friendly services. These values have not only helped to sustain but it has propelled the company further. And despite the rapidly growing and cut-throat competition especially from commercial banks it has gone from strength to strength in its core business due to its operating efficiency and its firm bastion of customers.

A testimony of the powerful brand that HDFC has built over the years is reflected in its ability to maintain a compounded average growth rate in Individual mortgages of 19% for over past 5 years. In fact, it not only retains its dominant position in the housing mortgage sector but continues to grow very rapidly and profitably. Despite this scorching pace, its gross NPAs have always been less than 1%, one of the lowest in the industry. Its cost competitiveness is legendary, effectively making it a company with a high return on equity (RoE) at 21 % as of 31st December, 2017 and a cost to income ratio of 7.4 % - perhaps the lowest in the world. Foreign Institutional investors hold around 75% of the HDFC's Share

holding probably the largest for any Indian company without being listed abroad or having any MNC parentage.

The cornerstone of HDFC's excellent brand strength emerges from its unrelenting focus on corporate governance, its high standards of ethics and clarity of vision, which percolates through the organization. HDFC was the only Indian's company named by the Ethisphere Institute, New York, on its list of the World's Most Ethical Companies 2011. Some other important recognitions include; being awarded "one of the TOP Five Best Boards" by Economic Times and Hay group for 2013 and also for 2014, Top Indian Company in the Financial Institutions/Non-Banking Financial Companies/Financial Services" by the Dun & Bradstreet Corporate Awards, HDFC has won this award 9 times out of 10 times, being ranked 7th in the World's Top 10 Consumer Financial Services firms by Forbes for the three consecutive years in a row, being ranked one of India's top 50 "Best Companies to Work For in 2012" by The Great Place to Work[®] Institute, India in partnership with The Economic Times, being listed as the 'Most Admired Company in the Financial Sector in India' by the Wall Street Journal's Asia 2010 Survey and Best Home Loan provider by CNBC, CNBC Awaaz, Outlook money, NDTV, Bloomberg TV and many more.

HDFC has become a role model for a number of countries that have begun to establish their own housing finance institutions. Internationally, HDFC has undertaken consultancy assignments closely with the World Bank, USAID, the Asian Development Bank, United Nations and the Commonwealth Development Corporation (CDC) in a number of countries in Asia and Africa, which include Sri Lanka, Bangladesh, Indonesia, Bhutan, Nepal, Ghana, Egypt, Thailand, Philippines, Mauritius, Maldives, besides Jamaica, Russia among other countries.

The attention that investors, foreign and domestic alike are paying the company is understandable since the potential for the industry and the company is significant. A combination of rising incomes in India, stable borrowing costs and stable property prices, continued tax benefits and rapid urbanisation are key factors that have driven growth by improving affordability in the housing mortgage market and will continue to do so. The potential of the Indian housing mortgage is reflected in the housing shortage in urban India of 18.78 million units and that housing mortgage is just 9 % of GDP as against 15% to 29% for most Asian countries, above 50% for developed countries and 68% & 63% in the UK and United States respectively, thus keeping the growth momentum alive for the sector and especially for HDFC.

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