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Took conscious call to shun high-cost deposits: HDFC Bank
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Took conscious call to shun high-cost deposits: HDFC Bank

Move resulted in slower growth in Dec period

MANOJIT SAHA & AATHIRA VARIER
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HDFC Bank has been conscious in not accepting high-cost deposits, which have resulted in slower growth in October-December, said Sashidhar Jagdishan, managing director and chief executive officer, during an interaction with Goldman Sachs on Monday.

He said during times of tight liquidity, short terms hardened, as was the case in October-December.

"Not only did we participate, but we also gave up which came up for maturity," he said.

HDFC Bank shares came under pressure after the October-December earnings numbers due to slower than expected growth in deposits and compression in the net interest margin. The share price recovered in the past one week and closed at ₹1,453.75 on Tuesday, up 2.6 per cent from the previous close.

"That (letting away deposits) will mean it will be way below expectations .... as we say one swallow does not make a summer – it was said in a positive aspect, (but) I am saying it in the reverse aspect. It does now mean we have a problem," Jagdishan said.

In the third quarter, the largest private-sector bank's deposits grew by ₹40,000 crore as compared to ₹1.1 trillion in the second quarter this financial year.

Banking-system liquidity, which was surplus for a long period, turned deficit by the middle of September and stayed that way during Q3.

Slower accretion to deposits will not affect the bank's profitability, Jagdishan said.

He said the bank has been adding 50-60 basis points of incremental share in deposits a year. That translates into 15-20 per cent quarterly growth, which is higher than the deposit market share, now 10-11 per cent.

The liquidity coverage ratio (LCR) of the lender sharply declined to 110 per cent in Q3FY24 from 120 per cent in Q2FY24, which caused concern among investors.

Jagdishan said an LCR of 110-120 per cent was respectable and healthy, given the size of the bank.

During the quarter ended December 2023, the loan-deposit ratio (LDR) of the bank stood at 110 per cent. The pre-merger LDR levels were 85-90 per cent, which the bank expects to maintain.

He said the merger of the two entities — HDFC Ltd and HDFC Bank — advanced the timing of loan growth for the lender.

To the question on the bank's relation with Paytm and the recent regulatory action against Paytm Payments Bank, Jadgishan said, "Whatever has happened is rather unfortunate so obviously there is a certain little bit of an unknown."

He said the fintech had a good tech platform, which is the reason why the bank (HDFC Bank) had a partnership with it.

He said HDFC Bank had a reasonable FASTag market share, which may get distributed among other players following the ban on FASTags of Paytm Payments Bank.

> "(ON PAYTM PB) WHATEVER HAS HAPPENED IS RATHER UNFORTUNATE, SO OBVIOUSLY THERE IS A CERTAIN LITTLE BIT OF AN UNKNOWN. I KNOW NOTHING MORE THAN WHAT YOU, OR ANYONE ELSE IN THIS ROOM, KNOWS"
>
> **Sashidhar Jagdishan**
> MD & CEO, HDFC Bank

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