Moneywise. Be wise.

Quarterly Result Update

HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

August 04, 2020

HDFC

Current Price: ₹ 1740.10

STOCK DATA

BSE Code	500010
NSE Symbol	HDFC
Reuters	HDFC.BO
Bloomberg	HDFC IN

VALUE PARAMETERS

52 W H/L(Rs)	2499.65/1473.10
Mkt. Cap.(Rs Cr)	301839.28
Latest Equity(Subscribed)	346.92
Latest Reserve	85811.65
Latest EPS -Unit Curr.	101.57
Latest P/E Ratio	17.13
Latest Bookvalue -Unit Curr.	496.70
Latest P/BV	3.50
Dividend Yield -%	1.21
Face Value	2

SHARE HOLDING PATTERN (%)

Description as on	% of Holding 30/06/2020
Foreign	70.49
Institutions	18.29
Govt Holding	0.22
Non Promoter Corp. Hold.	1.19
Public & Others	9.80

Financial Results

In Cr.

Particulars	Qtr Ended Jun. 20	Qtr Ended Jun. 19	Var %
Income	11776.48	11082.63	6
Interest Exp.	7817.05	7739.27	1
NII	3959.43	3343.36	18
Other Inc.	1.61	5.82	-72
Total Inc.	3961.04	3349.18	18
Op. Exp.	396.41	381.73	4
OP	3564.63	2967.45	20
Add: Profit on sale of investments	1241.20	1907.66	-35
Less: Provision for expected credit loss	1199.00	890.00	35
PBT before EO	3606.83	3985.11	-9
EO	0.00	0.00	-
PBT	3606.83	3985.11	-9
Tax	555.31	782.01	-29
PAT	3051.52	3203.10	-5
EPS (Rs)	17.59	18.57	

HDFC Q1 net profit falls 5% to Rs 3,052 crore, beats Street estimates

HDFC has recorded 5% decline in the net profit to Rs 3051.52 crore in the quarter ended June 2020 (Q1FY2021), mainly driven bydecline profit on sale of investment and surge in provisions. The company has witnessed decline in the net interest margins mainly driven by negative carry on higher liquidity.

However, the company has improved cost to income ratio stood to 9.0% in Q1FY2021 from 9.5% in Q1FY2020. The loan growth of the company remained strong at 12% with the pick-up in disbursement in June and July 2020.

The operating profit of the company increased 20%, but profit on sale of investments declined 35% and provisions jumped 35% leading to 9% decline in PBT in Q1FY2021. An effective tax rate eased to 15.4% from 19.6%, helping to restrict decline in net profit at 5%.

The profit numbers for the quarter ended June 2020 is not directly comparable with that of the previous year, as dividend income received stood at Rs 298 crore Q1FY2021 against Rs 1 crore in Q1FY2020, the profit on sale of investments stood at Rs 1241 crore against Rs 1894 crore, net gains on de-recognition of assigned loans is Rs 183 crore against Rs 296 crore and additional provisioning, including provisioning for the impact of COVID-19 is Rs 1199 crore against Rs 890 crore., while the negative carry on account of higher liquidity was at Rs 181 crore against nil in Q1FY2020.

After adjusting dividend, profit on sale of investments, net gains on de-recognition of assigned loans, provisioning and the impact of negative carry on account of higher liquidity, the adjusted profit before tax is Rs 3265 crore for Q1FY2021 compared to Rs 2684 crore in Q1FY2020, reflecting a growth of 22%.

Overall Lending Operations

The assets under management stood at Rs 531555 crore end June 2020 as against Rs 475933 crore end June 2019. Individual loans comprise 74% of the Assets under Management (AUM). On an AUM basis, the growth in the individual loan book was 11%. The growth in the non-individual loan book was 15%. The growth in the total loan book was 12%.

The average size of individual loans stood at Rs 24.6 lakh (compared to Rs 27 lakh in FY20). The lower average loan during the quarter was largely on account of the fact that a number of Tier 1 cities were under lockdown.

During the quarter ended June 2020, the Company assigned loans amounting to Rs 1376 crore to HDFC Bank. Loans sold in the preceding 12 months amounted to Rs 18273 crore compared with Rs 22666 crore in the previous 12 month.

The outstanding amount in respect of individual loans sold was Rs 65695 crore end June 2020. HDFC continues to service these loans.

The growth in the individual loan book, after adding back loans sold in the preceding 12 months was 17%. The growth in the total loan book after adding back loans sold was 16%.

Owing to the national lockdown, the retail business was impacted during the quarter. However, successive month-on-month improvements have been seen in the individual loan business since April 2020, with June 2020 disbursements being 68% of the corresponding month in the previous year and the increasing trend continuing in the month of July 2020. During the quarter, the Company focused on lending to select AAA rated corporates.

Affordable Housing

During the quarter ended June 2020, 37% of home loans approved in volume terms and 19% in value terms have been to customers from the Economically Weaker Section (EWS) and Low Income Groups (LIG). The average home loan to the EWS and LIG segment stood at Rs 10.5 lakh and Rs 17.8 lakh respectively.

Non-Performing Assets (NPAs)

As per National Housing Bank norms, the gross non-performing loans end June 2020 stood at Rs 8631 crore as compared to Rs 8908 crore end March 2020. This is equivalent to 1.87% of the loan portfolio against 1.99% end March 2020.

The non-performing loans of the individual portfolio stood at 0.92% while that of the non-individual portfolio stood at 4.10%.

As per NHB norms, the Company is required to carry a total provision of Rs 4452 crore. Of this, Rs 1999 crore is towards provisioning for standard assets and Rs 2453 crore is towards non-performing assets. However, the company carries provisions of Rs 12285 crore end June 2020. The provisions carried as a percentage of the Exposure at Default (EAD) is equivalent to 2.64%.

The Expected Credit Loss charged to the Statement of Profit and Loss stood at Rs 1199 crore in Q1FY2021 compared with Rs 890 crore in Q1FY2020. This includes a COVID-19 provision of Rs 404 crore made during the quarter.

Moratorium

In accordance with the directions by the Reserve Bank of India, the Company had offered the moratorium to customers whose loans were standard as at 29 February 2020 for the period 1 March 2020 and 31 May 2020 (moratorium 1). The Company adopted an 'opt-in' structure for the moratorium.

Individual loans under moratorium 1 accounted for 22.6% of the individual loan portfolio. About 27.0% of the total loans under management were under moratorium 1.

On 23 May 2020, the RBI further permitted an extension of the moratorium period by 3 months from 1 June 2020 up to 31 August 2020 (moratorium 2). As of date, individual loans under moratorium 2 accounted for 16.6% of the individual loan portfolio and 22.4% of total loans under management have opted for moratorium 2.

Net Interest Income

The net interest income (NII) moved up 10% to Rs 3392 crore in Q1FY2021 compared to Rs 3079 crore in Q1FY2020. The NII numbers, however, are not comparable with each other owing to the higher liquidity levels and equity investments made in the recent period. After considering the impact of the above, the adjusted NII stands at Rs 3609 crore for Q1FY2021, reflecting a growth of 17%.

Net Interest Margin

The reported Net Interest Margin (NIM) stood at 3.1% in Q1FY2021 compared to 3.3% in Q1FY2020. Adjusting the NIM for the impact of negative carry on account of significantly higher liquidity levels, the NIM stood at 3.3%, the same as the previous year.

Investments

All investments in the subsidiary and associate companies are carried at cost and not at fair value. Accordingly, the unaccounted gains on listed investments in subsidiary and associate companies amounted to Rs 192151 crore end June 2020.

Cost Income Ratio

The cost to income ratio stood at 9.0% in Q1FY2021 compared to 9.5% in Q1FY2020.

Capital Adequacy Ratio

The capital adequacy ratio stood at 17.3%, of which Tier I capital was 16.2% and Tier II capital was 1.1%. As per the regulatory norms, the minimum requirement for the capital adequacy ratio and Tier I capital is 14% and 10% respectively.

Consolidated Financial Results

The consolidated net profit increased 15% to Rs 4059 crore in Q1FY2021 as compared to Rs 3540 crore in Q1FY2020. The consolidated net profit attributable to the company stood at Rs 3614 crore in Q1FY2021 as compared to Rs 3094 crore in Q1FY2020, representing a growth of 17%.

Distribution Network

The distribution network of the company spans to 584 outlets which include 205 offices of HDFC's distribution company, HDFC Sales (HSPL). HDFC covers additional locations through its outreach programmes. Distribution channels form an integral part of the distribution network with home loans being distributed through HSPL, HDFC Bank Limited and third party direct selling associates. The Company also has online digital platforms for loans and deposits. To cater to non-resident Indians, HDFC has offices in London, Dubai and Singapore and service associates in the Middle East.

Financial Performance FY2020

The reportedprofit after tax before other comprehensive income for the year March 2020 stood at Rs 17770 crore compared to Rs 9633 crore in the previous year.

The profit numbers for the year are not directly comparable with that of the previousyear due to fair value gain on amalgamation of GRUH Finance (GRUH) with BandhanBank of Rs9020 crore compared to nil in the previous year, Profit on Sale of Investments of Rs 3524 crore (PY: Rs1212 crore), dividend received in Q4FY20 was Rs2 crore (PY: Rs537 crore), resulting in a lowerdividend received for the year of Rs1081 crore (PY: Rs1131 crore), gain on Fair value adjustments: Rs 99 crore (PY: Rs552 crore) and additional provisioning, including provisioning for the impact of COVID-19 of Rs5913 crore (PY: Rs935 crore)

After adjusting for the fair value on gain ofamalgamation, other fair value adjustments, profit on sale of investment, dividend andprovisioning, the adjusted profit before tax for the year ended March 2020 is Rs12540 crore compared to Rs11159 crore in the previous year, reflecting a growth of12%.

Notes: During the quarter the company sold 2.6 crore equity shares of HDFC Life Insurance Company (HDFC Life) resulting in a pretax gain of Rs 1241 .20 crore. The company's equity shareholding in HDFC Life stood at 50.1 %. The Reserve Bank of India has mandated that the company reduce its shareholding in HDFC Life to 50% or below by 16 December 2020. The RBI has also directed the Corporation to reduce its shareholding in HDFC ERGO General Insurance Company (currently holding 50.48%) to 50% or below within 6 months of the effective date of merger with HDFC ERGO Health Insurance.

E-mail: smc.care@smcindiaonline.com

Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park, A Wing 401 / 402 , 4th Floor , Graham Firth Steel Compound, Off Western Express Highway, Jay Coach Signal, Goreagon (East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:
18, Rabindra Sarani, Poddar Court, Gate No-4,
5th Floor, Kolkata - 700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004