

# HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

May 10, 2021



Current Price: ₹ 2496.25

## STOCK DATA

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

## VALUE PARAMETERS

52 W H/L(Rs)	2895.35/1486.45
Mkt. Cap.(Rs Cr)	450310.13
Latest Equity(Subscribed)	360.79
Latest Reserve (cons.)	108421.86
Latest EPS (cons.) -Unit Curr.	66.67
Latest P/E Ratio -cons	37.44
Latest Bookvalue (cons.) -Unit Curr.	603.03
Latest P/BV - cons	4.14
Dividend Yield -%	0.92
Face Value	2

## SHARE HOLDING PATTERN (%)

Description as on	% of Holding 31/03/2021
Institutions	16.13
Govt Holding	0.22
Non Promoter Corp. Hold.	1.07
Public & Others	9.48

## Financial Results

In Cr.

Particulars	Qtr Ended	Qtr Ended	Var %
	Mar.21	Mar. 20	
Income	11699.30	11958.96	-2
Interest Exp.	6565.95	7661.84	-14
NII	5133.35	4297.12	19
Other Inc.	10.43	5.94	76
Total Inc.	5143.78	4303.06	20
Op. Exp.	498.64	353.38	41
OP	4645.14	3949.68	18
Add: Profit on sale of investments	-2.20	16.76	PL
Less: Provision for expected credit loss	719.00	1274.00	-44
PBT before EO	3923.94	2692.44	46
EO	0.00	0.00	-
PBT after EO	3923.94	2692.44	46
Tax	744.11	459.91	62
PAT	3179.83	2232.53	42
EPS*(Rs)	17.63	12.89	

### HDFC Q1FY21, Sustains consistent performance, largely unaffected by first covid wave, beats estimates

HDFC has recorded 42% jump in the net profit to Rs 3179.83 crore in the quarter ended March 2021 (Q4FY2021), driven by strong growth in the net interest income and decline in provisions in Q4FY2021. The company has posted healthy 18% surge in operating profit to Rs 4645.14 crore in Q4FY2021, driven by an improvement in net interest margins.

However, the cost to income ratio rose to 9.7% in Q4FY2021 from 8.0% in Q4FY2020. The loan growth of the company remained healthy and in double digit, while improved to 11% with the sharp pick-up in disbursement.

There was marginal loss on sale of investments at Rs 2.20 crore, while provisions declined 44% leading to 46% surge in PBT to Rs 3923.94 crore in Q4FY2021 from Rs 2692.44 crore in Q4FY2020. An effective tax rate was lower at 19.0% compared with 17.1% in Q4FY2020. The net profit moved up 42% to Rs 3179.83 crore in Q4FY2021 compared with Rs 2232.53 crore in Q4FY2020.

### Overall Lending Operations

The demand for home loans continued to remain strong owing to low interest rates, softer property prices, concessional stamp duty rates in certain states and continued fiscal incentives on home loans.

During Q4FY2021, individual loan disbursements grew by 60% over Q4FY2020. The month of March 2021 witnessed the highest levels in terms individual receipts, approvals and disbursements. Growth in home loans was seen in both, the affordable housing segment as well as high-end properties.

Individual disbursements in the first half of the financial year was 35% lower compared to the corresponding period in the previous year. This was on account of the strict national lockdown that was imposed up to early June 2020. In the second half of the financial year, individual

disbursements were 42% higher compared to the corresponding period in the previous year. Consequently, during FY2021, individual loan disbursements reported a growth of 3% compared to the previous year.

The pandemic has given a strong fillip to various digital initiatives offered by the company. Approximately 81% of new borrowers opted for the digital mode.

The average size of individual loans disbursed during FY2021 stood at Rs 29.5 lakh compared to Rs 27.0 lakh in the previous year. There was an uptick in the average ticket size during Q4FY2021 to Rs 31.4 lakh, attributable to the demand for higher end properties, especially in the metro cities.

The loans on assets under management (AUM) basis stood at Rs 569894 crore as against Rs 516773 crore in the previous year.

Individual loans comprise 77% of the Assets under Management (AUM). The individual loan book on an AUM basis grew 12% and the non-individual loan book grew by 4%. The growth in the total AUM was 10%.

Loans sold in the preceding 12 months amounted to Rs 18980 crore in FY2021 compared with Rs 24127 crore in FY2020. The outstanding amount in respect of individual loans sold was Rs 71421 crore. HDFC continues to service these loans.

The growth in the individual loan book, after adding back loans sold in the preceding 12 months was 19%. The growth in the total loan book after adding back loans sold was 15%.

### **Affordable Housing**

During FY2021, 33% of home loans approved in volume terms and 16% in value terms were 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 10.8 lakh and Rs 18.6 lakh respectively.

The company continued to have the largest number of home loan customers of approximately 2.3 lakh who have availed benefits under the Credit Linked Subsidy Scheme (CLSS). The cumulative loans disbursed by the company under CLSS stood at Rs 39333 crore end March 2021 and the cumulative subsidy amount stood at Rs 5211 crore.

### **Collections, Non-Performing Assets (NPAs) & Provisioning**

Overall collection efficiency ratios for individual loans have improved, nearing pre-COVID levels. The collection efficiency for individual loans in the month of March 2021 stood at 98.0% compared to 96.3% in the month of September 2020.

As per regulatory norms, the gross non-performing loans stood at Rs 9759 crore end March 2021. This is equivalent to 1.98% of the loan portfolio. The non-performing loans of the individual portfolio stood at 0.99% while that of the non-individual portfolio stood at 4.77%.

As per regulatory norms, the Company is required to carry a total provision of Rs 5491 crore. The regulatory provisioning for non-performing loans is determined solely on the period of default. The provisions stood at Rs 13025 crore. The provisions carried as a percentage of the Exposure at Default (EAD) is equivalent to 2.62%.

The company's Expected Credit Loss charged to the Statement of Profit and Loss for FY2021 stood at Rs 2948 crore.

### **Net Interest Income and margins**

The NII for FY2021 stood at Rs 15172 crore compared to Rs 12904 crore in the previous year, representing a growth of 18%.

The NII for Q4FY2021 stood at Rs 4,065 crore compared to Rs 3564 crore in the previous year, representing a growth of 14%.

Inclusive of fees and income from assigned loans, the NII for Q4FY2021 stood at Rs 4532 crore compared to Rs 3846 crore in the previous year, representing a growth of 18%.

The spread on loans over the cost of borrowings for FY2021 was 2.29%. The spread on the individual loan book was 1.93% and on the non-individual book was 3.22%.

Net Interest Margin for FY2021 stood at 3.5% compared with 3.4% in FY2020.

#### Impact of Covid-19

The restructured loan book stood at Rs 4479 crore under the RBI's Resolution Framework for COVID-19 Related Stress. This is 0.8% of AUM. Of the loans being restructured, 27% are individual loans and 73% non-individual loans. The largest account under the resolution framework accounted for 0.5% of AUM.

Cumulative COVID-19 provision stood at Rs 844 crore end March 2021.

The Company has gradually unwound its high liquidity levels as seen in the previous quarter. The average daily balance in liquid funds during Q4FY2021 was Rs 15700 crore compared to Rs 16800 crore in the previous quarter.

With various liquidity measures taken by the RBI, the Company is maintaining comfortable liquidity levels, whilst also endeavouring to minimize negative carry.

The Company has continued to raise resources from a diversified base.

### **Investments**

All investments in the Company's 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 261590 crore end March 2021.

### **Capital Adequacy Ratio**

The Company's capital adequacy ratio stood at 22.2%, of which Tier I capital was 21.5% and Tier II capital was 0.7%. 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**

For the quarter ended March 2021, the consolidated profit after tax stood at Rs 5669 crore compared to Rs 4342 crore in Q4FY2020, reflecting a growth of 31%. The profit attributable to the Company for Q4FY2021 stood at Rs 5350 crore compared to Rs 4116 crore in corresponding quarter of the previous year, reflecting a growth of 30%. The profit attributable to the Company for FY2021 stood at Rs 18740 crore.

### **Distribution Network**

HDFC's distribution network spans 593 outlets which include 203 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 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 Fy2021**

The reported profit before tax for FY2021 stood at Rs 14815 crore. The profit numbers for FY2021 are not comparable with that of the previous year. In the previous year, the Company had recorded a fair value gain consequent to the merger of GRUH Finance Limited (GRUH) with

Bandhan Bank Limited amounting to Rs 9020 crore.

The profit numbers are also not comparable due the profit on sale of investments which was lower at Rs 1398 crore during the year compared to Rs 3524 crore in the previous year.

Further, dividend income received during the year was lower at Rs 734 crore (no dividends were received from HDFC Bank and HDFC Life Insurance Company) as compared to Rs 1081 crore in the previous year. In the first half of the year under review, the regulators for banks and insurance companies did not permit payment of dividends from the profits pertaining to the financial year ended March 2020 owing to uncertainties due to COVID-19.

To facilitate a like-for-like comparison of the financials, after adjusting for profit on sale of investments, dividend, fair value adjustments, income on assigned loans, charge for employee stock options and provisions, the adjusted profit before tax for FY2021 stood at Rs 13823 crore compared to Rs 11586 crore in the previous year, representing a growth of 19%.

After providing for tax of Rs 2788 crore, the reported profit after tax for FY2021 stood at Rs 12,027 crore.

For FY2021, cost to income ratio stood at 7.7% compared to 9.0% in the previous year. The reduction in the cost to income ratio during the year is attributed to COVID-19 induced lockdowns and restrictions, thus leading to lower expenses incurred on travel and conveyance, electricity charges and digitalisation initiatives have reduced expenses such as printing, stationary and postage charges.

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