

HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED

May 05, 2023



Current Price: ₹ 2862.35

STOCK DATA

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

VALUE PARAMETERS

52 W H/L(Rs)	2867.00/2026.55
Mkt. Cap.(Rs Cr)	525114.5
Latest Equity(Subscribed)	366.91
Latest Reserve (cons.)	133617.83
Latest EPS (cons.) -Unit Curr.	88.52
Latest P/E Ratio -cons	32.34
Latest Bookvalue (cons.) -Unit Curr.	730.34
Latest P/BV - cons	3.92
Dividend Yield -%	1.54
Face Value	2.00

SHARE HOLDING PATTERN (%)

Description as on	% of Holding 31/03/2023
Foreign	66.54
Institutions	22.54
Non Promoter Corp. Hold.	0.86
Public & Others	10.07

Standalone Financial Results

In Cr.

Particulars	Qtr Ended	Qtr Ended	Var %
	Mar. 23	Mar. 22	
Income	16675.37	12300.96	36
Interest Exp.	10184.75	6770.77	50
NII	6490.62	5530.19	17
Other Inc.	12.69	8.47	50
Total Inc.	6503.31	5538.66	17
Op. Exp.	671.01	514.20	30
OP	5832.30	5024.46	16
Add: Profit on sale of investments	4.06	-0.97	LP
Less: Provision for expected credit loss	438.00	401.00	9
PBT before EO	5398.36	4622.49	17
Tax	972.86	922.17	5
PAT	4425.50	3700.32	20
EPS	24.12	20.41	

Q3FY23, Margin improves, individual loan book growth at 18%, beats estimates

Consolidated financial results

Housing Development Finance Corporation (HDFC) has posted strong 20% jump in the net profit to Rs 4425.50 crore in the quarter ended March 2023 (Q4FY2023). The net interest income of the company increased at an improved pace of 17%, while the net interest margin improved on sequential basis to 3.6% in Q4FY2023 from 3.5% in Q3FY2023. The profit before tax for Q4FY2023 stood at Rs 5398 crore compared to Rs 4622 crore in the corresponding quarter of the previous year. After providing Rs 973 crore for tax, the reported profit after tax stood at Rs 4425 crore compared to Rs 3700 crore in the corresponding quarter of the previous year, representing a growth of 20%.

The cost to income ratio was steady on sequential basis at 10.3% in Q4FY2023 from 10.3% in the previous quarter, while moved up from 9.3% in Q4FY2022. The loan growth of the company eased to 11% end March 2023 from 13% end December 2022.

Lending operations

- The inherent demand for home loans continues to remain strong. Growth in home loans was seen predominantly in the mid-income segment and high-end properties.
- During FY2023, individual loan disbursements grew by 16% compared to the previous year. In the month of March 2023, the Company recorded its highest ever monthly individual disbursements.
- During the year, the average size of individual loans stood at Rs 36.2 lakh compared to Rs 33.1 lakh in the previous year. During FY2023, 94% of new loan applications were received through digital channels.
- The assets under management stood at Rs 723988 crore end March 2023 as against Rs 653902 crore in the previous year. End March 2023, individual loans comprise 83% of the

Assets Under Management (AUM). On an AUM basis, the growth in the individual loan book was 17%.

- On maturity, certain non-individual exposures have been run down to ensure compliance with banking norms in lieu of the impending merger with HDFC Bank.
- The growth in the total loan book on an AUM basis was 11%.
- During Q4FY2023, the Company assigned loans amounting to Rs 9340 crore (PY: Rs 8367 crore) to HDFC Bank. Loans sold in the preceding 12 months amounted to Rs 36910 crore (PY: Rs 28455 crore).
- End March 2023, the outstanding amount in respect of individual loans sold was Rs 102071 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 24%. The growth in the total loan book after adding back loans sold was 16%.

Collection efficiency, non-performing assets & provisioning

- The collection efficiency for individual loans on a cumulative basis stood at 99% during FY2023. There has been a significant improvement in non-performing loans (NPLs). End March 2023, the gross individual NPLs stood at 0.75% (PY: 0.99%) of the individual portfolio, while the gross non-performing non-individual loans stood at 2.90% (PY: 4.76%) of the non-individual portfolio. The gross NPLs End March 2023 stood at Rs 7246 crore. This is equivalent to 1.18% of the portfolio as against 1.91% in the previous year.
- The Company carried a total provision of Rs 12145 crore against loans. The provisions carried as a percentage of the Exposure at Default (EAD) is equivalent to 1.96%.
- The Company's Expected Credit Loss (ECL) charged to the Statement of Profit and Loss for FY2023 was lower at Rs 1795 crore (PY: Rs 1932 crore).
- Annualised credit costs for Q4FY2023 stood at 25 basis points (PY: 27 basis points).
- Credit costs for FY2023 stood at 27 basis points (PY: 33 basis points).

Net interest income and spreads

- The net interest income (NII) for Q4FY2023 stood at Rs 5321 crore compared to Rs 4601 crore in the previous year, representing a growth of 16%.
- During the year, the monetary policy and interest rate actions did have an impact on the NII. Though lending rates increased, there has been a transmission lag between the interest rate increase in borrowing costs and asset repricing. The NII for FY2023 stood at Rs 19248 crore compared to Rs 17119 crore in the previous year.
- The reported Net Interest Margin for FY2023 was 3.6%.
- The spread on loans over the cost of borrowings for FY2023 was 2.29%. The spread on the individual loan book was 1.92% and on the non-individual book was 3.62%.

Investments

All investments in the Company's subsidiary and associate companies are carried at cost and not at fair value. Accordingly, End March 2023, the unaccounted gains on listed investments in subsidiary and associate companies amounted to Rs 241392 crore.

Capital adequacy ratio

End March 2023, the Company's capital adequacy ratio stood at 24.3%, of which Tier I capital was 23.8% and Tier II capital was 0.5%. As per regulatory norms, the minimum requirement for the capital adequacy ratio and Tier I capital is 15% and 10% respectively.

Distribution network

HDFC's distribution network spans 737 outlets which include 214 offices of HDFC's distribution company, HDFC Sales Private (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.

Consolidated financial results

For FY2023, the consolidated profit after tax attributable to the Company stood at Rs 26161 crore as compared to Rs 22595 crore in the previous year, representing a growth of 16%.

Financial Performance Fy2023

The profit before tax for FY2023 stood at Rs 20014 crore compared to Rs 17246 crore in the previous year. After providing for tax of Rs 3775 crore (previous year: Rs 3504 crore), the profit after tax for FY2023 stood at Rs 16239 crore compared to Rs 13742 crore in the previous year, representing a growth of 18%.

Some of the financials for FY2023 are not directly comparable with that of the previous year. On account of volatile equity markets, the net gain on investments fair valued through the profit and loss account was significantly lower at Rs 362 crore (PY: Rs 938 crore). Dividend income was Rs 2735 crore up from Rs 1511 crore. The profit on sale of investments declined to Rs 184 crore from Rs 263 crore.

Non-interest expenses were higher largely due to an increase in expenses on staffing, information technology and one-time merger related expenses incurred during the year.

Dividend

The company has declared an interim dividend for FY2023 of Rs 44 per equity share of face value of Rs 2 each compared to a final dividend of Rs 30 per equity share in the previous year. No final dividend was declared for FY2023. The dividend pay-out ratio is 49.7%.

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