Business Standard

Sun, 22 Apr-18; Business Standard - Mumbai; Size : 322 sq.cm.; Circulation:30029; Page : 2

HDFC Bank net profit rises 20% to ₹48 bn

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Mumbai, 21 April

Private sector lender HDFC Bank's net profit rose 20.3 per cent to about ₹48 billion for the quarter ended March 31, 2018, from ₹40 billion in the year-ago quarter.

The bank's asset quality remained stable as its gross non-performing assets (NPAs), as a percentage of total advances, stood at 1.30 per cent, flat against 1.29 per cent in the December quarter. In the year-ago quarter, the gross NPA ratio was 1.05 per cent. Gross NPAs amounting to ₹3.7 billion were added in the March quarter, the bank said in a statement.

Lalitabh Shrivastawa, assitant vice-president, research, Sharekhan said,

"HDFC bank results were largely in line with most parameters except for the slower corporate loan growth. At these times, stable assets and quality performance will be more important."

Net interest income, or the interest earned minus interest expended, rose 17.7 per cent year on year to ₹106.57 billion from 90.55 billion in quarter ended March 2017. Net interest margin (NIM), the difference between the yield on advances and cost of funds, was flat at 4.3 per cent compared to the year-ago period.

In conference call with analysts, the HDFC Bank management indicated that net interest margins will remain in the range of 4.1-4.3 per cent in the near term. Movement within this band might happen depending upon the market environment and liquidity position.

Asuthosh Kumar Mishra of Reliance Securities said, "The March quarter numbers are satisfactory and in line with the expectations. Even the asset quality is satisfactory."

Other income, comprising fees and other non-interest income, stood at ₹42.28 billion. It was up 22.7 per cent over ₹34.46 billion in the corresponding quarter of the previous year.

However, the bank booked a loss of ₹0.22 billion on revaluation or sale of investments against a gain of ₹1.8 billion in the March quarter.

Treasury income for the quarter was down to ₹51.36 billion from ₹54 billion in the year-ago quarter, though it was a slight improvement from ₹50 billion in the December quarter. Total treasury income for the full year 2017-18 was down from the previous year.

Provisions and contingencies were ₹15.41 billion, as against ₹12.61 billion in the year-ago March quarter. Deposits and credit grew at 22.5 per cent to ₹7,887 billion and 18.7 per cent to ₹6583 billion, respectively, over the last year's quarter.

The share of retail loans in total book rose 4 per cent in 12 months to 57 per cent at the end of March 2018 from 53 per cent a year ago. The corporate loan book shrunk to 43 per cent from 47 per cent.

The share of current account saving account (CASA) in total deposits declined to 43 per cent as against 48 per cent in the year-ago quarter. CASA deposits are a major source of low-cost funds for a bank.

The capital adequacy ratio (CAR) as of March 31, 2018, stood at 14.8 per cent from 14.6 a year ago. The bank has announced a dividend of ₹13 per equity share of ₹2 for 2017-18, as against ₹11 per equity share in the previous year, subject to shareholders' approval.

The bank's board of directors had also approved raising up to ₹ 500 billion through private placement of perpetual debt instruments in the next 12 months, it said in a filing to the BSE.

KEY FINANCIALS

₹ billion	Q4FY17	Q4FY18	% chg
NII	90.6	106.6	17.7
Other income	34.5	42.3	22.7
Operating profit	72.8	88.4	21.4
Provisions and contingencies	12.6	15.4	22.1
Net profit	39.9	48.0	20.3
Deposits	6,436.4	7,887.7	22.5
Advances	5,545.7	6,583.3	18.7
Gross NPA	58.9	86.1	46.2
Gross NPA (%)	1.1	1.3	25 bps

NII: Net interest income; NPA: Non-performing assets
Source: Results filing