

August 17, 2021

Q1-FY22 Result Update

- ❑ Housing Development Finance Corporation Limited's (HDFC) consolidated revenues grew 3.5% year over year (YoY) to ₹3,09,906 million in Q1-FY22. On standalone basis, HDFC reported revenues of ₹1,16,575 million, down 10.4% YoY. Net interest income grew by 22% YoY to ₹41,470 million in the quarter. Net interest margin (NIM) stood at 3.7%.
- ❑ The company reported 181% growth in individual loan disbursements (after adding back loans sold in the preceding 12 months) during the quarter ended June 30, 2021 compared to the corresponding quarter of the previous year. The growth in the total loan book after adding back loans sold was 22%.
- ❑ The provisions as at June 30, 2021 stood at ₹131,890 million. Cost to income ratio stood at 8.0% compared to 9.0% in the previous year. Standalone PAT for Q1-FY22 stood at ₹30,010 million.
- ❑ As of June 30, 2021, assets under management stood at ₹5,741,360 million, reflecting a growth of 8.1% YoY. Individual loans which comprised 78% of the total loan book, grew 14% YoY.
- ❑ The demand for home loans continues to remain strong and disbursements have picked up with the unlocking of respective locations. While disbursements during April and May of the current financial year were somewhat impacted, business has reverted to normalized trends in the months of June and July. July 2021 disbursements were the highest ever in a non-quarter end month. Disbursements between April to July 2021 i.e. four months were 108% of the disbursement levels achieved during the first six months of the previous year.
- ❑ Gross non-performing loans as at June 30, 2021 stood at ₹111,200 million, equivalent to 2.24% of the loan portfolio, up from 1.98% at the end of the previous quarter. The provisions carried as a percentage of the Exposure at Default (EAD) is equivalent to 2.64%.
- ❑ Reflecting strong capital position, capital adequacy ratio stood at 22.0% and Tier I capital ratio was 21.3%, exceeding the minimum regulatory requirement for the capital adequacy ratio and Tier I capital of 15% and 10% respectively. The company maintains higher levels of liquidity & has a strong deposit base.
- ❑ The company continues to grow strongly given its strong market position in the housing finance sector, healthy spreads, sturdy capital position, conservative provisioning and strength from its subsidiaries. We maintain our **BUY** rating with a target price of **₹3150 per share**.

Standalone Financials

(In ₹ mn)	Q1-FY22	Q1-FY21	Chg	3M-FY22	3M-FY21	Chg
Operating Income	116,575	130,177	-10.4%	116,575	130,177	-10.4%
Operating Expense	11,990	15,608	-23.2%	11,990	15,608	-23.2%
Operating Profit	104,585	114,569	-8.7%	104,585	114,569	-8.7%
Other Income	57	16	252.2%	57	16	252.2%
Depreciation	377	346	8.8%	377	346	8.8%
EBIT	104,265	114,239	-8.7%	104,265	114,239	-8.7%
Interest	65,219	78,171	-16.6%	65,219	78,171	-16.6%
Misc. Items	-	-		0	-	
PBT	39,046	36,068	8.3%	39,046	36,068	8.3%
Tax	9,039	5,553		9,039	4,599	
PAT	30,007	30,515	-1.7%	30,007	31,469	-4.6%

Source: Company, Anand Rathi Research

Housing Development Finance Corporation Limited (HDFC)

Standalone Financials:

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(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Operating Income	587,389	481,523	531,161	585,917
Operating Expense	382,647	332,045	342,778	355,241
Operating Profit	204,742	149,478	188,383	230,676
Other Income	244	261	319	352
Depreciation	1,477	1,588	1,683	1,856
Earnings before misc.item	203,509	148,151	187,019	229,172
Misc. items	-	-	-	-
PBT	203,509	148,151	187,019	229,172
Tax	25,813	27,878	35,192	43,124
PAT	177,697	120,273	151,828	186,048
Margins	FY-20	FY-21	FY-22E	FY-23E
Operating Margin %	34.9%	31.0%	35.5%	39.4%
Net Margin %	30.3%	25.0%	28.6%	31.8%

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Liabilities				
Equity Share Capital	13,558	18,415	121,485	121,485
Reserves & Surplus	848,022	1,069,412	1,221,239	1,407,287
Total Shareholder's Funds	861,581	1,087,827	1,342,724	1,528,772
Long-Term Liabilities	3,458,399	3,541,157	3,541,157	3,541,157
Other Long-term Liabilities	2,984	2,856	2,873	2,945
Deferred Tax Liability	(15,679)	(16,553)	(16,553)	(16,553)
Short-term Liabilities	917,972	1,044,147	1,136,007	1,253,115
Total	5,225,256	5,659,433	6,006,208	6,309,435
Assets				
Loans	4,399,099	4,852,589	5,352,828	5,904,635
Net Fixed Assets	13,490	13,559	12,872	12,840
Long-Term L&A	45,716	16,265	16,265	16,265
Non Current Investments	418,153	525,686	551,970	579,569
Other Non-Current Assets	14,070	42,898	42,898	42,898
Current Asset	334,730	208,436	29,374	(246,772)
Total	5,225,256	5,659,433	6,006,208	6,309,435
(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	98.4	66.6	84.1	103.0
P/E (x)	27.8	41.1	32.6	26.6
P/B (x)	5.7	4.5	3.7	3.2
ROE	20.6%	11.1%	11.3%	12.2%

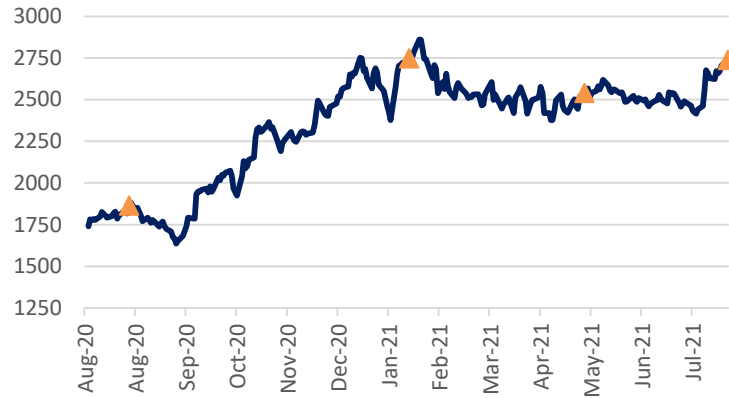
Source: Company, Anand Rathi Research

Key Risks:

- ❑ Stiff competition in the housing finance sector could weigh on pricing as players become aggressive. This in turn may lower HDFC's market share.
- ❑ Slowdown in the economy could affect the overall housing finance industry adversely.
- ❑ Any increase in cost of funding is likely to put pressure on margins.

Rating and Target Price history:

HDFC rating history & price chart



Source: Bloomberg, Anand Rathi Research

HDFC rating details

Date	Rating	Target Price (₹)	Share Price (₹)
03-Feb-2020	BUY	2,539	2,260
06-Jun-2020	BUY	2,215	1,767
27-Aug-2020	BUY	2,215	1,864
09-Feb-2021	BUY	3,100	2,747
24-May-2021	BUY	3,100	2,541
17-Aug-2021	BUY	3,150	2,738

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