

HDFC Bank Q4FY21

Financial Results & Highlights

Brief Company Introduction

HDFC Bank Ltd. is an Indian banking and financial services company headquartered in Mumbai, Maharashtra. It has a base of 1,04,154 permanent employees as of 30 June 2019. HDFC Bank is India's largest private sector lender by assets. It is the largest bank in India by market capitalisation as of March 2020.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	38018	35918	5.85%	37523	1.32%	146063	138073	5.79%
PBT	10839	9174	18.15%	11772	-7.93%	41659	36607	13.80%
PAT	8187	6928	18.17%	8758	-6.52%	31117	26257	18.51%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	40909	38287	6.85%	39839	2.69%	155885	147068	6.00%
PBT	11266	9682	16%	11813	-4.63%	42796	38195	12.05%
PAT	8444	7297	16%	8760	-3.61%	31857	27296	16.71%

Detailed Results:

- The net standalone revenues rose 16.4% YoY in Q4.
- NII grew 12.6% YoY to Rs 17120 Cr driven by growth in advances of 14% YoY and core NIM of 4.2%.
- Other income formed 30.7% of net revenues at Rs 7593.9 Cr which was up 25.9% YoY.
- The breakup of other income is:
 - Fees & Commissions: Rs 5023 Cr vs 4201 Cr last year.
 - FX & Derivatives: Rs 879 Cr vs 501 Cr last year.
 - Gain on sale/revaluation: Rs 655 Cr vs 565 Cr last year.
 - Miscellaneous Income: Rs 1036 Cr vs 766 Cr last year.
- Operating expenses were up 10.9% YoY. The cost to income was at 37.2% vs 39% a year ago.
- Pre-provision Operating Profit grew 19.9% YoY. Provisions and contingencies for the quarter were at Rs 4693.7 Cr.
- The Total Credit Cost ratio was at 1.64%.
- Standalone PAT rose 18.2% YoY in Q4.
- Total Balance Sheet size rose 18.6% YoY. Total Deposits rose 16.3% YoY while CASA deposits rose 27% YoY. Time deposits grew 8.5% YoY.
- Total advances rose by 14% YoY with domestic advances rose 14.1% YoY. Retail advances grew 6.7% YoY while wholesale advances grew 21.7% YoY. Retail to the wholesale mix was at 47:53. Overseas advances were at 3% of total advances
- FY21 revenues grew 5.8% YoY while Profits grew 18.5% YoY.
- The bank maintained a CAR of 18.8%. with Tier I CAR at 17.6%.

13. GNPA was at 1.32% on 31st Mar 2021. NNPA was at 0.09%. If the bank classified borrower accounts as NPA after 31st Aug 2020, Gross NPA would come out to 1.38% and NNPA would be 0.4%.
14. The bank maintained floating provisions of Rs 1451 Cr and contingent provisions of Rs 5861 Cr. Total provisions were at 153% of GNPA's.
15. The bank increased its network by 354 branches to 5608 in 2902 cities/towns in FY21.
16. HSL saw revenues for the quarter rose to Rs 439 Cr vs Rs 300 Cr last year. PAT was at Rs 253 Cr vs Rs 157 Cr last year.
17. HDB Financial Services saw a total loan books rise by 5% YoY and LCR at 265%. NII for the subsidiary grew 15.4% YoY. PAT fell to Rs 284.6 Cr from Rs 341.7 Cr last year. GNPA here was at 3.9%. CAR was maintained at 19%.

Investor Conference Call Details:

1. The bank added 2 million new liability relationships in Q4 and 7 million such relationships in FY21. It also acquired 2.5 million salaried customers in FY21.
2. The management reported that the video KYC process was instrumental in digital CASA acquisition with the entire KYC process being reduced down to less than 5 mins.
3. The bank saw good growth in mid-sized corporates and SMEs aided by new-to-bank customer acquisition, deeper geographical penetration and higher utilization.
4. The bank also added 10,177 business correspondents in FY21.
5. PPOP grew by 19.9% YoY in Q4FY21.
6. All business lines continued their growth momentum, with the secured business of LAP and vehicle segments providing the largest contribution to sequential growth.
7. NII for HDB grew 15.4% YoY in Q4 due to favourable product mix & lower cost of funds.
8. The average internal rating of the bank's wholesale business is at 4.24 on a scale of 1-10 where 10 is the worst and 7 is investment grade. 62% of the portfolio is rated AA or above.
9. The weighted average rating of the top 20 borrowers of the bank is 2.92. The average for the unsecured portfolio is 3.36 while the rating for the secured portfolio is 4.57.
10. The bank is 80% to 85% covered with collateral at the portfolio level.
11. At the current rate of growth, the MSME book is expected to surpass the private sector large corporate book in 12 to 18 months' time frame. The management has also stated that for every rupee of lending in wholesale SME the earnings is 2.2x of equivalent lending to large corporates, considering the difference in risk profiles.
12. The reported slippage of 1.86% includes proforma slippage according to the management.
13. The MSME book is around 18% of total advances.
14. The management maintains that the bank is in no way constrained in capacity in terms of technology and it has even seen its market share in the merchant space rise to 50% in Jan '21 from 47% in Jan '20.
15. 3/4th of card sourcing is done from existing customers of the bank.
16. The management clarifies that all the contingent provisions are not anticipatory but precautionary and thus the change in provisions should not be seen to be related to the bank's estimation of the impact of 2nd wave of COVID.

Analyst Views:

HDFC Bank is the biggest bank in the country by market capitalization. It has deservedly earned its stellar reputation over the years. The bank has performed well in Q4FY21 and continued its consistent growth momentum with 27% growth in CASA. The bank has seen a good 7 million new deposit customers which highlights the market reputation of the bank. The bank's Video KYC seems to have had a good impact with customer onboarding time reduced to less than 5 mins. It remains to be seen what economic impact will the 2nd wave of COVID-19 have to the bank and industry in general. Nonetheless, given the bank's resilient customer set, strong liquidity profile, and enduring brand image, HDFC Bank remains an indispensable banking stock for every investor, more so because of the recent correction in valuation.

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