

Retail loan growth remains steady

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Higher provisioning for developer loans affects bottomline

BL Research Bureau:

Market leader Housing Development Finance Corporation (HDFC) may have missed analysts' expectations on earnings growth but, as in the past, the pace of growth in retail loans continues to be strong and above that of the industry.

HDFC delivered 7 per cent growth in net profit (standalone) in the latest December quarter, despite a 13 per cent growth in loan book. Lower earnings growth, according to the management, was the result of lower profit on sale of investments and lower income from leased properties.

HDFC also had to make higher provisioning for developer loans, as required by the regulator. The company witnessed an uptick in developer loans during the December quarter to the tune of Rs. 1,987 crore, for which it had to make an upfront provision for standard assets. Provision for contingencies thus went up to Rs. 68 crore in the latest December quarter from Rs. 45 crore last year.

But for these one-off factors, the company's net profit growth year-on-year would have been 15 per cent in the December quarter.

On the core business front though, the company continues to witness steady growth in its retail loans. While it is true that the overall growth in the housing finance space has moderated in the last couple of quarters, HDFC continues to grow above the industry.

For market leader HDFC, the growth in loans slowed to about 14-16 per cent (net of loans sold to HDFC Bank) in recent quarters from about 19-20 per cent two years back.

Non-retail loans subdued

The main reason for this slowdown, however, was the subdued growth in the non-retail (developer) segment. Retail loans, however, continue to grow at a healthy clip.

In the last five years, HDFC's retail loan book has grown at least 5 percentage points above other banks in this segment. In the latest December quarter, while bank credit growth in the housing segment was about 18 per cent, HDFC's retail loans (pre-sale) climbed 23 per cent.

Growth in the high-margin non-retail segment, which has remained subdued, has shown a marginal pick up. This segment grew 10 per cent in the December quarter, against an 8 per cent growth in the September quarter. This segment accounts for 30 per cent of the company's loan portfolio.

HDFC continues to maintain good asset quality. The gross non-performing assets in the December quarter stood at 0.72 per cent of loans — 0.54 per cent in the retail segment and 1.12 per cent in the non-retail segment.

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