

# HDFC pre-tax profit rises 219%

The mortgage lender received fair value gain of ₹9,020 crore from derecognition of investment in Gruh Finance

SUBRAHMANIYA  
Hyderabad, 27 January

Mortgage lender Housing Development Finance Corp (HDFC) reported a 219 per cent rise in profit before tax (PBT) at ₹9,143 crore in the third quarter ended December 31 (Q3FY20), mainly aided by a one-time fair value gain of ₹9,020 crore. Its PBT was ₹2,668.80 crore in the year-ago period.

However, profit before dividend, sale of investments, fair value changes, and provision for losses grew 7 per cent year-on-year (YoY) at ₹3,075.43 in Q3FY20, against ₹2,873.62 crore in Q3FY19.

The company has received a fair value gain of ₹9,020 crore in Q3FY20 from de-recognition of investment in Gruh Finance, which got merged with private sector lender Bandhan Bank. Gruh



"WE HAVE BEEN EXTREMELY CONSERVATIVE IN OUR PROVISIONING. THAT'S THE POLICY WE HAVE FOLLOWED ALL THESE YEARS AND WE CONTINUE TO REMAIN CONSERVATIVE IN OUR PROVISIONING."

**KEKI MISTRY**  
Vice-chairman and chief executive officer of HDFC

Finance was the affordable housing arm of HDFC. The mortgage lender booked a 26 per cent rise in net profit at ₹8,372.49 crore in Q3FY20, against ₹2,113.80 in Q3FY19.

Provisions for the housing finance company have gone up substantially in the third quarter. In Q3FY20, the company provided

₹2,995 crore for loans, against ₹116 crore in Q3FY19. "We have been extremely conservative in our provisioning. That's the policy we have followed all these years and we continue to remain conservative in our provisioning," said Keki Mistry, vice-chairman and chief executive officer of HDFC.

For the nine months ending

December 2019 (9MFY20), the total provisions made by the housing finance firm was ₹4,639 crore. On a balance sheet level, the actual provisions of the lender stood at ₹9,934 crore.

"If we were to make provisions based on time period of default, which is required by regulation, then the total provision we need to carry would have been ₹3,624 crore. As opposed to that number, we are carrying a provision which is ₹6,310 crore higher at ₹9,934 crore," Mistry said. The provisions carried as a percentage of the Exposure At Default is equivalent to 2.25 per cent.

The gross non-performing assets (NPAs) at the end of Q3FY20 stood at 1.36 per cent of the loan portfolio, against 1.22 per cent in the year-ago period, up 14 basis points. In the individual segment, the non-performing assets of the

lender were up marginally to 0.75 per cent in Q3FY20, against 0.68 per cent a year ago.

Similarly, in the non-individual segment, the NPAs of the lender stood at 2.91 per cent in Q3FY20 versus 2.46 per cent Q3FY19.

The net interest income of the lender was up 9 per cent YoY at ₹3,240 crore in Q3FY20, against ₹2,984 crore in Q3FY19. The net interest margin stood at 3.7 per cent in the reporting quarter, against 3.4 per cent in the year-ago period.

The overall loan book of the lender grew 12.4 per cent to ₹4,41 trillion at the end of December 2019, from ₹2.89 trillion in the year-ago period. The individual loan book grew more than 16 per cent YoY and the corporate book grew 6 per cent.

The shares of the mortgage lender closed at ₹2,395.80, down 2.25 per cent on the BSE.

# PFC lists \$750-million bonds on NSE IFSC

SURESH JAI  
New Delhi, 27 January

State-owned power financier Power Finance Corp (PFC) has, for the first time, listed its foreign currency bonds worth \$750 million on NSE-IFSC GIFT City. The bonds will also be listed on India INX and Singapore Stock Exchange. This is the largest single tranche of international bond issue by PFC, the country's largest non-banking financial company (NBFC) in the power sector.

PFC became the first Indian public sector firm to issue senior unsecured US Dollar bonds with a tenor of more than 10 years last week. The bonds had a coupon rate of 3.95 per cent and was oversubscribed with the final order book amounting to more than \$1.2 billion, the company said on Monday.

This was PFC's third international bond issue in the financial year 2019-20.

With the bond issue, the share of foreign borrowing in PFC's portfolio has gone up to 15 per cent at more than \$6.5 billion.

"PFC has tried to diversify its borrowing portfolio over the past three years and has raised \$5 billion so far from the overseas market. In the current financial year, we are eyeing \$12 billion borrowing which is 25 per cent of the total borrowing," said Rajeev Sharma, chair-

man and managing director, PFC.

PFC executives said the proceeds from the bonds would be used in the newer sector that the NBFC is venturing into which includes renewable energy, electric vehicles and charging stations, Smart Cities and Grids and irrigation projects.

Globally, financiers are moving away from fossil fuel dependent industries, and PFC said it doesn't have any target but the shift will be natural. "Share of renewable energy in our portfolio has increased to 6 per cent from 1 per cent earlier. We do not see any new thermal power projects coming up by any state. So our exposure effectively will reduce to fossil fuel," Sharma said.

The company, which has been battling stressed assets in the power sector, said it has been able to resolve two assets in the current financial year, and four more are likely to be resolved by the end of the fiscal.

Resolution of GMR Chhattisgarh power project was concluded with JSW Energy buying it and Ratanlalji Amritniraj power project was taken over by Goldman Sachs and Vade Partners. The four other projects are EKMR Energy and Jhabua Power, for which state-owned NTPC has bid; Jal Power, for which state-owned NHPC has bid; and Ind Rama Utkal, which is likely to be bought by JSW Energy.

## New scheme for revival of distribution firms likely in Budget, says R K Singh

SURESH JAI

New Delhi, 27 Jan

Union Power Minister R K Singh on Monday said a new scheme to revive the beleaguered state-owned power distribution companies (discoms) may be announced in the Union Budget. "We asked for a new scheme. We had discussions with the finance ministry. I am optimistic that the newscheme will find a place in budget," Singh said.

Business Standard first reported in December that a new power sector scheme aimed at better infrastructure, smart meters and private franchisee model for improving power supply in the states is likely to be launched with an estimated capital outlay of ₹2-2.5 trillion.

The new scheme would replace UDAY, an earlier scheme meant for revival of discoms, that concludes in March 2020.

Singh said the Centre should have one umbrella scheme instead of multiple schemes for the power sector, and states would have to reduce the losses of discoms to get the benefits under the scheme. The government is planning to integrate electrification programmes Deendayal Upadhyaya Gram Jyoti Yojana and Integrated Power Development Scheme with the new scheme.

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