

## ASSET QUALITY impacted on account of farm loan waiver **HDFC Bank's Q1 Net Profit Up 20%**

Our Bureau

**Mumbai:** HDFC Bank, India's most valuable lender, on Monday reported a 20.2% increase in its net profit for the June quarter due to healthy loan growth and higher fee income. Net profit for the quarter increased to ₹3,893.8 crore from ₹3,238.9 crore a year ago.

Net profit numbers were broadly in line with the analysts polled by Bloomberg which estimated a net profit of ₹3,914.5 crore.

Net interest income (NII), which is the difference between the interest income a bank earns from its lending activities and the interest it pays to depositors, rose 20.4% to ₹9,370.7 crore from ₹7,781.4 crore last year. The pre-tax profit in the treasury business fell to ₹307.7 crore against ₹491.7 crore.

"The bank's bottom line performance in FY18 will be around 22-23% better than FY17, and expect the premium valuations to continue. This will be aided by higher loan growth and stable margins," said Siddharth Purohit, senior research analyst, Angel Broking.

Despite a mere 6.1% annual credit growth, the bank's loan book grew by 23.4% YoY led by higher growth in corporate, business banking and retail loan segments. Total advances stood at ₹5.8 lakh crore while deposits were at ₹6.7 lakh crore, up 17%.

"We have been able to outpace the system on the credit growth front, both in wholesale and retail and it's not coming from a couple of products—everything is growing," said Paresh Sukthankar, deputy managing director, HDFC Bank. "We are

looking at all our businesses and the pace of growth we can maintain within our customer base."

The private lender's asset quality performance dipped as recoveries from agricultural advances were impacted during the quarter after a few states announced farm loan waivers. Gross non-performing loans stood at ₹7,242.9 crore from ₹4,920.8 crore a year ago.

### CREDIT OFFTAKE



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loan book  
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YoY, led by higher  
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and retail segments

"(About) 60% of the rise in NPA has come from the agriculture portfolio. We believe that a fair portion of this impact does reflect in the changed customer behaviour in anticipation of loan waivers," said Sukthankar.

"Though it was a good monsoon and farmers have had some realisation, clearly there was some impact on repayments which has reflected in roughly 20 bps rise in gross bad loans."

The GNPA ratio rose to 1.24% against 1.04% in the year-ago quarter. Provisions and contingencies climbed to ₹1,558.76 crore in the quarter from ₹866.73 crore.

"Marginal increase in gross NPA is not a worry as headline NPA and PCR of the bank continue to remain best in class in the industry," said Asutosh Kumar Mishra, senior research analyst with Reliance Securities.