Other income boosts HDFC Bank profit

Q3 net climbs 32.8% to ₹7,416.5 cr.; provisions for bad loans up; growth in auto loans marginal

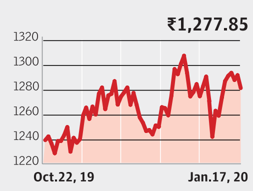
SPECIAL CORRESPONDENT
MUMBAI

HDFC bank reported a 32.8% rise in net profit to ₹7,416.5 crore for the quarter ended December 31, on the back of healthy growth in other income.

Net interest income (NII viz. interest earned less interest expended) for the quarter grew 12.7% to ₹14,172.9 crore from the ₹12,576.8 crore recorded in the same period of the previous year. NII was driven by a growth in advances of 19.9%, and a 25.2% rise in deposits. "The net interest margin for the quarter remained stable at 4.2%," HDFC Bank said in a statement.

Other income stood at ₹6,669.3 crore which was 32% of the net revenue against ₹4,921 crore reported in the year-earlier period.

Banking on growth



(In ₹ crore)

Metrics	Q3 FY20	Q3 FY19	Growth %
Net profit	7,416.48	5,585.85	32.77
Net interest income	14,172.90	12,576.80	12.69
Other Income	6,669.28	4921.01	35.52
Provisions & contingencies	3,043.56	2,211.53	37.62
Basic EPS (₹)	13.50	10.30	-
Net NPA ratio (%)	0.48	0.42	-
Capital Aaequacy ratio (%)	18.50	17.30	_

"The main component of other income viz. fees and commissions grew 24.1% to ₹4,526.8 crore for the quarter ended December 31, 2019," HDFC Bank said.

The bank also gained from a sharp rise in miscellaneous income, including recoveries and dividend, which was ₹940.4 crore against ₹402.6 crore.

"The recoveries include one-off item of approximately ₹200 crore arising from resolution of an NCLT matter," it said. Provisions and contingencies rose to ₹3,043.6 crore from ₹2,211.5 crore. Bad loan provisions stood at ₹2,883.6 crore compared with ₹1,734.6 crore.

The bad loan provisions include one-offs of approximately ₹700 crore, primarily relating to certain corporate accounts.

"Therefore, the core credit cost ratio (i.e. excluding one-offs) was 0.92% compared with 0.90% in the quarter ended September 30, 2019 and 0.88% in the quarter ended December 31, 2018," the bank said.

Asset quality dips

Asset quality deteriorated marginally with gross non-performing assets increasing to 1.42% of gross advances as on December 31, 2019 compared with 1.38% in the year-earlier period. Net non-performing assets stood at 0.48% of net advances as on December 31, 2019 compared with 0.42% a year ago.

"The bank held floating provisions of ₹1,451 crore and contingent provisions of ₹1,457 crore as on December 31, 2019," it said.

On the liabilities side, current and savings account deposit growth stood at 21.5%. CASA deposits constituted 39.5% of total deposits.

Domestic retail loans grew 14.1% and domestic wholesale loans surged 29.3%. Growth in auto loans year-on-year was marginal, while credit card and personal loans reported healthy growth.

Retail loans constituted 52% of the loan book.

Keki Mistry exits HDFC Bank board

SPECIAL CORRESPONDENT
MUMBAI

Keki Mistry, vice-chairman and CEO of Housing Development Finance Corporation (HDFC), has stepped down from the board of HDFC Bank.

The Banking Regulation Act mandates no director of a banking company, other than its chairman or wholetime director, can hold office continuously for a period exceeding eight years. Mr. Mistry had completed a consecutive term of eight years at the close of business hours on January 18, 2020, HDFC Bank said. Mr. Mistry was parent HDFC's nominee on the board of HDFC Bank.

The bank's board has also approved the re-appointment of Malay Patel as independent director.

Since trade negotiations were halted in 2013, the two sides have been unable to revive the talks. • GETTY IMAGES/ISTOCK

Need FTA to spur India, EU trade: Rinkevics

'PM's Brussels visit may trigger action'

SUHASINI HAIDAR
NEW DELHI

India-EU trade cannot increase substantially until the Bilateral Trade and Investment Agreement (BTIA) between the European Union and India is negotiated, said Latvian Foreign Minister Edgars Rinkevics, expressing the hope that there will be movement on the BTIA when Prime Minister Narendra Modi visits Brussels in March this year.

"We know that there are many issues with free trade negotiations, but we need to give it a good try, one more time. Only if we have a comprehensive trade deal, there is a chance for improvement of trade figures," Mr. Rinkevics told *The Hindu* in an interview, referring to potential for IT companies in Latvia to outsource business to India as well as recruit "skilled and talented" Indian professionals. Mr. Rinkevics discussed the issue in talks with External Affairs Minister S. Jaishankar on the sidelines of the Raisina Dialogue in Delhi this week.

Mr. Rinkevics is one of the longest-serving EU foreign ministers, and was in office when the EU-India trade negotiations that began in 2007, were suspended in 2013. Since then, despite several attempts by Brussels and New Delhi, the two sides have been unable to agree to revive the talks.

Striking a different note on the BTIA, EU Ambassador to India Ugo Astuto said that despite the hiatus in trade talks, trade between India and the group of 28 European nations has not stopped growing. The EU is India's largest trading partner with about $108 billion trade in goods in 2018-2019, and $42 billion in services. It is also the largest source of foreign direct investment.

"The EU is in any case India's biggest trading partner, so without the agreement we are growing trade. The WTO remains the mechanism for dispute resolution. We both believe in a global system with a level playing field, and we hope to continue to talk about the FTA," Mr. Astuto said at an event on the sidelines of the Raisina Dialogue.

However, several EU countries are hampered in investing in India without an investment agreement in place, and officials now suggest that will be put in motion when PM Modi attends the India-EU summit in Brussels on March 13.

Iran eyes oil sale funds for bank capital

SPECIAL CORRESPONDENT
MUMBAI

Bank Pasargad of Iran which had received RBI's approval to open a branch in India in 2019, may use the capital it already has in India for the purpose, Mohammad Javad Zarif, Iranian Minister of Foreign Affairs, said.

He said Iran and India were working on operating banks in each other's countries. On Pasargad's maiden branch in Mumbai, he said "we are in the process of finalising the agreement with India for initial capital. Because of difficulty in transferring hard currency, we can use initial capital we already [have] in India... gained by sale of oil."

MSE gets nod for weekly interest rate contracts

Players can now hedge short-term risk

ASHISH RUKHAIYAR
MUMBAI

The Metropolitan Stock Exchange (MSE) has become the first bourse to get a regulatory approval to launch weekly interest rate futures (IRF) contracts.

MSE received the final go-ahead from the Securities and Exchange Board of India (SEBI) on Thursday. *The Hindu* has seen a copy of the SEBI approval letter.

Monthly versus weekly

Currently, both the National Stock Exchange (NSE) and the BSE offer trading facilities in such instruments but the contracts have a monthly tenor.

It is expected that weekly contracts would give market players an avenue to hedge their risk exposure in the short term, especially during events such as central bank policy reviews, growth data releases and certain global events that can have a bearing on the interest rates in the domestic market.

Simply put, IRFs are futures contracts wherein the underlying financial instrument pays interest. In the Indian market, exchange traded IRFs are based on 6-year, 10-year and 13-year government bonds and 91-day government treasury bills.

MSE has also got SEBI approval to launch weekly futures and options contracts on cross currency pairs.

Study on national gas grid soon

USTDA, ICF Resources to fund project cost of $1.2 million

N. RAVI KUMAR
HYDERABAD

A study to facilitate the development of a national gas grid is to be undertaken soon by a U.S. entity for the Petroleum and Natural Gas Regulatory Board (PNGRB).

Coming on the back of the push to promote use of natural gas, the study by ICF Resources LLC will take a look at various aspects – from demand analysis to a review of regulatory regimes.

The India National Gas Grid Technical Assistance programme stems from an agreement in September between PNGRB and the United States Trade Development Agency (USTDA). It will primarily update a 2011 study carried out by the same contractor (ICF Resources). USTDA and ICF Resources will fund the project cost of $1.219 million.

The study will aim at developing an economic basis for building India's Natural Gas Grid (NGG), said a presentation by ICF Resources that PNGRB shared while inviting suggestions from stakeholders "to carry out the study in a practical and realistic scenario."

Earlier this month, the regulator had organised an interactive discussion with upstream, midstream and downstream entities.

Gas supply analysis

Besides providing an update on the gas demand analysis, including anchor consumers, industries, city gas distribution (CGD) and emerging demand centres such as CNG and LNG for transport, the study will take a fresh look at the gas supply analysis too. This includes review of LNG imports, domestic supply, potential transnational gas pipeline imports and virtual pipelines.

A detailed review of regulatory regimes governing the expansion of natural gas in the country will be an another aspect of the study.

The natural gas pipeline network in India totalled 16,324 km as on April 2019, according to official figures. Nearly 7,000 km of pipeline is under construction.

Share of natural gas in India's energy basket is 6.2% as against 23.4% globally and is expected to increase.

L&T Infotech eyes double-digit growth

Company focussed on new business

LALATENDU MISHRA
MUMBAI

After improving performance in the third quarter compared with the prior two quarters, Larsen & Toubro Infotech Ltd. (LTI) is expected to close FY20 with double-digit growth, said the company's CEO & MD.

"LTI has improved operating profit margin 70 basis points quarter-on-quarter as a result of enhancing operations and execution," Sanjay Jalona, CEO and MD, LTI said in an interview. "Margin improvement has come despite lesser forex gains in this quarter."

In its guidance, LTI said its performance in the second half this year will be better than in the first half due to new business development initiatives taken up in the first half. "We see double digit growth in FY20," he added. In the third quarter of FY20, LTI's revenue grew 13.7% year-on-year to $394.4 million. It has been trying to cultivate new markets in Europe. "We are looking at Germany and Switzerland in addition to our traditional markets – France, Nordics," he said.

Sanjay Jalona

Sugar output falls, T.N. mills see low utilisation

Maharashtra, Karnataka see declines

SPECIAL CORRESPONDENT
COIMBATORE

Sugar production in the current sugar season till January 15 is 38.55 lakh tonnes lower compared with the same period last season, according to the Indian Sugar Mills' Association (ISMA).

The association said in a statement that the 440 sugar mills in operation as of January 15 in India have produced 108.85 lakh tonnes of sugar compared with 147.40 lakh tonnes (produced by 511 mills) during the same period in 2018-2019 season.

While mills in Uttar Pradesh are expected to produce almost the same quantity in 2019-2020 (October to September), production in Maharashtra and Karnataka had declined this year.

As many as 119 mills in Uttar Pradesh produced 43.78 lakh tonnes between October 2019 and January 15 this year against 117 mills producing 41.93 lakh tonnes for the same period last season.

Mills in Tamil Nadu continue to face low capacity utilisation this sugar season too. Only 17 mills are in operation producing 1.5 lakh tonnes till January 15. Last sugar season, 28 mills produced 2.29 lakh tonnes till January 15, 2019.

ISMA said the total finalised quantity of ethanol to be supplied, after the first tender, stood at 156 crore litres. Of the total finalised quantity, 72.23 crore litres will be supplied from B heavy molasses and sugarcane juice. It is learnt oil marketing firms will float the second round of tenders soon.

Reliance Retail shrugs off slowdown

Tops FY19 Ebitda in 9 months this fiscal; electronics, fashion, grocery add heft

SPECIAL CORRESPONDENT
MUMBAI

Reliance Retail became India's largest and most profitable retailer amid a general slowdown in 2019, as it became the first in its segment to cross the ₹1-lakh crore mark over a nine-month period.

The company posted a 66% growth in its earnings before interest, tax, depreciation and amortisation (Ebitda) to ₹7,098 crore on a 33% growth in revenue to ₹1,24,725 crore for the nine months ended December, 2019.

December metrics

Reliance Retail reported Ebitda of ₹2,727 crore on revenue of ₹45,327 crore for the December quarter. In comparison, Avenue Supermarts Ltd, which owns and operates the D-Mart chain of stores, reported a profit of ₹394 crore on revenue of ₹6,752 crore for the December quarter.

Star peformer: Consumer electronics, connectivity accounted for a third of revenue growth. • K.V. POORNACHANDRA KUMAR

In the first nine months of FY20, the retail arm of the conglomerate surpassed its full year FY19 profit numbers as consumer electronics, fashion & lifestyle and grocery delivered higher growth at 36% year-on-year.

"Strong and broad-based performance across consumer electronics, fashion & lifestyle and grocery led to double-digit growth and margin expansion across consumption baskets.

"Operating leverage and efficiencies contribute to sustained Ebitda margin improvement," said Gaurav Jain, head of strategy and business development at Reliance Retail told *The Hindu*.

11,000 stores

The company crossed the 11,000-store milestone opening over 1,000 stores in the first nine months of this fiscal; new store openings contributed to balanced growth across segments, according to the company.

Consumer electronics and connectivity accounted for one-third of the growth in revenue while grocery contributed 19%,followed by fashion and lifestyle at 9% and petro retailing at 8%.

Investment Adviser S.P. Tulsian said, "Going by Ebitda growth, Reliance Retail will be another Reliance in the coming years. The retail arm alone will have market capitalisation of ₹10 lakh crore, which is enjoyed by Reliance today."