

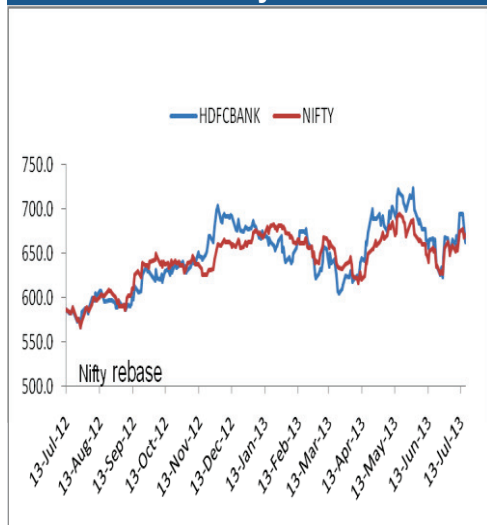
Result update	BUY
CMP	660
Target Price	750
Previous Target Price	750
Upside	14
Change from Previous	-

Market Data	
BSE Code	500180
NSE Symbol	HDFCBANK
52wk Range H/L	727/563
Mkt Capital (Rs Cr)	158204
Average Daily Volume	22.96(cr)
Nifty	5973

Stock Performance	1M	1yr	YTD
Absolute	0.8	12.9	12.3
Rel.to Nifty	-2.0	-1.4	-1.4

Share Holding Pattern-%	Current	4QFY13	3QFY1
Promoters	22.7	22.8	22.9
FII	34.5	34.1	33.7
DII	8.6	8.6	8.9
Others	34.2	34.5	34.5

HDFC Bank Vs Nifty



HDFC Bank is well poised in most of operating parameters like CASA ratio of 45%+, higher than industry credit growth, best asset quality among peers, better utilization of cash in form of higher CAR ratio for further growth, consistent delivered margin above of 4%. At the current price of Rs.660, stock is trading at 3.7 times of one year forward book and 21 times of one year forward earnings. We recommend buy with price target of Rs.750 which is 4 times of FY14's expected book value.

Robust NII growth led by impressive loan growth and stable margin

HDFC Bank reported another good set of numbers with NII grew by 27% YoY to Rs.4419 cr as against expectation of Rs.4399 cr. Healthy NII growth was due to healthy loan growth, stable margin, higher credit deposits ratio and controlled cost of deposits. Total revenue of the bank grew by 27% YoY to Rs.6344 cr. Non-interest income registered growth of 26% YoY to Rs.1926 cr. Other income comprises fee and commission income of Rs. 1285 cr (Rs.1150 cr in 1QFY13), foreign exchange and derivative revenue of Rs.314.3 cr (Rs.315 cr in 1QFY13), sale of investment of Rs.200 cr (Rs.67 cr in 1QFY13) and miscellaneous income including recovery of Rs.127 cr (Rs.118 cr in previous quarter same year).

Cost Income ratio improved sequentially as well as yearly

Operating expenses during the quarter increased by 25% to Rs.3038 cr on which employee cost increased by 12% and other operating expenses increased by 12% YoY to Rs.1109 cr. Cost income ratio improved to 47.9% in 1QFY14 versus 49.6% in 4QFY13 and 48.5% in 1QFY13. Consequently operating profit reported growth of 28% YoY to Rs.3306 highest ever.

Lower provision and higher NII growth along with other income led better than expected profit

During quarter bank reported net profit of Rs.1844 cr up by 30% YoY as against expectation of Rs.1817 cr. Higher than expected profit was due to lower than expected provision which was the result of stable asset quality, higher NII, rise of other income. Provision declined by Rs.55 cr to Rs.527 cr as against Rs.582 cr in 1QFY13. Consequently ROE improved to 18.5% from 17.8% in 1QFY13.

Financials

	2011	2012	2013	2014E	2015E
NII	10543	12885	15811	20936	27445
Total Income	14878	18668	22664	27788	34298
PPP	7725	9391	11428	14033	17320
Net Profit	3926	5167	6726	7375	10359
EPS	84.4	22.0	28.7	31.4	44.1

(Source: Company/Eastwind)

HD FC BANK

Healthy loan growth well above industry growth

Total advance increased by increased by 21.2% to Rs.258589 cr. Loan growth was driven by 25.5% increased of retail loan and 16.5%increased of corporate loan. Composition of retail and corporate loan stood at 54:43 ratio. Most of corporate loan was working capital loan. Deposits increased by 17.8% to Rs.303315 cr on which saving deposits increased by 16.7% and current deposits grew by 10.5% taking overall CASA ratio of 44.7%. Credit deposits ratio during quarter stood at 85.3% versus 80.9% in 4QFY13.

Stable asset quality maintained

During quarter bank reported stable asset quality with GNPA remains flat at 1% of total advances and net NPA at 0.3%. Total restructured loans (including applications received and under process for restructuring) were at 0.2% of gross advances as of June 30, 2013 as against 0.3% as of June 30, 2012. Total floating provisions stood at Rs.1865 cr as of June 30, 2013, as against Rs 1,680 cr as at June 30, 2012. The bank has seen some slippage in commercial vehicle and construction equipment loans during the quarter.

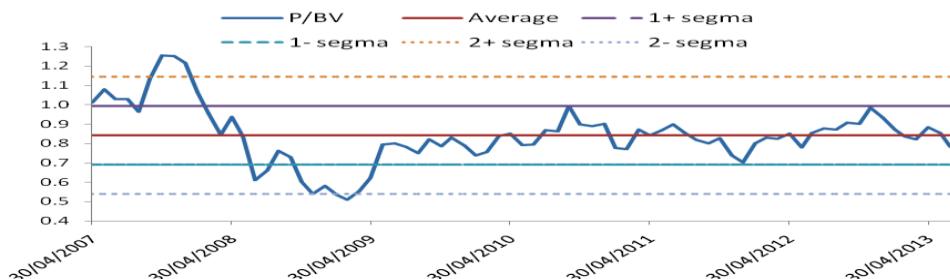
Better utilisation of cash in the form of higher CAR

Net interest margin of the bank remain was flat at 4.6% and bank management expects margin to remain at present range. Capital adequacy ratio during the quarter stood at 15.5% according to basel 3 guideline as against regulatory requirement of 9%.

Valuation & View

HDFC Bank is well poised in most of operating parameters like CASA ratio of 45%+, higher than industry credit growth, best asset quality among peers, better utilization of cash in form of higher CAR ratio for further growth, consistent delivered margin above of 4%. We expect loan and deposits growth of 22% and 20% in FY14 respectively. At the current price of Rs.660, stock is trading at 3.7 times of one year forward book and 21 times of one year forward earnings. We recommend buy with price target of Rs.750 which is 4 times of FY14's expected book value.

Valuation Chart



HDFC BANK

Quarterly Result	1QFY14	1QFY13	4QFY13
Interest/discount on advances / bills	7325	6064	7087
Income on investments	2218	1879	2096
Interest on balances with Reserve Bank of India	110	51	78
Others	10	14	64
Total Interest Income	9663	8007	9324
Others Income	1926	1529	1804
Total Income	11589	9537	11128
Interest Expended	5244	4523	5029
NII	4419	3484	4295
Other Income	1926	1529	1804
Total Income	6344	5014	6099
Employee	1109	993	1005
Other Expenses	1929	1439	2131
Operating Expenses	3038	2433	3136
PPP(Rs Cr)	3306	2581	2963
Provisions(Incl tax provision)	527	487	301
PBT	2779	2094	2662
Tax	935	676	772
Net Profit	1844	1417	1890

Balance Sheet

Capital	478	471	476
Reserves and Surplus	37932	31133	35738
Deposits	303315	257531	296247
Borrowings	39139	26064	33007
Other Liabilities and Provisions	35468	44802	34,864
Total Liability	416332	360001	400332
Cash and Balances with Reserve Bank of India	18970	18286	14,627
Balances with Banks and Money at Call and Short noti	6447	5681	12,653
Investments	104824	90156	111614
Advances	258589	213338	239721
Fixed Assets	2942	2421	2,703
Other Assets	24560	30119	19,014
Total Assets	416332	360001	400332

Asset Quality

GNPA(%)	1%	1%	1%
NPA(%)	0.3%	0.2%	0.2%

Source: Eastwind/ Company