

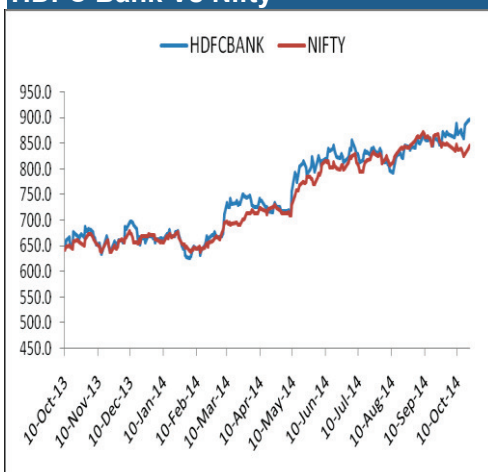
Result update	ADD
CMP	897
Target Price	900
Previous Target Price	870
Upside	0
Change from Previous	3

Market Data	
BSE Code	500180
NSE Symbol	HDFCBANK
52wk Range H/L	909/618
Mkt Capital (Rs Cr)	216299
Average Daily Volume	35.55
Nifty	7928

Stock Performance	1M	1yr	YTD
Absolute	4.6	39.6	39.6
Rel.to Nifty	7.3	8.0	8.0

Share Holding Pattern-%	Current	4QFY13	3QFY1
Promoters	22.6	22.7	22.7
FII	34.1	34.9	33.6
DII	9.9	9.3	9.9
Others	33.4	33.1	33.8

## HDFC Bank Vs Nifty



*HDFC bank's profitability was up by 20% YoY in line with our expectation led by healthy NII growth and stable asset quality. NIM at calculated basis was stable at 4.71% QoQ which was due to healthy loan growth and high CASA base. In asset quality term, GNPA was remained flat while provisions increased by 4% sequentially that has resulted declined in net NPA by 9% and same has reflected in 273 bps increased in provision coverage ratio at sequential basis. Loan and deposits grew handsomely at 22% and 25% respectively. Bank has healthy tier-1 capital of 15.7% in which tier 1 capital of 11.8% according to Basel-3 norm as against regulatory requirement of 9%. Presently bank is trading at 4 times of FY15E book value that implying all the growth parameters it has exhibited in quarterly result factored in price. We value bank at Rs.900/share giving very limited upside from current level.*

**Profit growth was in line with our expectation led by healthy NII growth and stable asset quality**

HDFC bank's profit grew by 20% YoY to Rs. 2381 cr in line with our expectation on the back of higher NII growth and stable asset quality which was the result of lower provisions at sequential basis. Prior to fifth quarter bank witnessed profit growth of 30%+, the lower trend is basically due to two factors (1) higher base, (2) lower contribution of fee income in overall loan. We also noted that share of non interest income as a percentage to NII declined to 37% during the quarter from 44-46% in previous quarter.

**Healthy NII growth was supported by loan growth, CD ratio expansion and stable margin**

During quarter bank's NII grew by 23% YoY to Rs.5511 cr added by healthy loan growth, CD ratio expansion and stable margin. We were expecting somewhere higher loan growth of 24% but bank reported 22% YoY which was reasonable good. Non -interest income was Rs. 2047 cr as against Rs.1844 cr in 2QFY14 registered growth of 11%. Share of non interest income in total revenue declined to 27% from 29% in a year ago. Fee income which is about 75% of non interest income grew by 13.4% YoY whereas forex income was de-grew by 55% YoY to Rs.2217 cr.

## Financials

	Rs, Cr				
	2011	2012	2013	2014	2015E
NII	10543	12885	15811	18483	24035
Total Income	14878	18668	22664	26402	32509
PPP	7725	9391	11428	14360	17535
Net Profit	3926	5167	6726	8478	10332
EPS	84.4	22.0	28.7	35.3	42.9

(Source: Company/Eastwind)

## **Operating expenses higher in absolute basis but remain flat in term of CI ratio**

Operating expenses was up by 19% YoY to Rs.3498 cr in which employee cost and other operating cost were up by 13% and 23% respectively. Higher operating cost was on account of 112 branch addition during the quarter, taking total branch network to 3600. Cost Income ratio (CI ratio) during the quarter was 46.3% as against 46.4% in last quarter and 45.3% in previous quarter. We have model CI ratio of 46% in FY15E

## **Higher provisions but stable asset quality**

Provisions and contingencies during the quarter at the sequential basis were down by 6% to Rs.456 cr. This was due to stable asset quality as the GNPA was remained flat while provisions increased by 4% sequentially that has resulted declined in net NPA by 9% and this reflected in increased in provisions coverage ratio by 273 bps at quarter on quarter basis. In percentage term, gross NPA stood at 1.02% versus 1.07% while net NPA improved by 4 bps to 0.28% Provisions coverage ratio without technical write off stood at 72.7% as against 70% in previous quarter. The total restructure loans were 0.1% of gross advances as against 0.2% on last quarter. Total delinquencies of the bank are the best among in peers under our coverage.

## **Balance sheet growth supported by both healthy loan and deposits growth**

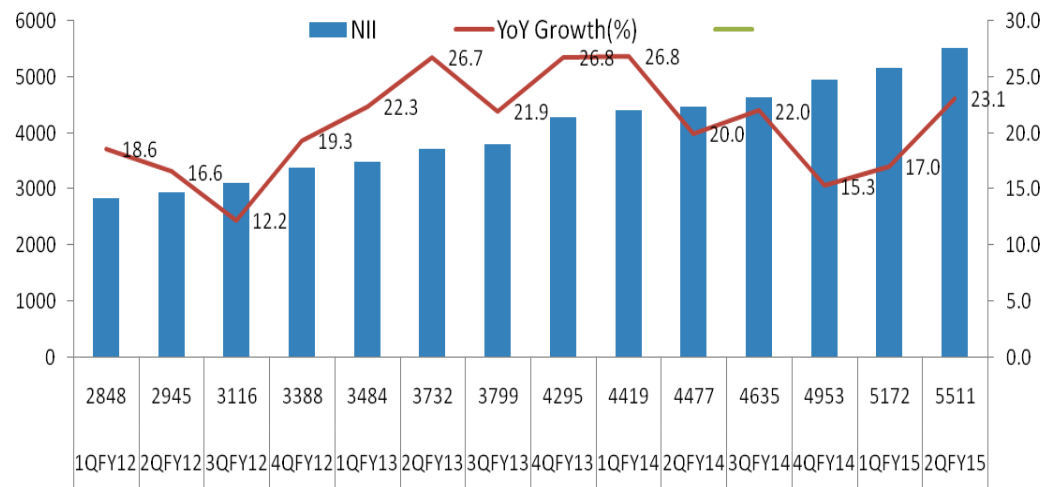
HDFC bank reported healthy business growth at 23% YoY in which loan and deposits grew by 22% and 25% YoY respectively. Loan growth was contributed by both the segment i.e. domestic retail and wholesale loans which were grown by 17% and 22% respectively. Deposits growth was supported by 29% YoY increased of term deposits followed by demand deposits 22% YoY and saving deposits 19% YoY. Share of term deposits in overall deposits was increased to 57% during the quarter versus 55% in 2QFY14. CASA in absolute basis increased by 20% while in percentage to total deposits it stood at 43.2% from 45% in last quarter which was due to higher growth in term deposits than CASA.

## **Margin remained flat sequentially led by stable yield on loan which cost of fund increased slightly**

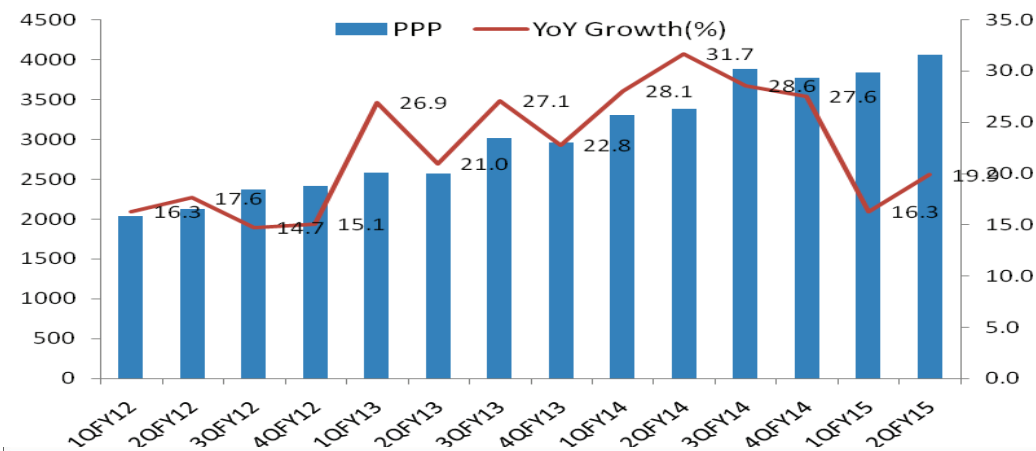
Margin (calculated) during the quarter was 4.71% which was remained flat year on year basis but improved at sequential basis. Cost of fund during the quarter was flat at 6% sequentially due to higher CASA at sequential basis and lower external fund (9.9% vs 10.4%). Yield on loan remained stable at 11.1% sequentially. We believe NIM of the bank would remain stable at 4.5% level in FY15.

# HDFC BANK

## Fundamental Through Graph



NII growth of 20% led by healthy loan growth, stable margin and expansion in CD ratio. Margin (calculated) was remained flat at year on year basis.



Cost Income ratio was flat but operating expenses increased by 18% due to higher branch addition. Operating profit grew by 20% in line with NII growth.



Profit growth of 20% YoY due to healthy NII growth and stable asset quality.

Source: Eastwind/ Company

# HDFC BANK

## Quarterly Performance

### Quarterly Performance

	2QFY15	1QFY15	2QFY14	% YoY Gr	% QoQ Gr	2QFY15E	Variation
Interest/discount on advances / bills	9074	8735	7692	18.0	3.9	9357	3.1
Income on investments	2614	2339	2292	14.1	11.7	2292	-12.3
Interest on balances with Reserve Bank of India	148	121	84	75.4	21.5	353	138.8
Others	12	25	25	-51.3	-49.7	62	403.7
Total Interest Income	11848	11220	10093	17.4	5.6	12063	1.8
Others Income	2047	1851	1844	11.0	10.6	2340	14.3
Total Income	13895	13071	11938	16.4	6.3	14403	3.7
Interest Expended	6337	6048	5617	12.8	4.8	6912	9.1
NII	5511	5172	4477	23.1	6.6	5151	-6.5
Other Income	2047	1851	1844	11.0	10.6	2340	14.3
Total Income	7558	7022	6321	19.6	7.6	7491	-0.9
Employee	1167	1126	1036	12.7	3.6	1187	1.7
Other Expenses	2331	2052	1899	22.8	13.6	2204	-5.5
Operating Expenses	3498	3178	2934	19.2	10.1	3391	-3.1
PPP( Rs Cr)	4060	3844	3387	19.9	5.6	4100	1.0
Provisions( Incl tax provision)	456	483	386	18.1	-5.6	501	10.0
PBT	3604	3361	3001	20.1	7.2	3599	-0.1
Tax	1223	1128	1018	20.1	8.4	1188	-2.9
Net Profit	2381	2233	1982	20.1	6.6	2411	1.3
<b>Balance Sheet( Rs Cr)</b>							
Net Worth	48715	46048	40485	20.3	5.8		
Deposits	390682	372074	313011	24.8	5.0		
Borrowings	38540	38618	39340	-2.0	-0.2		
Investment	129559	123688	101850	27.2	4.7		
Loan	327273	312109	268617	21.8	4.9		
<b>Asset Quality</b>							
GNPA( Rs Cr)	3362	3356	2942	14.3	0.2		
NPA(Rs Cr)	917	1007	767	19.6	-8.9		
GNPA(%)	1.0	1.1	1.1				
NPA(%)	0.3	0.3	0.3				
PCR(w/o tech write-off)(%)	73	70	74				

Source: Eastwind/ Company

# HDFC BANK

## Financials

P/L	2013	2014	2015E	2016E
Interest/discount on advances / bills	26822	31687	38097	42860
Income on investments	7820	9037	10506	11903
Interest on balances with Reserve Bank of India	282	356	1462	3086
Others	141	56	247	545
Total Interest Income	35065	41136	50312	58393
Others Income	6853	7920	8475	10661
Total Income	41917	49055	58787	69054
Interest Expended	19254	22653	26278	32173
NII	15811	18483	24035	26220
NII Growth(%)	22.7	16.9	30.0	9.1
Other Income	6853	7920	8475	10661
Total Income	22664	26402	32509	36881
Total Income Growth(%)	21.4	16.5	23.1	13.4
Employee	3965	4179	5197	5959
Other Expenses	7271	7863	9777	11068
Operating Expenses	11236	12042	14974	17027
PPP( Rs Cr)	11428	14360	17535	19854
Provisions( Incl tax provision)	1388	1588	2036	2557
Net Profit	6726	8479	10332	11589
Net Profit Growth(%)	30.2	26.1	21.9	12.2

## Key Balance Sheet Data

Deposits	296247	367337	440805	528966
Deposits Growth(%)	20.1	24	20	20
Borrowings	33007	39439	48244	62057
Borrowings Growth(%)	38.4	19	22	29
Loan	239721	303000	378750	454500
Loan Growth(%)	22.7	26	25	20
Investment	111614	120951	146715	177307
Investment Growth(%)	14.5	8	21	21

## Eastwind Calculation

Yield on Advances	11.2	10.5	10.1	11.0
Yield on Investments	7.0	7.5	7.2	6.7
Yield on Funds	9.3	9.7	9.6	9.2
Cost of deposits	6.0	6.2	6.0	6.1
Cost of Borrowings	8.9	9.1	9.0	9.0

## Valuation

Book Value	152.2	181.2	219.1	258.2
P/BV	4.1	4.3	4.1	3.5
P/E	22.1	22.0	20.9	18.6

Source: Eastwind/ Company