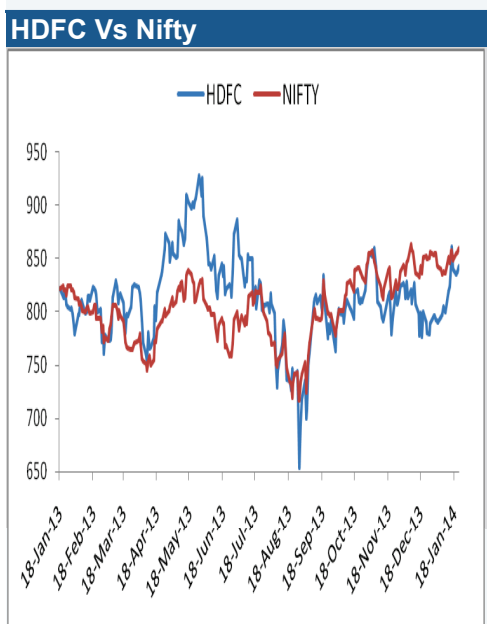


Result Updated	NEUTRAL
CMP	840.5
Target Price	875
Previous Target Price	-
Upside	4
Change from Previous	-

Market Data	
BSE Code	500010
NSE Symbol	HDFC
52wk Range H/L	931/632
Mkt Capital (Rs Cr)	131340
Average Daily Volume	1.16
Nifty	6338

Stock Performance			
	1M	1yr	YTD
Absolute	6.6	2.4	2.4
Rel.to Nifty	5.7	-2.1	-2.1

Share Holding Pattern-%			
	Current	4QFY13	3QFY1
Promoters	-	-	-
FII	74.3	73.1	73.6
DII	12.9	13.8	13.0
Others	12.9	13.1	13.3



HDFC's profit growth of 12.1% YoY was inline with street expectation. NBFC reported stable asset quality on sequential basis as well as registered healthy loan growth. HDFC Ltd has well above CAR against requirement which would support growth going forward. At the current price of Rs.840, stock is trading at 4.3 times one year forward book and 26 times of FY14E's earnings. We value HDFC at Rs.875/ share which is 4.5 times of FY14E's book and P/E multiple of 27 times of full year EPS.

Profit growth in line with street expectation

HDFC Ltd's 3QFY14 result was in line with street expectation as profit grew by 12% YoY to Rs.1278 cr on standalone basis. Profit of the NBFC grew by 13.4% YoY on consolidated basis to Rs.1935 cr versus Rs.1706 cr in last quarter. NII grew by 12.8% YoY to Rs.1940 with inclusion of investment sale. Adjusted the same, NII grew by 17% YoY to Rs.1905 cr versus Rs.1624 cr last quarter corresponding year.

Stable operating cost led operating growth at 12.5% YoY

Other income was Rs.46 cr versus Rs.105 cr in last quarter and Rs.95 cr in previous quarter. Due to lower support from other income, total revenue grew by 13% YoY to Rs.1951 cr. Operating expenses increased to Rs.168 cr (Up by 17% YoY) led operating profit growth of 12.5% YoY to Rs.1783 cr.

Stable asset quality and balance sheet keep growing

On asset quality side, NBFC's gross non performing asset stood at 0.77% of loan of loan portfolio versus 0.79% in previous quarter and in absolute term in amounted to Rs.1478 cr. Loan book of the company corpus increased by 19.2% YoY to Rs.192266 cr as on December 2013. The total assets increased to Rs 218286 cr as against Rs 183770 cr as at December, 2012 registering an increase of 19 per cent.

Margin compression, spread would declined going forward

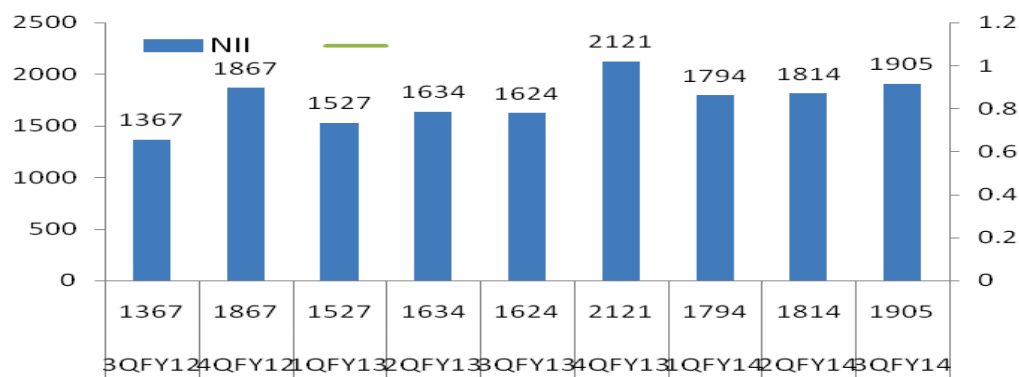
Net interest margin for the quarter stood at 4% despite of 25 bps reduced home loan for retail customers during the quarter as against 4.06% in 2QFY14. Spread which is the difference of interest income and interest expenses, maintained at 2.25%. Going forward, there would be some pressure in spread as NBFC's balance sheet keeps increasing with the support of borrow fund. In rising interest rate and inflationary pressure era, we expect to come down to 2% in next couple of quarters.

Financials	Rs, Cr				
	2011	2012	2013	2014E	2015E
NII	4483	5212	6179	7053	8193
Total Income	5558	6198	7257	8131	9271
PPP	3890	5746	6718	7562	8530
Net Profit	3535	4123	4848	5438	6194
EPS	24.1	27.9	31.4	35.2	40.1

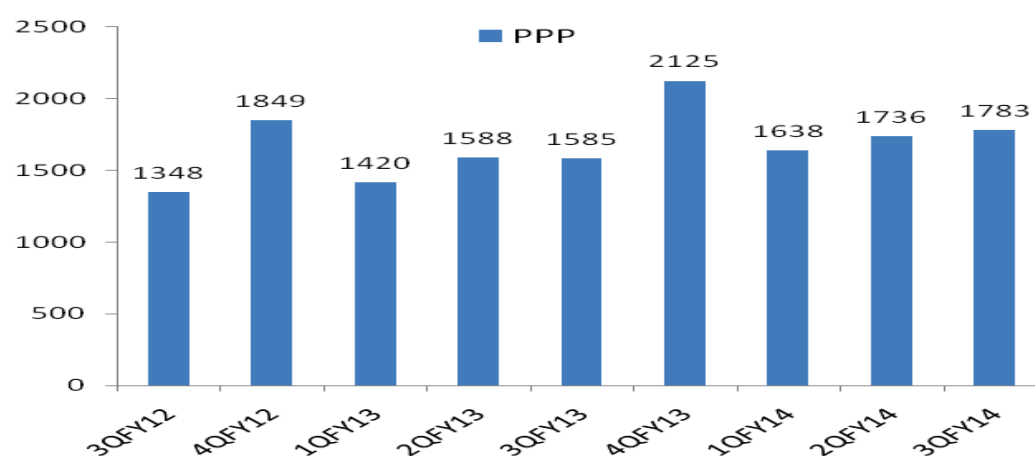
(Source: Company/Eastwind)

HDFC LTD

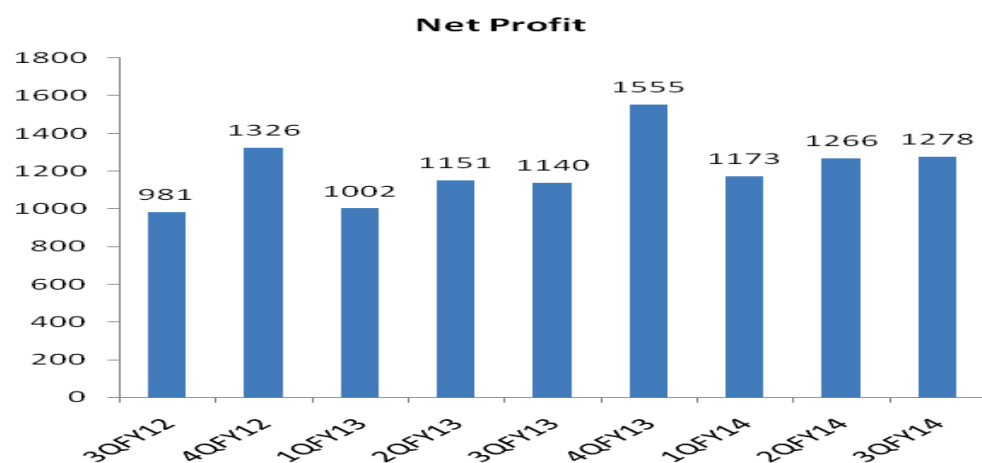
Quarterly Result



NII grew on the back of healthy loan growth and stable spread



Operating cost stable led PPP growth at 12.5% YoY

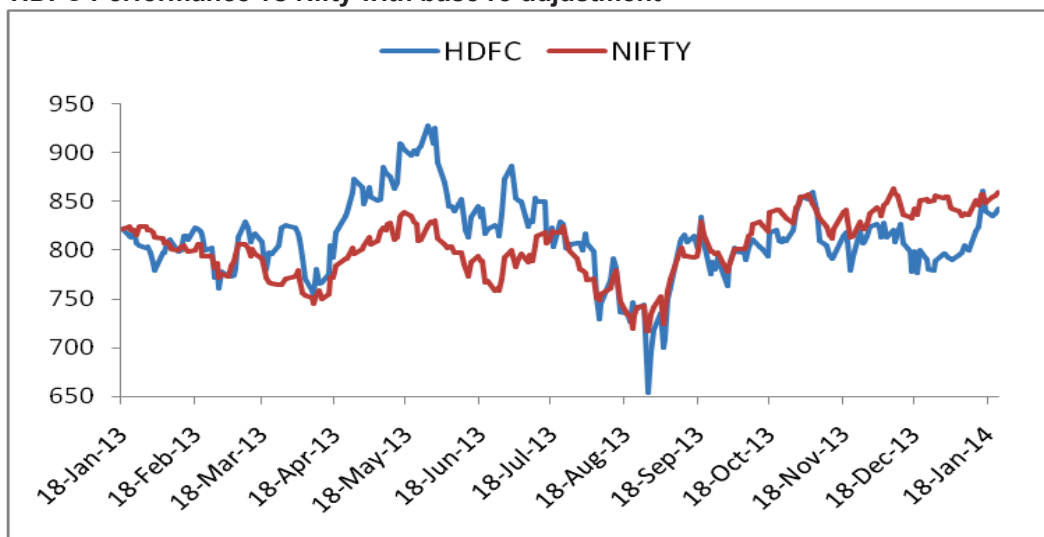


Net profit of Rs.1278 cr was in line with expectation.

Source: Eastwind/Company

HDFC LTD

HDFC Performance vs Nifty with base re-adjustment



Quarterly Performance

Rs Cr	3QFY14	2QFY14	3QFY13	% YoY Gr	% QoQ Gr
Income from Operations	5985	5859	5146	16.3	2.2
Profit on Sale of Investments	35	87	96	-64.1	-60.1
Total Income	6020	5946	5242	14.8	1.2
Interest and Other Charges	4080	4046	3521	15.9	0.8
Staff Expenses	71	67	64	10.3	5.4
Provision for Contingencies	25	15	40	-37.5	66.7
Other Expenses	89	95	74	21.1	-6.3
Depreciation	8	9	6	41.8	-12.0
Total Expenditure	4273	4233	3705	15.3	1.0
Profit from Operations before Other Income	1747	1713	1537	13.7	1.9
Other Income	11	8	8	32.8	38.4
Profit Before Tax	1758	1721	1545	13.8	2.1
Tax Expense	480	455	405	18.5	5.5
Net Profit After Tax	1278	1266	1140	12.1	0.9

Source: Eastwind/Company