

HDFC BANK

Better than expected earnings supported by loan growth and expansion in margin-HDFC Bank reported better than expected result with NII grew by 26.8% YoY and 13.1% QoQ to Rs.4295 cr as against expectation of Rs.3867 cr which was supported by higher loan growth and expansion in margin. Total income of bank grew by 25% YoY and 9% QoQ Rs.6099 cr. Growth in other income was declined by 6% to Rs 1,804 cr from Rs 1,928 cr in previous year due to moderation in fee income and de-growth in foreign exchange trading.

Profit inline with expectation- HDFC Bank's 4QFY13 profitability grew by 30.1% YoY and flat QoQ basis to Rs.1890 cr inline with expectation. Noninterest income and lower provision along with health growth in NII helped profit growth.

Industry above loan growth outlook-HDFC Bank's loan grew by 23% YoY and flat QoQ to Rs.2.4t. Growth was healthy in retail segment (+5% QoQ and 27% YoY), whereas non-retail segment portfolio declined 6.5% (+17% YoY). As a result, share of retail loans in overall loans increased further to 56.9% versus 53.8% a quarter ago. However management expects economic growth in FY14 to be better and estimated loan growth to be 17-18%. HDFC Bank targets to grow more than industry by 3-6%.

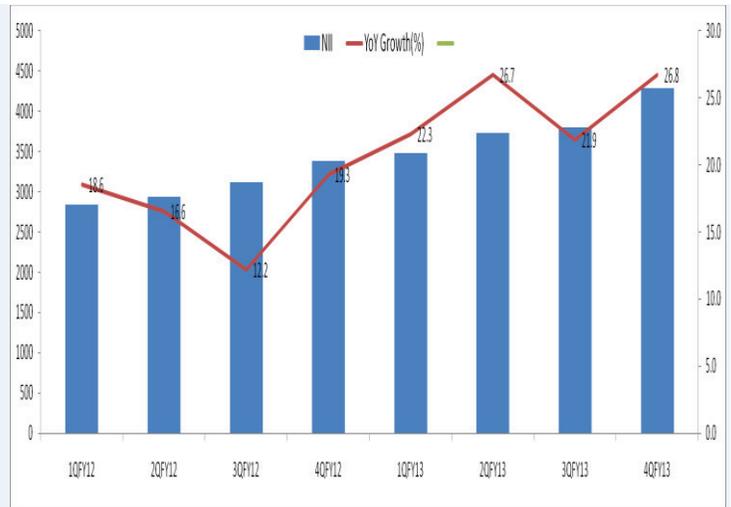
Strong performance in NIM-HDFC Bank's NIM improved by 20bps QoQ and 10 bps YoY to 4.5%. Improvement in NIM was led higher proportion of high yielding retail loan, significantly higher proportion of CASA during the quarter. Management expects margins to be in the range of 4.1%-4.5%.

CASA ratio improve; incremental SA accretion- SA deposits growth was at 8% QoQ and 19% YoY despite of intense competition and post de-regulation in savings deposit rates. Incremental SA accretion for the quarter was at Rs62.7b as compared to average of Rs26.5 bn in 9MFY13 and Rs36.7b in 4QFY12. Further CA Deposits improved 11% QoQ and 15% YoY translating into overall CASA growth of 9% QoQ and 18% YoY. CASA ratio at end of FY13 stood at 47.4% as compared to 45.4% a quarter ago and 48.4% a year ago. Overall deposits grew by 20% YoY to Rs.3 tn.

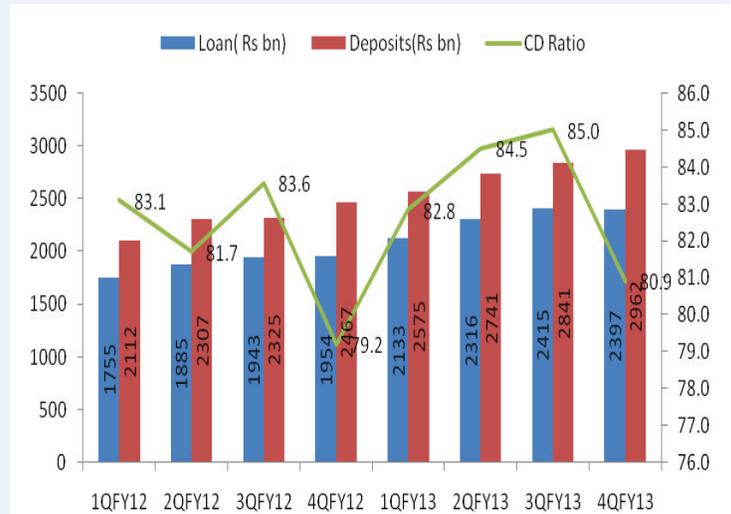
Stable asset quality - Gross non-performing asset ratio improved by 5 bps to 0.97% while net bad loan ratio remained unchanged at 0.2%. Total restructured loans were 0.2% of gross advances. Stable asset quality allow bank to cut provisions to Rs 300.5 cr in January-March period from Rs 411.6 cr a year earlier. PCR remain stable QoQ at 80%.

Other highlights- During the quarter bank made provision of INR3bn of which Rs500m was on account of floating provisions. Outstanding floating provisions stood at Rs18.4bn which is equivalent to Rs.7.8/share. Bank's CAR remains adequately with Tier I ratio at 11.1%. During quarter bank opened 286 branches and 253 ATMs, cumulatively, it has added 518 branches and 1,830 ATMs in FY13 and bank has declared dividend of Rs 5.5/share

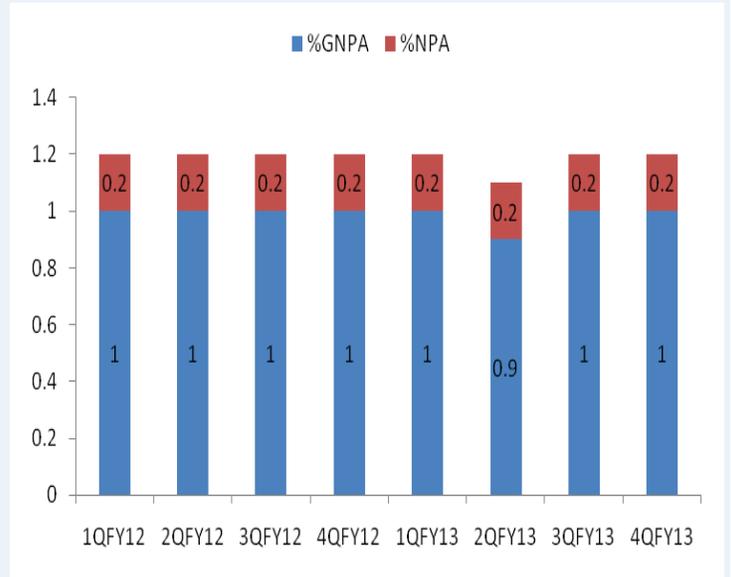
Valuation & View- HDFC Bank is trading at 3.8 times of FY14 and 3.2 times of FY15 times of book value. Bank is well place in most of parameters when comparison of peers likes CASA, stable asset quality, improving operating metrics, strong income traction due to expansion of branch network etc. But at current price we believe all the growth parameters already captured in price. Our target price is Rs.750 based on 3.5 times of FY15 book value.



(Source: Company/Eastwind)



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