

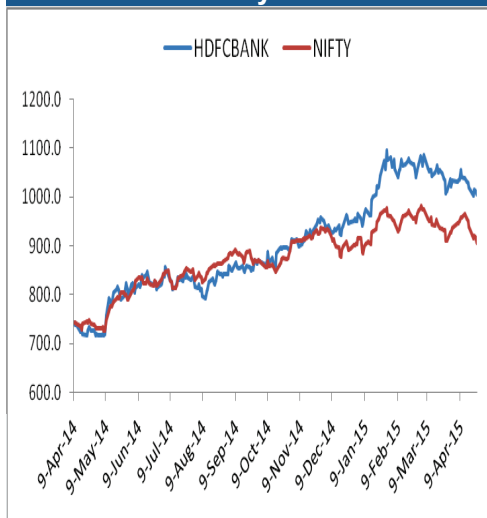
Result update	BUY
CMP	1009
Target Price	
Previous Target Price	1100
Upside	-100
Change from Previous	-100

Market Data	
BSE Code	500180
NSE Symbol	HDFCBANK
52wk Range H/L	1109/711
Mkt Capital (Rs Cr)	195579
Average Daily Volume	1801311
Nifty	83025

Stock Performance	1M	1yr	YTD
Absolute	-0.1	35.6	35.6
Rel.to Nifty	0.4	13.4	13.4

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 21% YoY to Rs. 2807 cr by and large in line with our expectation of Rs. 2896 cr on the back of healthy loan growth of 21% YoY and stable margin at 4.4%. Operating performance was healthy as NII grew by 21% YoY and fee income growth of 28% led by treasury profit of Rs. 196 cr versus Rs.33 cr in last quarter. Provisions and contingencies were increased by 102% YoY despite of stable asset quality. But as per management there is no significant stress in its portfolio due to unseasoned rain which have affected agriculture. Loan growth of 21% YoY higher than industry average which was led by corporate loan growth of 26% followed by retail loan of 15%. Key return ratios like ROA and ROE are likely to remain in the range of 1.8-2 and 20-22% in near term and we firmly believe that bank would maintain its valuation premium. We value bank at Rs.1250/share.**

### **Advance growth was led by higher corporate loan growth while deposits growth on the back of impressive CASA along with better term deposits**

Advance grew by 21% YoY higher than industry average and its peers resule so far announce whereas deposits growth of 23% ahead of loan led by impressive growth in low cost franchise and term deposits. This has resulted the compression of CD ratio from 82.5 to 81.1%. The credit growth was supported by domestic corporate segment which was grown by 23% YoY but reported slower growth in retail segment which was grown by 15% YoY. In deposits side, CASA growth was flat at 21% in absolute basis while in percentage term, it stood at 44% slightly lower than 44.8% in last quarter. Despite of higher term deposits (24% YoY), bank manage to keep cost of fund lower at sequential basis at 6.2% from 6.5%. Margin at calculated basis was stood at 4.4% lower from previous quarter due to reduction of 30 bps in yield on loan. Margin is likely to remain in the range of 4.5 to 4.7 in near term but management state that loan demand to pick up from retail sector going head.

### **Superior asset quality with well above CAR than regulatory requirement**

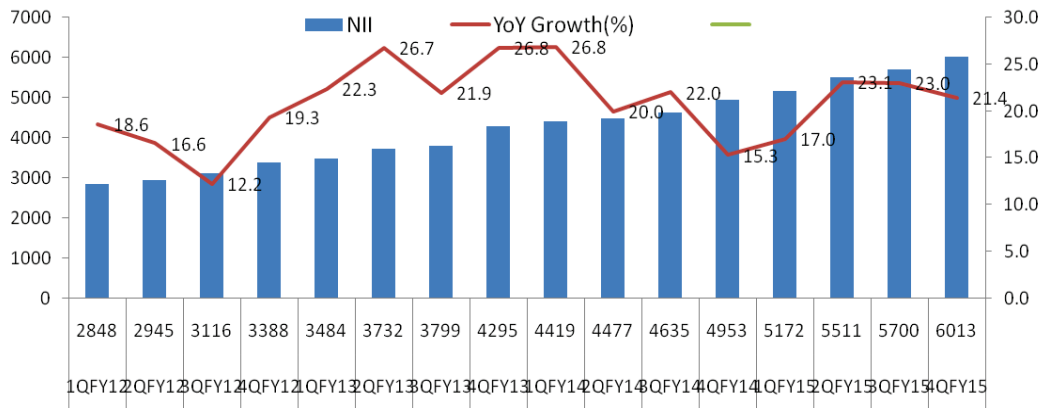
Asset quality was remained robust at 1% declined in both gross NPA and net NPA but slippages ratio were higher sequentially due to one account to the tune of Rs. 1630 cr slipped. Gross slippages were 1.3% still better than peers. In percentage term gross and net NPA stood at 0.93% and 0.25% versus 0.99% and 0.26% in preceding quarter. Restructure assets stood at 0.1% of gross advances as against 0.2% in last quarter. Provision coverage ratio was remained stable at 74% well above than regulatory requirement. Bank is well capitalized with CAR at 16.8% in which tier 1 capital at 13.7% according the Basel III.

## Financials

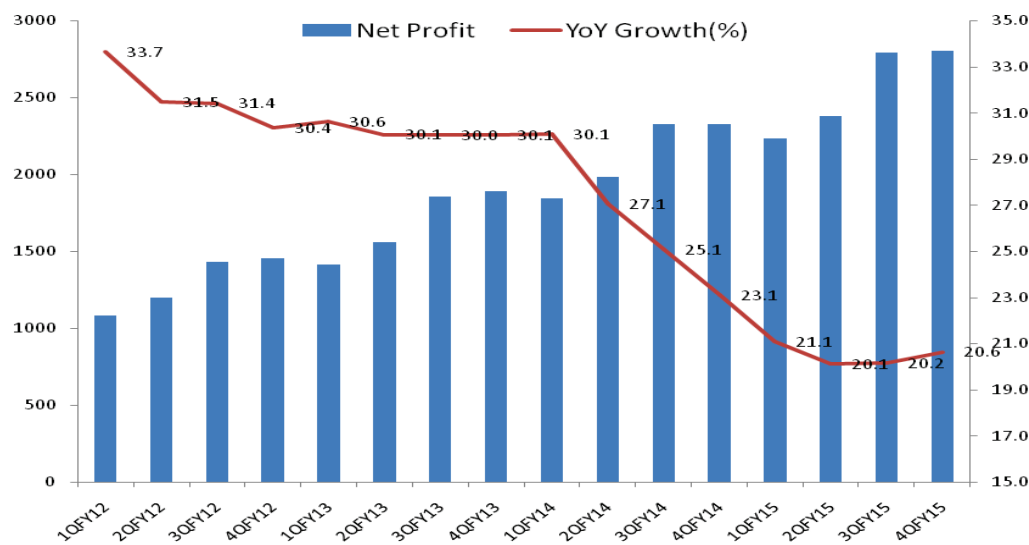
	2012	2013	2014	2015	2016E
NII	12885	15811	18483	22396	28665
Total Income	18668	22664	26402	31392	40073
PPP	9391	11428	14360	17404	22141
Net Profit	5167	6726	8479	10216	13200
EPS	22.0	28.3	35.3	42.4	54.8

(Source: Company/Eastwind)

# HDFC BANK

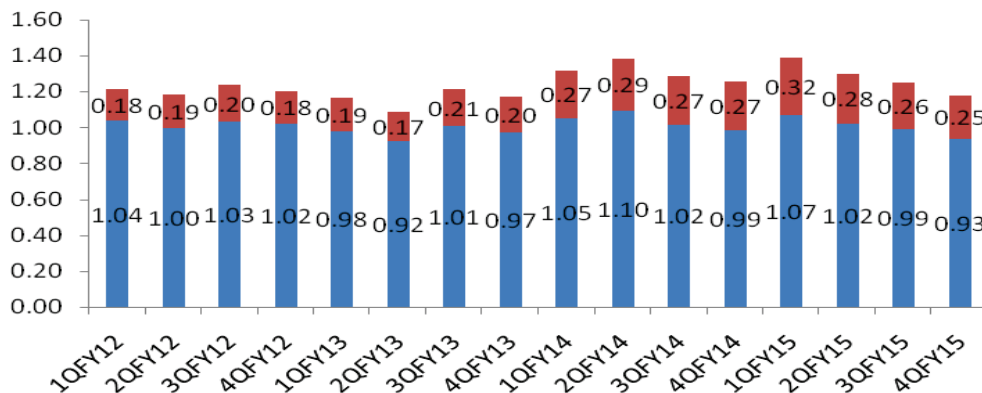


NII growth was led by healthy loan growth and stable margin



HDFC Bank's profitability was up by 21% YoY to Rs. 2807 cr by and large in line with our expectation of Rs. 2896 cr on the back of healthy loan growth of 21% YoY and stable margin at 4.40%

%GNPA %NPA



Asset quality was remained robust at 1% declined in both gross NPA and net NPA but slippages ratio were higher sequentially due to one account to the tune of Rs. 1630 cr slipped.

# HDFC BANK

## Quarterly Performance

	4QFY15	3QFY15	4QFY14	% YoY Gr	% QoQ Gr	4QFY15E	Variation
Interest/discount on advances / bills	9829	9543	8487	15.8	3.0	9972	1.5
Income on investments	3057	2696	2218	37.8	13.4	2635	-13.8
Interest on balances with Reserve Bank of India	110	138	76	44.0	-20.2	140	26.9
Others	10	19	7	44.3	-45.4	25	136.4
Total Interest Income	13006	12396	10789	20.6	4.9	12771	-1.8
Others Income	2564	2535	2001	28.1	1.1	2611	1.9
Total Income	15570	14931	12790	21.7	4.3	15382	-1.2
Interest Expended	6993	6696	5836	19.8	4.4	7008	0.2
NII	6013	5700	4953	21.4	5.5	5763	-4.2
Other Income	2564	2535	2001	28.1	1.1	2611	1.9
Total Income	8577	8235	6954	23.3	4.2	8374	-2.4
Employee	1326	1133	1061	24.9	17.0	1230	-7.2
Other Expenses	2529	2324	2113	19.7	8.8	2285	-9.7
Operating Expenses	3855	3456	3175	21.4	11.5	3515	-8.8
PPP( Rs Cr)	4722	4779	3779	24.9	-1.2	4859	2.9
Provisions( Incl tax provision)	577	560	286	101.5	2.9	536	-7.0
PBT	4145	4218	3493	18.7	-1.7	4323	4.3
Tax	1338	1424	1167	14.7	-6.0	1427	6.6
Net Profit	2807	2795	2327	20.6	0.4	2896	3.2

## Balance Sheet( Rs Cr)

Net Worth	62009	51673	43479	42.6	20.0
Deposits	450796	414128	367337	22.7	8.9
Borrowings	45214	39659	39439	14.6	14.0
Investment	166460	133981	120951	37.6	24.2
Loan	365495	347088	303000	20.6	5.3

## Asset Quality

GNPA( Rs Cr)	3438	3468	2989	15.0	-0.9
NPA(Rs Cr)	896	904	820	9.3	-0.8
GNPA(%)	0.9	1.0	1.0		
NPA(%)	0.2	0.3	0.3		
PCR(w/o tech write-off)(%)	74	74	73		

Source: Eastwind/ Company

# HDFC BANK

P/L	2013	2014	2015	2016E
Interest/discount on advances / bills	26822	31687	37181	43960
Income on investments	7820	9037	10706	15228
Interest on balances with Reserve Bank of India	282	356	517	507
Others	141	56	66	89
Total Interest Income	35065	41136	48470	59784
Others Income	6853	7920	8996	11409
Total Income	41917	49055	57466	71193
Interest Expended	19254	22653	26074	31120
NII	15811	18483	22396	28665
NII Growth(%)	22.7	16.9	21.2	28.0
Other Income	6853	7920	8996	11409
Total Income	22664	26402	31392	40073
Total Income Growth(%)	21.4	16.5	18.9	27.7
Employee	3965	4179	4751	6276
Other Expenses	7271	7863	9237	11656
Operating Expenses	11236	12042	13988	17932
PPP( Rs Cr)	11428	14360	17404	22141
Provisions( Incl tax provision)	1388	1588	2076	2440
Net Profit	6726	8479	10216	13200
Net Profit Growth(%)	30.2	26.1	20.5	29.2
Equity Capital	476	480	501	501
Reserve & Surplus	35,738	42,999	45,566	72,541
Net Worth	36,214	43,479	46,048	73,043
Deposits	296,247	367,337	450,796	531,939
Borrowings	33,007	39,439	0	59,300
Other Liabilities & Provisions	34,864	41,344	32,484	42,210
Total Liability	400,332	491,600	529,328	706,491
Cash in hand & balance with RBI	14,627	25,346	27,510	36,081
Money at Call	12,653	14,238	8,821	11,569
Investment	111,614	120,951	166,460	198,419
Loan	239,721	303,000	365,495	431,284
Fixed Assets	2,703	2,940	3,122	4,094
Others Assets	19,014	25,125	19,095	25,044
Total Assets	400,332	491,600	590,503	706,491
<b>Eastwind Calculation</b>				
Yield on Advances	11.2	11.7	11.1	11.0
Yield on Investments	7.0	7.8	7.5	7.7
Yield on Funds	9.3	9.7	9.1	9.5
Cost of deposits	6.0	6.2	5.8	5.9
Cost of Borrowings	8.9	9.1	9.0	9.0
<b>Valuation</b>				
Book Value	152.2	181.2	257.5	303.4
P/BV	4.1	4.3	4.2	3.6
P/E	22.1	22.0	25.4	19.7

Source: Eastwind/ Company