

HDFC BANK

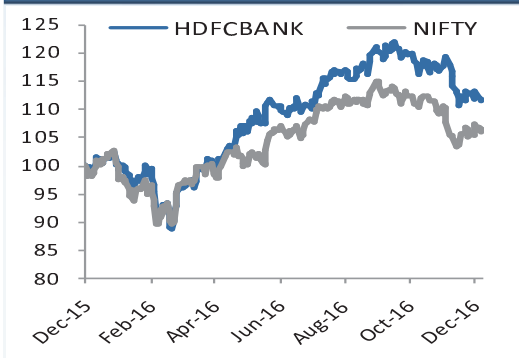
Result Update	
CMP	1176
Target Price	1400
Previous Target Price	1400
Upside	19%
Change from Previous	0%

Market Data	
BSE Code	500180
NSE Symbol	HDFCBANK
52wk Range H/L	1318/928
Mkt Capital (Rs Cr)	300373
Av. Volume (,000)	950
Nifty	8153

Stock Performance			
	1Month	3 Month	1Year
Absolute	(2.9)	12.5	8.7
Rel.to Nifty	(3.9)	5.4	6.1

Share Holding Pattern-%			
	2QFY17	1QFY17	4QFY16
Promoters	26.4	26.3	26.2
Public	73.6	73.7	73.8
Others	0.0	0.0	0.0
Total	100.0	100.0	100.0

Company Vs NIFTY



DEEPAK KUMAR

Deepak.kumar@narnolia.com

Demonetization to provide long term benefits

After the AQR review, banking system is again grappling with the new challenges in the form of demonetization. In near term the operation of the banks has got hampered due to spurt in cash management activity. This has no doubt impacted the lending activities of the banks during the demonetization period. But this demonetization move may come up with huge opportunities for the banks in long run in the form of spurt in low cost of funds and expectation of higher trading gains.

With the strong fundamentals and efficient management, HDFC Bank has the ability to overcome the tough time of the industry. Aggressive on digital mode, leadership in credit card business and wide network presence will help HDFC bank to surpass the peers in this demonetization move.

Result Highlights 2Q FY17

HDFC BANK reported 20% YoY growth in its PAT to Rs 3455 Cr backed by 20% growth in NII. NIM was stable to 4.20% YoY. Non Fund based Income grew by 14% YoY due to surge in profit from sale of investment. Cost to Income ratio improved marginally to 44.7% against 45.4% a year back. Operating profit grew by 19% YoY. Provisions and contingencies grew by 10% YoY to Rs 749 Cr but sequentially it declined by 14%. Assets Quality stabilizes with marginal improvement in GNPA at 1.02% against 1.04% QoQ. Advances grew by 18% YoY to Rs 494418 Cr. Deposits grew by 17% YoY led by 19% growth in CASA. SA grew by 22% whereas CA grew by 13% YoY. CASA was maintained at 40% level of the total deposits.

Assets Quality Stabilizes

GNPA declined marginally to 1.02% against 1.04% on 2Q FY17 but it increased by 11 bps YoY. NNPA was at 0.30% against 0.32% on 2Q FY16. Gross slippages during the quarter were Rs 1440 against Rs 1761 Cr QoQ. Recovery & Upgrades were Rs 764 Cr in this quarter. Restructured assets were maintained at 0.10% of the gross advances of the bank. Provisions for the quarter grew by 10% YoY. Specific provision was at 71% against 73% a year back. Floating provisions outstanding is Rs 1240 Cr. Management highlighted that the assets quality on retail book remained stable.

Stable NIM

NIM was stable at 4.2% YoY but sequentially NIM declined by 20 bps from 4.4%. This decline in NIM was resulted due to excess liquid investment which was kept for the FCNR redemption and some part of it may be attributed to the MCLR regime. However NIM remained within the guided range of 4%-4.3%. Going further management is confident to maintain the NIM within the guided range.