



Steady Performance!

21st July, 2016

CMP: Rs. 1232
Target Price: Rs. 1337
Recommendation: HOLD

Stock Info

BSE Group	A
BSE Code	500180
NSE Symbol	HDFCBANK
Bloomberg	HDFCB IN
Reuters	HDBK.BO
BSE Sensex	27,916
NSE Nifty	8,565

Market Info

Market Capital	Rs. 3,12,343 cr
Equity Capital	Rs. 506 cr
Avg. Trading Vol	14,87,520
52 Wk High/ Low	1239/929
Face Value	2

Shareholding Pattern (%) (June 2016)	
Promoters	26.3
Domestic Institutions	13.8
Foreign Institutions	39.6
Public & Others	20.3

Price Vs Sensex Chart



HDFC Bank reported steady set of numbers in line with estimates. Interest income increased by 18% YoY to Rs. 16,516 cr, while on QoQ basis it increased by 3%. Interest expenses increased by 14% YoY, while on QoQ basis it increased by 2% to Rs. 8,735 cr. Net interest income increased by 22% on YoY basis and 4% on QoQ basis to Rs.7,781 cr. Reported net interest margin increased on YoY basis by 10 bps to 4.4%. Return on Assets stood at 0.5%.

Non-interest income was higher by 14% YoY to Rs. 2,807 crs. Within this segment, revenues from fees & commissions increased by 15% on YoY basis to Rs 1,978 cr, foreign exchange & derivatives dropped by 10% on YoY basis to Rs 315 cr, gain on revaluation/ sale of investment was Rs. 277 crs v/s. Rs. 126 crs on YoY basis and miscellaneous income decreased to Rs 237 cr v/s. 275 cr YoY.

Cost to income ratio stood at 45%. Operating cost for the quarter increased by 19% YoY to Rs 4,769 cr. The bank added 21 branches this quarter along with 13 ATM's to its network. 54% of the branches are now in semi-urban and rural areas.

Bank saw sturdy growth with advances and deposits growing by 23% and 19% YoY respectively. Domestic retail to wholesale loans composition stood at 53:47. CASA grew by 19% YoY. CASA ratio improved to 39.9% on YoY basis however it was down sequentially (previous quarter CASA stood at 43%).

Asset quality continues to remain best in class. However, there was a slight deterioration in the NPA levels. Bank reported Gross NPA at 1.04% and Net NPA at 0.3%. Total restructured loans stood at 0.1% of gross advances. Provisions stood at Rs 867 cr v/s. Rs 662 cr sequentially.

Valuation:

HDFC bank continued to report steady performance. NIM for the year is expected to be in range of 4% - 4.3%. Capital Adequacy for the bank stood at 15.5% with Tier-1 CAR at 13.3%. We have valued stock on P/ABV(x) of 3.5(x) to its FY18E adjusted book value of Rs 382 per share and arrived at a target price of Rs. 1,337. We have 'HOLD' rating on the stock.

SNAPSHOT

(Rs Cr.)	FY 15	FY 16	FY 17E	FY 18E
Net Interest Income	22396	27592	33391	40958
Operating Income	31392	38343	46407	56117
Profit After Tax	10216	12296	14889	18069
ROE	19.4	18.3	18.9	19.5
P / EPS (x)	25.1	22.0	21.1	17.6
P / ABV (x)	4.2	3.8	3.8	3.2

Source: Company data, Arihant research



Q1 FY 17 EARNINGS SNAPSHOT

Quarterly Results					
(Rs Cr.)	Q1 FY 17	Q1 FY 16	YoY	Q4 FY 16	QoQ
Interest Earned	16516	14041	18%	15997	3%
Interest Expended	8735	7652		8543	
NII	7781	6389	22%	7453	4%
Operating Profit	5819	4850		5735	
Provisions and Contingencies	867	728	19%	662	31%
PBT	4952	4122		5072	
Tax provisions	1714	1426		1698	
Profit After Tax	3239	2696	20%	3374	-4%
BVPS	301	259		287	
EPS	12.8	10.7		13.3	
Return on Assets	0.5	0.5		0.5	

Asset Quality					
	Q1 FY 17	Q1 FY 16	YoY	Q4 FY 16	QoQ
Gross NPAs %	1.0	1.0		0.9	
Net NPAs %	0.3	0.3		0.3	

Growth					
(Rs Cr.)	Q1 FY 17	Q1 FY 16	YoY	Q4 FY 16	QoQ
Advances	470622	382010	23%	464594	1%
C-D ratio	82.0	78.9		85.0	
Deposits	573755	484174	19%	546424	5%
CASA %	39.9	39.6		43.0	
CASA	228783	191864	19%	236311	-3%

Source: Company data, Arianth research



Income Statement				
(Rs Cr.)	FY 15	FY 16	FY 17E	FY 18E
Interest Earned	48470	60221	72893	89094
Interest Expended	26074	32630	39501	48135
Net Interest Income	22396	27592	33391	40958
Other Income	8996	10752	13016	15158
Fee Income	6584	7759	9233	11080
Treasury Income	526	749	1029	1049
Operating Income	31392	38343	46407	56117
Operating Expenses	13988	16980	20425	24737
Employee Cost	4751	5702	6760	7833
Profit before provision & tax	17404	21364	25982	31380
Provisions and Contingencies	2075	2726	3076	3581
Profit Before Tax	15329	18638	22907	27799
Provision for tax	5114	6342	8017	9730
Profit After Tax	10216	12296	14889	18069

Balance Sheet				
(Rs Cr.)	FY 15	FY 16	FY 17E	FY 18E
Share Capital	501	506	511	516
Total Reserves	61508	72172	84550	99710
Deposits	450796	546424	658504	790054
Borrowings	45214	53018	60971	68288
Other Liabilities & provisions	32484	36725	39681	42457
Total Liabilities	590503	708846	844216	1001025
Cash and balance with RBI	27510	30058	34326	40656
Balances with banks & money at call	8821	8861	8824	8911
Investments	151642	163886	187082	209853
Advances	365495	464594	568118	689897
Fixed Assets	3166	3387	3694	4016
Other Assets	33913	38104	42216	47737
Total Assets	590503	708846	844216	1001025

Ratio Analysis				
%	FY 15	FY 16	FY 17E	FY 18E
Asset Quality				
Gross NPA	0.9	0.9	0.9	0.8
Net NPA	0.3	0.3	0.3	0.2
PCR	73.1	70.2	70.0	70.9
Growth				
Advances Growth	20.6	27.1	22.3	21.4
Deposit growth	22.7	21.2	20.5	20.0
Net Profit Growth	20.5	20.4	21.1	21.4
Liquidity				
C-D Ratio	81.1	85.0	86.3	87.3
CASA	44.0	43.2	42.5	41.9
Capital Adequacy	16.8	15.5	15.5	15.6
Efficiency				
Cost Income Ratio	44.6	44.3	44.0	44.1
Operating Costs to Assets	2.4	2.4	2.4	2.5

Ratio Analysis				
%	FY 15	FY 16	FY 17E	FY 18E
Spread Analysis				
Yield on Advances	13.3	13.0	12.8	12.9
Yield on Investments	6.8	9.1	9.5	9.7
Cost of Funds	5.3	5.4	5.5	5.6
Cost of Deposits	5.2	5.3	5.4	5.5
NIM	4.0	4.1	4.2	4.3
Interest Spread	8.0	7.5	7.3	7.3
Profitability				
ROE	19.4	18.3	18.9	19.5
Earnings Per Share (Rs)	40.8	48.6	58.3	70.1
Dividend Per Share (Rs)	8.0	9.5	11.4	13.7
Adj. BVPS (Rs)	243.8	282.2	327.1	382.1
Valuation				
P / EPS (x)	25.1	22.0	21.1	17.6
P / ABV (x)	4.2	3.8	3.8	3.2

Source: Company data, Arianth research

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Stock Rating Scale

	Absolute Return
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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