



Steady Performance!

30th January, 2017

CMP: Rs. 1293
Target Price: Rs. 1358
Recommendation: HOLD

Stock Info

BSE Group	A
BSE Code	500180
NSE Symbol	HDFCBANK
Bloomberg	HDFCB IN
Reuters	HDBK.BO
BSE Sensex	27,899
NSE Nifty	8,646

Market Info

Market Capital	Rs. 3,30,409 cr
Equity Capital	Rs. 509 cr
Avg. Trading Vol.	15,41,630
52 Wk High/ Low	1318/929
Face Value	2

Shareholding Pattern (%)	(Dec 2016)
Promoters	26.1
Domestic Institutions	15.2
Foreign Institutions	39.2
Public & Others	19.6

Price Vs Sensex Chart



HDFC Bank reported steady set of numbers. Interest income increased by 14% YoY to Rs. 17,605 cr, while on QoQ basis it increased by 3%. Interest expenses increased by 11% YoY, while on QoQ basis it increased by 2% to Rs. 9,296 cr. Net interest income increased by 18% on YoY basis and 4% on QoQ basis to Rs. 8,309 cr. Reported net interest margin dropped by 20 bps on YoY basis to 4.1.

Non-interest income was higher by 9% YoY to Rs. 3,143 crs. Within this segment, revenues from fees & commissions increased by 10% on YoY basis to Rs 2,207 cr. Sale of investment was Rs. 399 crs v/s. Rs. 327 crs on YoY basis.

Cost to income ratio stood at 42.3% pretty flat against corresponding quarter of previous year. Operating cost for the quarter increased by 15% YoY to Rs 4,842 cr. The bank added 7 branches this quarter along with 71 ATM's to its network. 52% of the branches stay in semi-urban and rural areas.

Bank saw steady growth with advances which grew by 13% while the deposits grew by 21% YoY. Domestic retail to wholesale loans composition stood at 55:45. CASA grew by 37% YoY. CASA ratio improved to 45% against 40% in corresponding quarter of previous and 40.4% sequentially.

Asset quality continues to remain strong however this quarter saw a little deterioration. Bank reported GNPA at 1.05% while Net NPA stood at 0.32% against 1.0 and 0.3 respectively. Provisions stood at Rs 716 cr against Rs 653 cr YoY and Rs 749 cr sequentially.

NIM for the year is expected to be in range of 4% - 4.3%. Capital Adequacy for the bank stood at 15.9% with Tier-1 CAR at 13.8%. The Return on Assets for the quarter stood at 0.5%

Valuation:

HDFC bank continued to report balanced performance. We have valued stock on P/ABV(x) of 3.6(x) to its FY18E adjusted book value of Rs 382 per share and arrived at a fair value of Rs. 1,358. We have 'HOLD' rating on the stock.

SNAPSHOT

(Rs Cr.)	FY 15	FY 16	FY 17E	FY 18E
Net Interest Income	22396	27592	33101	40117
Operating Income	31392	38343	45265	54804
Profit After Tax	10216	12296	14553	17496
ROE	19.4	18.3	18.4	18.8
P / EPS (x)	25.1	22.0	22.7	19.1
P / ABV (x)	4.2	3.8	3.9	3.4



Q3 FY 17 EARNINGS SNAPSHOT

Quarterly Results					
(Rs Cr.)	Q3 FY 17	Q3 FY 16	YoY	Q2 FY 17	QoQ
Interest Earned	17606	15411	14%	17070	3%
Interest Expended	9297	8343	11%	9076	2%
NII	8309	7069	18%	7994	4%
Operating Profit	6609	5736		6025	
Provisions and Contingencies	716	654	9%	749	-4%
PBT	5893	5082		5276	
Tax provisions	2028	1725		1820	
Profit After Tax	3865	3357	15%	3455	12%
BVPS	0	285		316	
EPS	15.2	13.3		13.6	
Return on Assets	0.5	0.5		0.5	

Asset Quality					
	Q3 FY 17	Q3 FY 16	YoY	Q2 FY 17	QoQ
Gross NPAs %	1.1	1.0		1.0	
Net NPAs %	0.3	0.3		0.3	

Growth					
(Rs Cr.)	Q3 FY 17	Q3 FY 16	YoY	Q2 FY 17	QoQ
Advances	495043	436364	13%	494418	0%
C-D ratio	78.0	83.3		83.6	
Deposits	634705	523997	21%	591731	7%
CASA %	45.4	40.0		40.4	
CASA	287873	209498	37%	239104	20%

Source: Company data, Arianth research



Income Statement				
(Rs Cr.)	FY 15	FY 16	FY 17E	FY 18E
Interest Earned	48470	60221	70078	82748
Interest Expended	26074	32630	36977	42632
Net Interest Income	22396	27592	33101	40117
Other Income	8996	10752	12164	14688
Fee Income	6584	7759	8845	10614
Treasury Income	526	749	1122	1270
Operating Income	31392	38343	45265	54804
Operating Expenses	13988	16980	19957	24102
Employee Cost	4751	5702	6710	7833
Profit before provision & tax	17404	21364	25308	30703
Provisions and Contingencies	2075	2726	3089	4194
Profit Before Tax	15329	18638	22219	26509
Provision for tax	5114	6342	7666	9013
Profit After Tax	10216	12296	14553	17496

Balance Sheet				
(Rs Cr.)	FY 15	FY 16	FY 17E	FY 18E
Share Capital	501	506	511	516
Total Reserves	61508	72172	85002	99898
Deposits	450796	546424	652001	781834
Borrowings	45214	53018	71575	80164
Other Liabilities & provisions	32484	36725	43201	44965
Total Liabilities	590503	708846	852291	1007377
Cash and balance with RBI	27510	30058	36642	40286
Balances with banks & money at call	8821	8861	3242	7064
Investments	151642	163886	224334	253925
Advances	365495	464594	548207	665620
Fixed Assets	3166	3387	3694	4016
Other Assets	33913	38104	36216	36510
Total Assets	590503	708846	852291	1007377

Ratio Analysis				
%	FY 15	FY 16	FY 17E	FY 18E
Asset Quality				
Gross NPA	0.9	0.9	1.1	1.0
Net NPA	0.3	0.3	0.3	0.3
PCR	73.1	70.2	70.3	70.7
Growth				
Advances Growth	20.6	27.1	18.0	21.4
Deposit growth	22.7	21.2	19.3	19.9
Net Profit Growth	20.5	20.4	18.4	20.2
Liquidity				
C-D Ratio	81.1	85.0	84.1	85.1
CASA	44.0	43.2	43.8	43.7
Capital Adequacy	16.8	15.5	15.3	15.3
Efficiency				
Cost Income Ratio	44.6	44.3	44.1	44.0
Operating Costs to Assets	2.4	2.4	2.3	2.4

Spread Analysis				
%	FY 15	FY 16	FY 17E	FY 18E
Spread Analysis				
Yield on Advances	13.3	13.0	12.8	12.4
Yield on Investments	6.8	9.1	8.8	8.8
Cost of Funds	5.3	5.4	5.1	4.9
Cost of Deposits	5.2	5.3	5.0	4.9
NIM	4.0	4.1	4.1	4.1
Interest Spread	8.0	7.5	7.7	7.5
Profitability				
ROE	19.4	18.3	18.4	18.8
Earnings Per Share (Rs)	40.8	48.6	56.9	67.8
Dividend Per Share (Rs)	8.0	9.5	11.1	13.2
Adj. BVPS (Rs)	243.8	282.2	327.6	381.5
Valuation				
P / EPS (x)	25.1	22.0	22.7	19.1
P / ABV (x)	4.2	3.8	3.9	3.4

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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