



Strong Performance!

22th April, 2017

CMP: Rs. 1496
Target Price: Rs. 1778
Recommendation: ACCUMULATE

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. 3,83,549 cr
Equity Capital	Rs. 509 cr
Avg. Trading Vol.	3,82,231
52 Wk High/ Low	1318/929
Face Value	2

Shareholding Pattern (%)	(Dec 2016)
Promoters	26
Domestic Institutions	12.94
Foreign Institutions	42.3
Public & Others	18.76

HDFC Bank reported steady set of numbers. Interest Income increased by 13% YoY to Rs. 18,114 cr, while on QoQ basis it increased by 3%. Interest Expenses increased by 6% YoY, while on QoQ basis it decreased by 3% to Rs. 9,059 cr. Net Interest Income increased by 21% on YoY basis and 9% on QoQ basis to Rs. 9055 cr. Reported Net Interest Margin increased to 4.3 vs 4.1 on QoQ basis.

Non-Interest revenue was higher by 20.3% QoQ to Rs. 3,446 crs. Within this segment, revenues from fees & commissions increased to Rs 2,523 cr. Sale of investment was Rs. 180 crs v/s. Rs. 115 crs on YoY basis.

Cost to Income ratio stood at 42.4% decreasing against corresponding quarter of previous year. Operating cost for the quarter increased by 13.9% YoY to Rs 5,222 cr. The bank added 160 branches this quarter along with 173 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 19% while the deposits grew by 18% YoY. Domestic retail to wholesale loans composition stood at 53:47. CASA grew by 31% YoY. CASA ratio improved to 48.03% against 43% in corresponding quarter of previous and 45.36% sequentially.

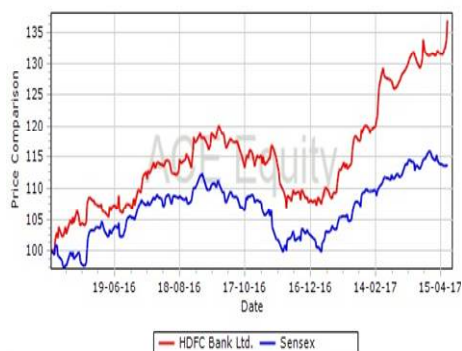
Asset quality continues to remain strong however this quarter saw a little deterioration. Bank reported GNPA at 1.05% while Net NPA stood at 0.33% against 0.9% and 0.3% respectively. Provisions stood at Rs 1,262 cr against Rs 662 cr YoY and Rs 716 cr sequentially.

NIM for the quarter stood at 4.3%. Capital Adequacy for the bank stood at 14.6% with Tier-1 CAR at 12.8%. The Return on Assets for the quarter stood at 0.48%

Valuation:

HDFC bank continued to report balanced performance. We have valued stock on P/ABV(x) of 4(x) to its FY19E adjusted book value of Rs 445.17 per share and arrived at a fair value of Rs. 1,778. We have 'ACCUMULATE' rating on the stock.

Price Vs Sensex Chart



SNAPSHOT

(Rs Cr.)	FY 16	FY 17	FY 18E	FY 19E
Net Interest Income	27592	33101	40117	48084
Operating Income	38343	45265	54804	65243
Profit After Tax	12296	14553	17496	20754
ROE	18.3	18.4	18.8	18.9
P / EPS (x)	22.0	26.3	22.1	18.8
P / ABV (x)	3.8	4.6	3.9	3.4



Q4 FY 17 EARNINGS SNAPSHOT

Quarterly Results					
(Rs Cr.)	Q4 FY17	Q4 FY16	YoY	Q3 FY17	QoQ
Interest Earned	18114	15997	13%	17606	3%
Interest Expended	9059	8543	6%	9297	-3%
NII	9055	7453	21%	8309	9%
Operating Profit	7279	5735		6609	
Provisions and Contingencies	1262	662	90%	716	76%
PBT	6018	5072		5893	
Tax provisions	2028	1698		2028	
Profit After Tax	3990	3374	18%	3865	3%
BVPS	349	287		333	
EPS	15.6	13.3		15.2	
Return on Assets	0.5	0.5		0.5	

Asset Quality					
	Q4 FY17	Q4 FY16	YoY	Q3 FY17	QoQ
Gross NPAs %	1.1	0.9		1.1	
Net NPAs %	0.3	0.3		0.3	

Growth					
(Rs Cr.)	Q4 FY17	Q4 FY16	YoY	Q3 FY17	QoQ
Advances	554568	464594	19%	495043	12%
C-D ratio	86.2	85.0		78.0	
Deposits	643640	546424	18%	634705	1%
CASA %	48.0	43.0		45.4	
CASA	309153	236311	31%	287873	7%

Source: Company data, Arianth research



Income Statement				
(Rs Cr.)	FY 16	FY 17E	FY 18E	FY 19E
Interest Earned	60221	70078	82748	99718
Interest Expended	32630	36977	42632	51633
Net Interest Income	27592	33101	40117	48084
Other Income	10752	12164	14688	17159
Fee Income	7759	8845	10614	12207
Treasury Income	749	1122	1270	1529
Operating Income	38343	45265	54804	65243
Operating Expenses	16980	19957	24102	28519
Employee Cost	5702	6710	7833	8921
Profit before provision & tax	21364	25308	30703	36725
Provisions and Contingencies	2726	3089	4194	4795
Profit Before Tax	18638	22219	26509	31930
Provision for tax	6342	7666	9013	11175
Profit After Tax	12296	14553	17496	20754

Balance Sheet				
(Rs Cr.)	FY 16	FY 17E	FY 18E	FY 19E
Share Capital	506	511	516	523
Total Reserves	72172	85002	99898	118342
Deposits	546424	652001	781834	939534
Borrowings	53018	71575	80164	92189
Other Liabilities & provisions	36725	43201	44965	48239
Total Liabilities	708846	852291	1007377	1198826
Cash and balance with RBI	30058	36642	40286	47805
Balances with banks & money at call	8861	3242	7064	10891
Investments	163886	224334	253925	305758
Advances	464594	548207	665620	795887
Fixed Assets	3387	3694	4016	4331
Other Assets	38104	36216	36510	34198
Total Assets	708846	852291	1007377	1198826

Ratio Analysis				
%	FY 16	FY 17E	FY 18E	FY 19E
Asset Quality				
Gross NPA	0.9	1.1	1.0	1.1
Net NPA	0.3	0.3	0.3	0.3
PCR	70.2	70.3	70.7	70.3
Growth				
Advances Growth	27.1	18.0	21.4	19.6
Deposit growth	21.2	19.3	19.9	20.2
Net Profit Growth	20.4	18.4	20.2	18.6
Liquidity				
C-D Ratio	85.0	84.1	85.1	84.7
CASA	43.2	43.8	43.7	43.7
Capital Adequacy	15.5	15.3	15.3	15.2
Efficiency				
Cost Income Ratio	44.3	44.1	44.0	43.7
Operating Costs to Assets	2.4	2.3	2.4	2.4

Spread Analysis				
%	FY 16	FY 17E	FY 18E	FY 19E
Spread Analysis				
Yield on Advances	13.0	12.8	12.4	12.5
Yield on Investments	9.1	8.8	8.8	8.5
Cost of Funds	5.4	5.1	4.9	5.0
Cost of Deposits	5.3	5.0	4.9	4.9
NIM	4.1	4.1	4.1	4.1
Interest Spread	7.5	7.7	7.5	7.5
Profitability				
ROE	18.3	18.4	18.8	18.9
Earnings Per Share (Rs)	48.6	56.9	67.8	79.4
Dividend Per Share (Rs)	9.5	11.1	13.2	15.5
Adj. BVPS (Rs)	282.2	327.6	381.5	445.2
Valuation				
P / EPS (x)	22.0	25.2	21.1	18.1
P / ABV (x)	3.8	4.4	3.8	3.2

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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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