

BSE SENSEX	S&P CNX
32,382	10,021
Bloomberg	HDFC IN
Equity Shares (m)	1,574
M.Cap.(INRb)/(USDb)	2,571.5 / 39.9
52-Week Range (INR)	1802 / 1185
1, 6, 12 Rel. Per (%)	-8/-3/4
Avg Val, INRm	4314
Free float (%)	100.0

Financials & Valuations (INR b)

Y/E March	2018E	2019E	2020E
NII	113.5	130.0	150.2
PAT	81.9	92.7	107.2
Adj. EPS (INR)	41.4	47.2	55.4
EPS Gr. (%)	16.0	14.0	17.4
BV/Sh. (INR)	279.3	336.0	391.8
ABV/Sh. (INR)	227.5	285.4	320.2
RoAA (%)	2.3	2.2	2.2
Core RoE (%)	19.3	18.6	18.3
Payout (%)	43.5	43.5	43.5

Valuation

AP/E (x)	23.8	18.5	15.8
P/BV (x)	6.1	5.1	4.4
AP/ABV (x)	4.3	3.1	2.7
Div. Yield (%)	1.1	1.3	1.5

CMP: INR1,706
TP: INR2,000 (+17%)
Buy

Uptick in retail lending encouraging

- HDFC reported strong numbers overall. While there was a 5% miss on core PBT, a QoQ rise in the share of individual AUM was a positive surprise. Individual loans grew 4% QoQ and 16% YoY, driven by 23% disbursement growth in individual loans. This is the second quarter of 20%+ growth in individual lending, which is very commendable.
- Corporate loan growth remains robust. The book grew 24% YoY and now accounts for 28% of the overall loan book. Overall AUM growth was a commendable 18% YoY.
- While overall spreads have remained steady at 2.3%, non-individual spreads declined 10bp QoQ to 3.07%. We are positively surprised by the rise in individual spreads by 4bp to 1.94%. This lends credence to HDFC's superior execution in treasury management. NIM shrunk 10bp QoQ to 3.9%, partially driven by dividend payout during the quarter.
- HDFC continues to surprise on the opex front (+10% YoY). Note that opex growth in the past nine quarters has always been sub-13% (average growth of 8% YoY). As a result, despite being one of the lowest expense ratio HFCs, HDFC continues to lower it further. C/I for the quarter was down 20bp YoY at 7%.
- While asset quality was largely stable, there was one INR1.6b corporate account that slipped into NPL in the quarter. GNPL ratio stood at 1.14%.

Valuation view: HDFC's retail loan growth is impressive, despite intense competition and a high base. Over the past four quarters, corporate loan growth has also picked up smartly – this remains a key for overall spreads, considering individual spreads are under pressure. The company continues to improve its expense ratio, which directly impacts RoA and RoE. We largely maintain the estimates. **Buy** with an SOTP-based TP of INR2,000.

HDFC: Quarterly Performance

Y/E March	FY17				FY18				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	FY17	FY18
Net Interest Income	22,291	22,972	25,755	28,524	25,852	26,108	29,163	32,358	99,542	113,481
YoY Change (%)	9.3	14.5	18.0	15.5	16.0	13.7	13.2	13.4	14.5	14.0
Gross fee income	1,913	1,985	1,944	2,702	2,097	1,614	2,100	2,842	8,486	8,622
Core Income	24,204	24,958	27,699	31,226	27,949	27,722	31,263	35,201	108,029	122,103
YoY Change (%)	9.3	14.4	17.2	13.2	15.5	11.1	12.9	12.7	13.6	13.0
Operating Expenses	2,274	2,048	2,142	1,904	2,536	2,248	2,430	2,185	8,368	9,399
% of core income	9.4	8.2	7.7	6.1	9.1	8.1	7.8	6.2	7.7	7.7
Commission expenses	1,369	1,344	1,011	1,300	1,704	1,577	1,625	1,625	5,024	6,531
% of core income	5.7	5.4	3.6	4.2	6.1	5.7	5.2	4.6	4.7	5.3
Core Operating profits	20,561	21,565	24,546	28,023	23,709	23,897	27,208	31,391	94,637	106,174
YoY Change (%)	7.5	14.2	19.5	13.9	15.3	10.8	10.8	12.0	13.8	12.2
Provisions	650	950	1,170	1,480	850	950	1,000	1,050	4,250	3,850
Core PBT	19,911	20,615	23,376	26,543	22,859	22,947	26,208	30,341	90,387	102,324
YoY Change (%)	6.9	12.2	17.7	12.2	14.8	11.3	12.1	14.3	12.3	13.2
Profit on Sale of Inv.	9,216	281	34	486	21	654	50,800	1,025	10,017	52,500
Dividend income	510	4,560	1,788	2,228	599	5,366	2,000	2,139	9,144	10,103
One off expense/Prov	-2,750				0	0	-50,000	0	-2,750	-50,000
Other Income	111	118	114	125	109	104	125	131	468	468
PBT	26,997	25,575	25,312	29,382	23,587	29,071	29,133	33,635	107,266	115,395
YoY Change (%)	38.3	10.1	15.6	-19.3	-12.6	13.7	15.1	14.5	1.6	7.6
Provision for Tax	8,290	7,310	8,300	8,940	8,030	8,060	8,012	9,363	32,840	33,465
PAT	18,707	18,265	17,012	20,442	15,557	21,011	21,121	24,272	74,426	81,931
YoY Change (%)	37.5	13.9	11.9	-21.6	-16.8	15.0	24.2	18.7	-1.3	10.1

E: MOSL Estimates

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Exhibit 1: Quarterly performance v/s expectations and deviations for the same

Y/E March	2QFY18E	2QFY18A	v/s Exp	Comments
Net Interest Income	26,924	26,108	-3	Largely stable Mix vs expected pick up in corp portfolio QoQ; impacted Core Income vs expectation
YoY Change (%)	17.2	13.7		
Gross fee income	2,100	1,614	-23	
Core Income	29,024	27,722	-4	
YoY Change (%)	16.3	11.1		
Operating Expenses	3,720	3,824	3	
% of core income	8.0	8.1		
Commission expenses	1,400	1,577		Higher share of Individual mix vs expectation
% of core income	4.8	5.7		
Core Operating profits	25,304	23,897	-6	
YoY Change (%)	17.3	10.8		
Provisions	950	950		
Core PBT	24,354	22,947	-6	
YoY Change (%)	18.1	11.3		
Profit on Sale of Inv.	650	654		
Dividend income	5,370	5,366		
One off expense/Prov	0	0		
Other Income	135	104		
PBT	30,509	29,071	-5	
YoY Change (%)	19.3	13.7		
Provision for Tax	8,848	8,060	-9	Tax rate marginally lower than expectation
PAT	21,661	21,011	-3	Higher than expected tax rate
YoY Change (%)	18.6	15.0		

E: MOSL Estimates

Source: MOSL, Company

23% YoY retail
disbursement growth in
1HFY18

Impressive retail loan disbursements growth

- This is the second consecutive quarter of 20% + YoY growth in individual lending disbursements. The retail loan book grew 4% QoQ / 16% YoY to INR2.7t.
- Corporate loans grew 3% QoQ/22% YoY to INR959b. We are encouraged by the sustained pick-up in corporate loan growth over the past four quarters.
- Total sell-downs in the quarter amounted to INR35b compared to INR29b in 1QFY18 and INR19b in 2QFY17.

GNPL ratio was 1.14%

Asset quality stable sequentially

- Asset quality was stable sequentially with GNPA ratio of 1.14%.
- There was a 9bp sequential increase in the GNPL ratio of the corporate loan book to 2.18% due to slippage of one INR1.6b account.

Spreads have been stable

Spreads and margins have been stable

- Both spreads and margins have remained rock steady at 2.3% and 3.9%, respectively. This lends credence to HDFC's superior execution in treasury management.
- Cost of funds continues to decline and stood at 7.55% in 2QFY18 v/s 7.69% in 1QFY18.
- Liability mix was largely unchanged with bank borrowings comprising 13% of total borrowings, while market borrowings and public deposits comprising the rest.

Other highlights

- Fees income continues to decline, as fees in retail lending have vanished. Fee income for the quarter was down 19% YoY to INR1.6b
- CAR stood at 15.1%, of which Tier I capital was 12.6%.
- Dividend income was INR5.4b in the quarter v/s INR4.6b YoY.

Valuation and view

- HDFC's retail loan disbursements have picked up smartly in the past two quarters, post the blip on account of demonetization.
- Over the past few quarters, corporate loan growth has also picked up smartly and outpaced retail loan growth. This is beneficial for spreads, especially in this competitive individual home loan environment.
- We maintain our estimates largely stable to factor in better-than-expected corporate loan growth. We expect AUM CAGR of ~18% and core PBT CAGR of 15% over FY17-20E. We have considered DTL on special reserve as part of networth. **Buy** with an SOTP (Sep 2019 based) of INR2,000.
- **Key risk:** Heightened level of competition in the retail segment could lead to severe margin compression and can be a risk to earnings and growth.

Exhibit 1: Estimates largely unchanged

INR b	Old Est			New Estimates			% Change		
	FY18	FY19	FY20	FY18	FY19	FY20	FY18	FY19	FY20
NII	116.3	132.0	151.0	113.5	130.0	150.2	-2.4	-1.6	-0.5
Fee and others	8.5	9.7	11.2	8.6	10.2	12.0			
Total Income	124.7	141.7	162.1	122.1	140.1	162.2	-2.1	-1.1	0.0
Operating Expenses	15.5	17.6	20.0	15.9	18.1	20.6	2.9	3.1	3.3
Core PPoP	109.2	124.2	142.2	106.2	122.0	141.6	-2.8	-1.7	-0.4
Provisions	3.9	4.4	5.1	3.9	4.4	5.1			
Core PBT	105.4	119.8	137.1	102.3	117.6	136.5	-2.9	-1.8	-0.4
One offs	13.1	15.4	18.2	13.1	14.9	16.7			
PBT	118.5	135.2	155.2	115.4	132.5	153.2	-2.7	-2.0	-1.3
Tax	35.6	40.6	46.6	33.5	39.7	45.9	-5.9	-2.0	-1.3
PAT	83.0	94.6	108.7	81.9	92.7	107.2	-1.3	-2.0	-1.3
Loans	3,435	3,957	4,544	3,467	4,067	4,779	0.9	2.8	5.2
AUM	3,947	4,578	5,294	3,979	4,688	5,529	0.8	2.4	4.4
Borrowings	3,263	3,700	4,249	3,294	3,803	4,493	0.9	2.8	5.7
Spreads	2.59	2.53	2.49	2.50	2.45	2.41			
NIMs	3.41	3.36	3.35	3.31	3.25	3.21			
RoA (%)	2.29	2.28	2.29	2.25	2.20	2.18			

Source: MOSL, Company

Exhibit 2: SOTP FY19E Based (INR)

	Value(INR b)	Value (USD b)	Value/ Sh. (INR)	% of total	Rationale
Core business	1,771	26.5	1,090	54.5	3.6x BV; 21.4x Earnings
Key Ventures					
HDFC Bank (21.5% stake)	1,169	17.5	720	36.0	Based on our TP of INR2150 (Sept 2019)
HDFC Standard Life (51.5% stake)	323	4.8	199	9.9	3.3x EV
HDFC AMC (60% stake)	165	2.5	102	5.1	5% AUM, 18x PAT
HDFC General Insurance (51% stake)	74	1.1	46	2.3	30x PAT
Property Funds	7	0.1	4	0.2	13.3% of total AUM USD1.1b
Gruh Finance	110	1.6	68	3.4	11x BV
Total Value of Ventures	1,848	27.7	1,138	56.9	
Less: 20% holding discount	370	5.5	228	11.4	
Value of Key Ventures	1,478	22.1	910	45.5	
Target Value Post 20% Holding Co Discount	3,250	48.7	2,000	100.0	
CMP	2,773	41.5	1,706		
Upside - %	17.2	17.2	17.3		
Target Price w/o 20% Holding Company Discount	3,619	54.2	2,228		
CMP	2,773	41.5	1,706		
Upside - %	30.5	30.5	30.6		

Source: MOSL

Exhibit 3: DuPont Analysis

	FY12	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Net Interest Income	3.40	3.40	3.33	3.34	3.20	3.18	3.12	3.08	3.05
Non Interest Income	0.37	0.33	0.28	0.48	0.93	0.61	1.69	0.33	0.34
Fees and Other Charges	0.17	0.13	0.14	0.27	0.30	0.27	0.24	0.24	0.24
Treasury and Dividend Income	0.18	0.17	0.12	0.18	0.61	0.32	1.44	0.08	0.08
Other Income	0.01	0.02	0.03	0.03	0.02	0.01	0.01	0.01	0.01
Total Income	3.76	3.73	3.61	3.82	4.13	3.79	4.81	3.41	3.39
Operating Expenses	0.29	0.30	0.30	0.44	0.44	0.43	0.44	0.43	0.42
Cost to Income Ratio (%)	7.83	7.96	8.26	11.59	10.71	11.30	9.10	12.58	12.37
Employee Expenses	0.13	0.14	0.13	0.14	0.13	0.12	0.12	0.11	0.11
Other Expenses	0.16	0.16	0.17	0.31	0.31	0.30	0.32	0.32	0.31
Operating Profit	3.47	3.43	3.31	3.38	3.69	3.36	4.38	2.98	2.97
Provisions/write offs	0.05	0.08	0.05	0.07	0.10	0.14	0.11	0.10	0.10
PBT	3.42	3.35	3.27	3.31	3.59	3.23	4.27	2.87	2.87
Tax	1.01	0.95	0.95	1.10	1.11	1.05	0.92	0.94	0.93
Tax Rate (%)	29.45	28.33	29.10	33.23	30.93	32.56	21.55	32.74	32.59
Reported PAT	2.41	2.40	2.32	2.21	2.48	2.18	3.35	1.93	1.93
Adjusted PAT	2.69	2.67	2.58	2.50	2.61	2.38	2.25	2.20	2.18
Leverage (x)	8.44	8.28	7.97	8.14	8.34	8.82	9.36	9.17	8.83
RoE	22.69	22.11	20.61	20.33	21.79	21.00	21.08	20.13	19.24
Core RoE	22.53	23.74	23.99	23.09	19.96	18.95	19.32	18.60	18.31

Source: MOSL, Company

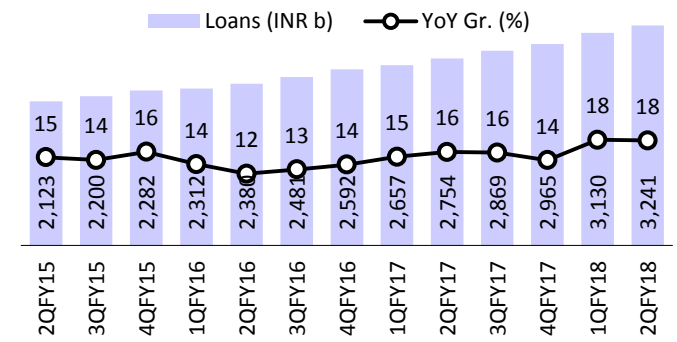
Exhibit 4: Quarterly Snapshot

	FY16				FY17				FY18		Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY
Profit and Loss (INR m)												
Net Interest Income	20,385	20,055	21,821	24,693	22,291	22,972	25,755	28,524	25,852	26,108	1	14
Other Operating Income	1,555	5,435	2,648	18,714	10,270	5,482	2,755	4,117	1,013	6,057	498	10
Miscellaneous Income	108	137	117	152	111	118	114	125	109	104	(5)	(13)
Net Income	22,049	25,627	24,586	43,559	32,672	28,573	28,624	32,766	26,974	32,269	20	13
Operating Expenses	2,029	1,872	2,001	1,688	2,274	2,048	2,142	1,904	2,536	2,248	(11)	10
Employee	934	809	914	834	1,062	933	1,032	861	1,155	1,048	(9)	12
Others	1,095	1,063	1,087	854	1,212	1,115	1,109	1,043	1,382	1,200	(13)	8
Operating Profits	20,020	23,756	22,585	41,871	30,397	26,525	26,482	30,862	24,437	30,021	23	13
Provisions	500	520	680	5,450	3,400	950	1,170	1,480	850	950	12	-
PBT	19,520	23,236	21,905	36,421	26,997	25,575	25,312	29,382	23,587	29,071	23	14
Taxes	5,910	7,193	6,700	10,350	8,290	7,310	8,300	8,940	8,030	8,060	0	10
PAT	13,610	16,043	15,205	26,071	18,707	18,265	17,012	20,442	15,557	21,011	35	15
Ratios (%)												
Cost to Income	9.2	7.3	8.1	3.9	7.0	7.2	7.5	5.8	9.4	7.0		
Provision to operating profit	2.5	2.2	3.0	13.0	11.2	3.6	4.4	4.8	3.5	3.2		
Tax Rate	30.3	31.0	30.6	28.4	30.7	28.6	32.8	30.4	34.0	27.7		
CAR	15.8	16.1	17.7	16.6	16.5	16.5	16.4	14.5	14.7	15.1	3	(8)
<i>Tier I</i>	12.4	12.8	14.2	13.2	13.1	13.3	13.4	11.8	12.1	12.6	4	(5)
Margins Reported (Cum %)												
Individual spreads	2.0	2.0	2.0	1.9	1.9	2.0	2.0	2.0	1.9	1.9	1	(2)
Corporate spreads	3.1	3.1	3.1	3.1	3.1	3.0	3.1	3.1	3.2	3.1	(3)	1
Overall spreads	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	-	0
NIMs	3.8	4.0	3.9	4.1	3.8	3.9	4.0	4.1	4.0	3.9	(3)	1
Break up of Interest Income	68,630	68,641	70,037	73,392	73,552	75,431	78,617	80,903	80,296	81,449	1	8
Interest Inc. on Home loans	65,529	65,815	67,017	69,647	69,965	71,975	74,998	77,083	76,151	77,811	2	8
Surplus deployed in schemes of MF	811	817	791	660	1,129	1,672	732	913	976	1,009	3	(40)
Other interest Income	2,291	2,009	2,229	3,085	2,459	1,784	2,888	2,907	3,169	2,629	(17)	47
Other Operating Inc.	2,534	6,488	3,734	20,018	11,640	6,827	3,765	5,417	2,717	7,634	181	12
Balance Sheet (INR b)												
Networth	323	339	355	341	358	370	386	396	415	407	(2)	10
Borrowings	2,106	2,189	2,269	2,383	2,474	2,555	2,635	2,805	2,862	3,003	5	18
Total liabilities	2,429	2,528	2,624	2,724	2,831	2,926	3,021	3,202	3,277	3,410	4	17
Net Loans	2,312	2,380	2,481	2,592	2,657	2,754	2,869	2,965	3,130	3,241	4	18
Investments	142	154	168	153	192	200	202	204	206	212	3	6
Total Assets	2,597	2,655	2,772	2,889	3,003	3,100	3,232	3,364	3,473	3,582	3	16
AUM	2,590	2,671	2,771	2,915	3,015	3,113	3,244	3,378	3,550	3,675	4	18
AUM Mix (%)												
Individual Home loans	72	73	73	73	73	74	73	73	72	73	0	(2)
Corporate loans	28	27	27	27	27	26	27	27	28	27	(1)	4
AUM Mix (%)												
On books	89	89	90	89	88	88	88	88	88	88	0	(0)
Off books	11	11	10	11	12	12	12	12	12	12	(0)	3
Borrowing Mix (%)												
Term Loans	9	11	14	18	14	12	12	13	12	13	12	12
Bonds, Deb, etc	57	55	54	51	53	55	56	56	59	57	(3)	3
Deposits	33	34	32	31	33	33	32	31	30	30	1	(9)

Source: Company, MOSL

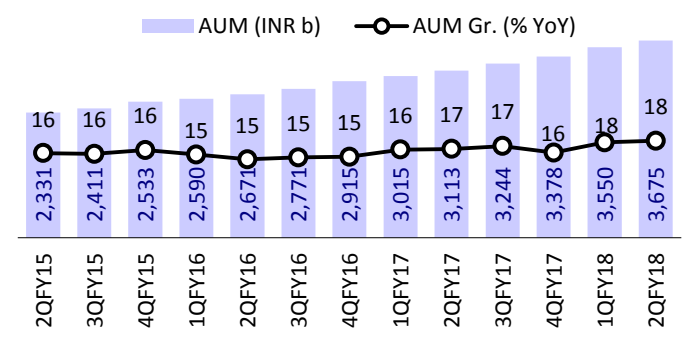
Story in charts

Exhibit 5: Loans (net of sell down) grew by 18% YoY



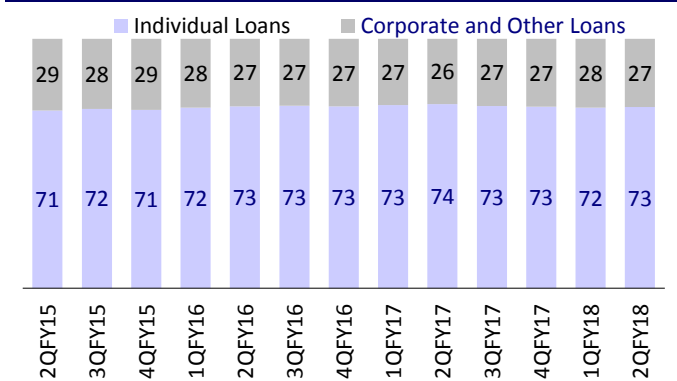
Source: Company, MOSL

Exhibit 6: AUM trend



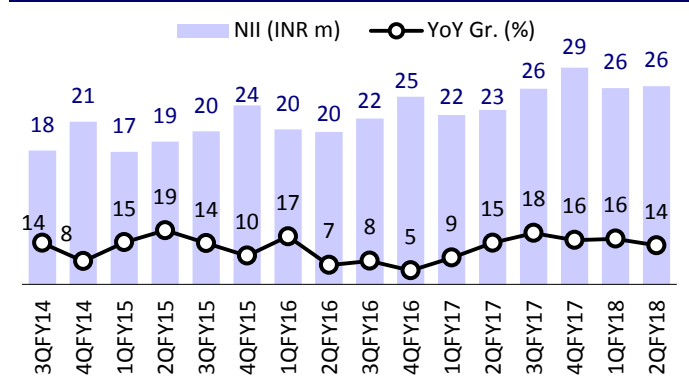
Source: Company, MOSL

Exhibit 7: AUM mix largely stable (%)



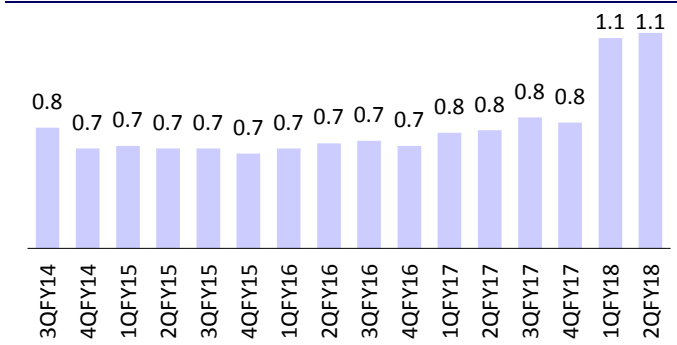
Source: Company, MOSL

Exhibit 8: NII grew 14% YoY driven by stable spreads



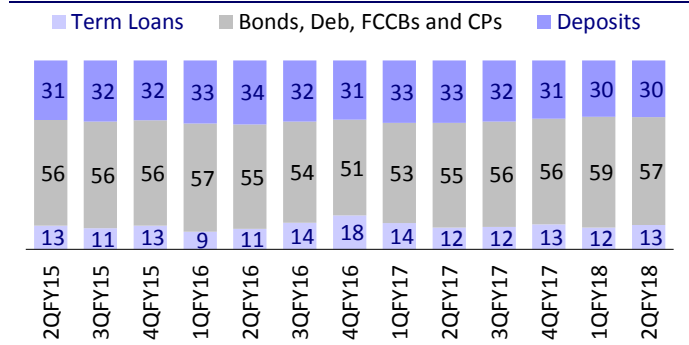
Source: Company, MOSL

Exhibit 9: GNPL ratio (%) largely stable



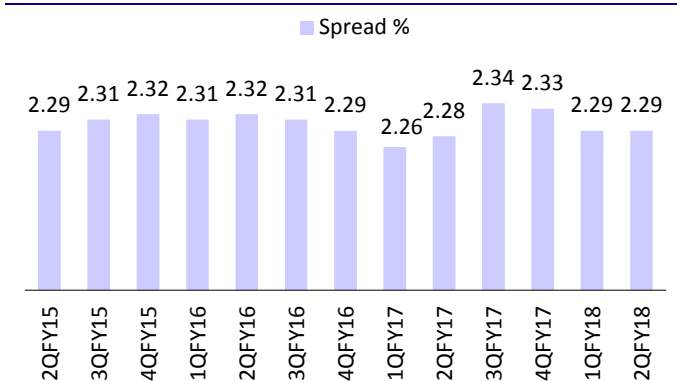
Source: Company, MOSL

Exhibit 10: Liability mix largely stable (%)



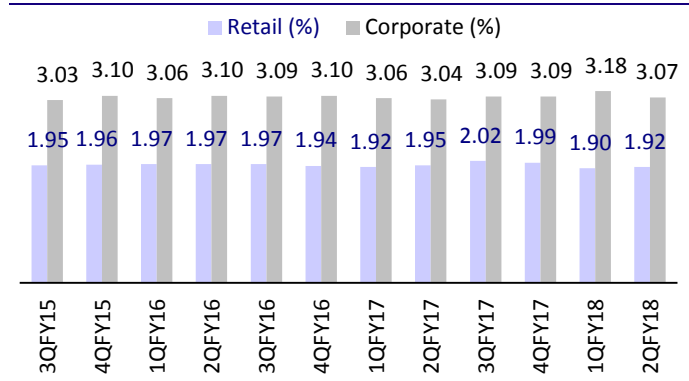
Source: Company, MOSL

Exhibit 11: Reported spreads stable



Source: Company, MOSL

Exhibit 12: Retail and corporate spreads



Source: Company, MOSL

Exhibit 13: Financials: Valuation metrics

	Rating	CMP (INR)	Mcap (USDb)	EPS (INR)		P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
				FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E	FY18E	FY19E
ICICI* [*]	Buy	301	29.7	13.6	17.0	15.6	11.6	1.64	1.41	1.07	1.20	8.8	10.5
HDFCB	Buy	1,814	70.9	68.7	84.7	26.4	21.4	4.76	4.03	1.86	1.92	18.8	20.4
AXSB	Neutral	484	17.9	18.1	29.9	26.7	16.2	1.97	1.78	0.67	0.97	7.6	11.6
KMB*	Buy	1,029	29.2	32.1	41.6	32.1	24.7	4.43	3.77	1.77	1.95	14.8	16.5
YES	Buy	314	10.8	17.8	23.3	17.7	13.5	2.86	2.43	1.70	1.82	17.3	19.5
IIB	Buy	1,620	15.0	60.9	78.6	26.6	20.6	4.19	3.57	1.82	1.89	16.9	19.0
IDFC Bk	Neutral	56	3.0	2.8	3.2	20.1	17.3	1.23	1.17	0.74	0.71	6.3	6.9
FB	Buy	122	3.2	5.5	6.6	22.0	18.3	1.92	1.76	0.81	0.86	9.6	10.0
DCBB	Neutral	179	0.8	8.5	10.5	21.0	17.0	2.13	1.90	0.98	1.00	11.5	11.8
JKBK	Neutral	84	0.7	3.9	8.3	21.7	10.2	0.75	0.71	0.23	0.44	3.5	7.2
SIB	Buy	31	0.6	1.9	3.8	16.6	8.2	1.14	1.03	0.42	0.75	6.7	12.6
Equitas	Buy	145	0.8	1.7	6.1	83.7	23.7	2.14	1.98	0.59	1.67	2.6	8.7
RBL	Buy	525	3.0	16.4	23.0	32.1	22.8	3.30	2.95	1.22	1.32	12.4	13.7
Private Aggregate													
SBIN (cons)*	Buy	312	41.4	14.6	26.8	19.2	10.3	1.23	1.11	0.36	0.60	7.0	11.4
PNB	Buy	204	6.4	5.8	11.0	34.9	18.5	1.11	1.06	0.17	0.30	3.2	5.9
BOI	Neutral	184	2.9	-11.2	6.6	-16.4	27.9	0.85	0.85	-0.19	0.10	-5.2	3.0
BOB	Buy	174	6.2	9.5	20.8	18.3	8.4	1.10	1.00	0.31	0.61	6.1	12.4
CBK	Neutral	414	3.4	16.1	30.3	25.6	13.6	0.85	0.81	0.16	0.26	3.4	6.1
UNBK	Neutral	184	1.9	9.0	19.1	20.3	9.6	0.61	0.57	0.14	0.27	3.0	6.1
OBC	Neutral	144	0.7	17.1	21.4	8.4	6.7	0.38	0.36	0.22	0.26	4.6	5.4
INBK	Buy	324	2.3	34.4	38.3	9.4	8.4	0.99	0.91	0.73	0.72	10.9	11.2
Public Aggregate													
Banks Aggregate													
HDFC*	Buy	1,706	41.2	41.4	47.2	23.8	18.5	4.33	3.06	1.79	1.81	18.6	17.8
LICHF	Neutral	619	4.8	41.6	48.9	14.9	12.7	2.52	2.18	1.44	1.51	18.2	18.5
IHFL	Buy	1,261	8.2	83.6	105.1	15.1	12.0	3.93	3.46	3.16	3.09	27.6	30.7
PNBHF	Buy	1,412	3.6	52.5	66.5	26.9	21.2	3.80	3.33	1.66	1.51	15.0	16.7
GRHF	Neutral	501	2.8	9.9	12.0	50.7	41.6	15.13	12.41	2.40	2.40	32.8	32.8
REPCO	Buy	612	0.6	33.7	38.4	18.2	15.9	2.88	2.47	2.18	2.14	17.1	16.7
DEWH	Buy	648	2.9	37.6	46.0	17.2	14.1	2.30	2.03	1.23	1.28	14.1	15.3
Housing Finance													
SHTF	Buy	1,180	4.1	80.0	102.4	14.8	11.5	2.11	1.83	2.67	3.06	15.0	16.9
MMFS	Buy	426	3.7	14.2	19.1	30.1	22.3	3.46	3.17	1.75	2.01	11.9	14.8
BAF	Buy	1,803	16.0	45.7	63.7	39.4	28.3	6.33	5.31	3.45	3.55	20.2	20.4
CIFC	Buy	1,140	2.7	56.0	68.1	20.4	16.7	3.51	2.97	2.85	2.94	18.6	19.2
SCUF	Buy	2,186	2.2	118.3	155.3	18.5	14.1	2.54	2.21	3.34	3.84	14.6	16.8
LTFH	Buy	201	5.6	6.9	10.4	29.0	19.3	3.98	3.38	1.60	2.06	14.9	18.9
MUTH	Buy	497	3.0	38.7	44.4	12.8	11.2	2.58	2.20	4.82	4.94	21.8	21.2
CAFL	Buy	716	1.1	32.8	42.4	21.8	16.9	2.72	2.37	1.74	1.80	13.2	15.0
SKSM	Under Review	964	2.1	30.3	47.2	31.8	20.4	4.41	3.55	3.24	3.43	15.3	19.3
Asset Finance													

*Multiples adj. for value of key ventures/Investments; For ICICI Bank and HDFC Ltd BV is adjusted for investments in subsidiaries

Source: MOSL, Company

Financials and valuations

Income statement							(INR Million)
Y/E March	2014	2015	2016	2017	2018E	2019E	2020E
Interest Income	230,323	259,703	280,699	308,504	336,101	378,341	440,535
Interest Expended	160,294	179,751	193,745	208,962	222,619	248,386	290,346
Net Interest Income	70,030	79,952	86,954	99,542	113,481	129,954	150,189
Change (%)	13.3	14.2	8.8	14.5	14.0	14.5	15.6
Fees and Other Charges	2,952	6,453	8,183	8,486	8,622	10,174	12,005
Core Income	72,982	86,405	95,137	108,029	122,103	140,128	162,194
Change (%)	13.7	18.4	10.1	13.6	13.0	14.8	15.7
Operating Expenses	6,281	10,610	12,011	13,392	15,929	18,103	20,621
% of core income	8.6	12.3	12.6	12.4	13.0	12.9	12.7
Core operating profits	66,701	75,795	83,126	94,637	106,174	122,026	141,574
Change (%)	13.4	13.6	9.7	13.8	12.2	14.9	16.0
Provisions/write offs	1,000	1,650	2,650	4,250	3,850	4,428	5,092
Core PBT	65,701	74,145	80,476	90,387	102,324	117,598	136,482
Change (%)	14.5	12.9	8.5	12.3	13.2	14.9	16.1
Profit on sale of Invest.	2,490	4,413	16,478	10,017	52,500	3,250	3,900
Dividend Income	5,665	6,987	8,113	9,144	10,103	11,084	12,162
One off exp/prov	0	0	-4,500	-2,750	-50,000	0	0
Miscellaneous Income	547	697	515	468	468	538	619
PBT	74,403	86,242	101,081	107,266	115,395	132,470	153,163
Tax	20,000	26,340	30,150	32,840	33,465	39,741	45,949
Tax Rate (%)	26.9	30.5	29.8	30.6	29.0	30.0	30.0
Reported PAT	54,403	59,902	70,931	74,426	81,931	92,729	107,214
Change (%)	12.2	10.1	18.4	4.9	10.1	13.2	15.6
PAT adjusted for EO	54,403	59,902	70,931	74,426	81,931	92,729	107,214
Change (%)	12.2	10.1	18.4	4.9	10.1	13.2	15.6
Proposed Dividend	25,523	27,828	31,380	28,681	35,640	40,337	46,638

Balance sheet							(INR Million)
Y/E March	2014	2015	2016	2017	2018E	2019E	2020E
Capital	3,121	3,149	3,160	3,177	3,177	3,250	3,250
R&S	276,431	306,550	338,051	364,595	406,386	508,615	599,326
Net Worth	279,552	309,700	341,211	367,773	409,563	511,866	602,576
Add: DTL on special Res	0	9,244	18,599	34,135	34,135	34,135	34,135
Net Worth	279,552	318,944	359,809	401,907	443,698	546,000	636,711
Borrowings	1,839,732	2,085,990	2,376,392	2,805,340	3,293,817	3,802,931	4,492,657
Change (%)	15.8	13.4	13.9	18.1	17.4	15.5	18.1
Other liabilities	135,041	134,582	151,327	156,332	171,965	189,162	208,078
Total Liabilities	2,254,325	2,539,517	2,887,528	3,363,579	3,909,480	4,538,093	5,303,311
Loans	1,971,004	2,281,809	2,592,244	2,964,720	3,467,176	4,067,306	4,779,422
Change (%)	15.9	15.8	13.6	14.4	16.9	17.3	17.5
Investments	139,127	142,943	153,454	204,101	224,511	246,962	271,658
Change (%)	2.2	2.7	7.4	33.0	10.0	10.0	10.0
Net Fixed Assets	2,805	6,770	6,645	6,423	6,745	7,082	7,436
Other assets	141,390	107,995	135,185	188,335	211,048	216,743	244,794
Total Assets	2,254,325	2,539,517	2,887,528	3,363,579	3,909,480	4,538,093	5,303,311

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	2014	2015	2016	2017	2018E	2019E	2020E
Spreads Analysis (%)							
Avg Yield on Hsg Loans	11.9	11.6	11.0	10.6	10.0	9.6	9.5
Avg. Yield on Funds	11.7	11.5	10.9	10.4	9.8	9.5	9.4
Avg. Cost of funds	9.4	9.2	8.7	8.1	7.3	7.0	7.0
Interest Spread	2.3	2.3	2.2	2.4	2.5	2.5	2.4
Net Interest Margin	3.5	3.5	3.4	3.4	3.3	3.2	3.2

Profitability Ratios (%)

RoE	20.6	20.0	20.9	19.5	19.4	18.7	18.7
Core ROE	24.0	23.1	20.0	18.9	19.3	18.6	18.3
RoA	2.58	2.50	2.61	2.38	2.25	2.20	2.18
Core ROA	2.15	2.16	1.95	1.86	1.85	1.85	1.86

Efficiency Ratios (%)

Int. Expended/Int.Earned	69.6	69.2	69.0	67.7	66.2	65.7	65.9
Other Inc./Net Income	14.3	18.8	27.7	22.0	38.7	16.2	16.0
Op. Exps./Net Income	7.7	10.8	10.0	10.5	8.6	11.7	11.5
Empl. Cost/Op. Exps.	44.5	46.5	46.0	46.5	45.5	45.8	46.1

Asset Quality (INR m)

Gross NPAs	13,570	15,941	18,845	24,363	39,186	44,387	50,488
Gross NPAs to Adv. (%)	0.7	0.7	0.7	0.8	1.1	1.1	1.1
Net NPAs	8,140	10,416	12,484	16,252	29,326	32,777	37,128
Net NPAs to Adv. (%)	0.4	0.5	0.5	0.5	0.8	0.8	0.8

VALUATION

Book Value (INR)	179.1	202.5	227.7	253.0	279.3	336.0	391.8
Price-BV (x)			7.5	6.7	6.1	5.1	4.4
Adjusted BV* (INR)	125.7	150.2	176.6	201.2	227.5	285.4	320.2
Adj Price-ABV (x)			6.7	5.5	4.3	3.1	2.7
EPS (INR)	34.9	38.0	44.9	46.8	51.6	57.1	66.0
EPS Growth YoY	11.2	9.1	18.0	4.3	10.1	10.6	15.6
Price-Earnings (x)			38.0	36.4	33.1	29.9	25.9
Adjusted EPS (INR)#	27.8	31.7	32.6	35.7	41.4	47.2	55.4
Adjusted EPS Growth YoY	15.3	13.9	2.7	9.7	16.0	14.0	17.4
Adj Price-Adj EPS (x)			36.2	30.8	23.8	18.5	15.8
Dividend per share (INR)	14.0	15.0	17.0	18.0	19.3	21.4	24.7
Dividend yield (%)	0.8	0.9	1.0	1.1	1.1	1.3	1.5

E: MOSL Estimates; * BV is adj. by ded. invt in Subs/Asso. from NW; # Adjusted EPS is adjusting for dividend from key ventures

Corporate profile: HDFC

Company description

HDFC Ltd. was incorporated in 1977 as India's first housing finance company (HFC). HDFC Ltd is the largest HFC with asset under management of over INR3t, 5m+ home loan customers and 1.7m depositors (largest mobilize of deposits outside banking system). It has successfully seeded various other entities in financial services space which includes 2nd largest private bank (HDFC Bank) Insurance (Life and General), Asset Management, Realty, Real Estate Venture Capital, Education Loans among others.

Exhibit 1: Exhibit 19: Sensex rebased

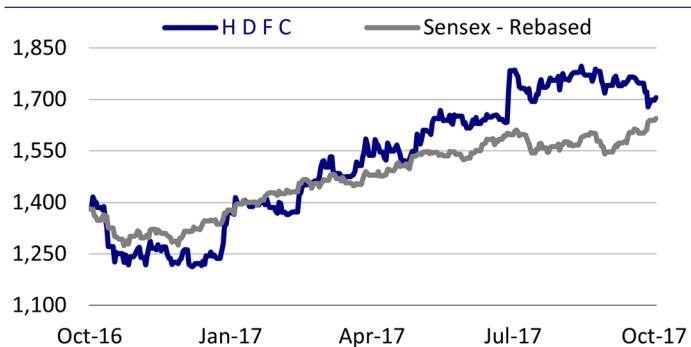


Exhibit 14: Shareholding pattern (%)

	Sep-17	Jun-17	Sep-16
Promoter	0.0	0.0	0.0
DII	13.0	11.5	11.3
FII	76.0	77.6	77.3
Others	11.0	11.0	11.4

Note: FII Includes depository receipts

Exhibit 15: Top holders

Holder Name	% Holding
OPPENHEIMER DEVELOPING MARKETS FUND	4.0
LIFE INSURANCE CORPORATION OF INDIA	3.7
EUROPACIFIC GROWTH FUND	2.6
GOVERNMENT OF SINGAPORE	1.8
VANGUARD EMERGING MARKETS STOCK INDEX FUND, ASERIES OF VANGUARD INTERNATIONAL	1.7

Exhibit 16: Top management

Name	Designation
Deepak S Parekh	Chairman
Keki M Mistry	Vice Chairman & MD & CEO
Renu Sud Karnad	Managing Director

Exhibit 17: Directors

Name	Name
Deepak S Parekh	B S Mehta*
Keki M Mistry	N M Munjee*
Renu Sud Karnad	Bimal Jalan*
S A Dave*	Ram S Tarneja*
J J Irani*	D M Sukthankar*
D N Ghosh*	V Srinivasa Rangan

*Independent

Exhibit 18: Auditors

Name	Type
Deloitte Haskins & Sells LLP	Statutory
Pannell Kerr Forster	Branch

Exhibit 19: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY18	10.0	52.4	-80.9
FY19	9.6	59.4	-83.8
FY20	9.5	68.3	-86.1

NOTES

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