

BSE SENSEX	S&P CNX
37,091	11,148
Bloomberg	HDFC IN
Equity Shares (m)	1,676
M.Cap.(INRb)/(USDb)	3359.7 / 47.6
52-Week Range (INR)	2071 / 1646
1, 6, 12 Rel. Per (%)	1/1/-3
12M Avg Val (INR M)	5714
Free float (%)	100.0

Financials & Valuations (INR b)

Y/E March	2019	2020E	2021E
NII	114.6	129.9	147.0
PAT	96.3	99.3	113.7
Adj. PAT	70.9	81.0	92.5
Adj. EPS (INR)	41.2	47.0	53.8
EPS Gr. (%)	37.4	14.2	14.3
BV/Sh. (INR)	448.2	480.3	539.4
ABV/Sh. (INR)	324.9	357.0	396.3
RoAA (%)	1.7	1.7	1.8
Core RoE (%)	13.7	13.8	14.3
Payout (%)	52.2	51.9	47.6
Valuation			
AP/E (x)	26.9	20.8	18.2
P/BV (x)	4.4	4.1	3.6
AP/ABV (x)	3.4	2.7	2.5
Div. Yield (%)	1.1	1.1	1.2

CMP: INR1,952
TP: INR2,330 (+19%)
Buy
AUM growth in line; Margins surprise leads to PAT beat

- PAT grew 27% YoY to INR28.6b in 4QFY19, 24% ahead of our estimate, driven by the better-than-expected spreads performance (+20bp QoQ; NII – 11% beat) and lower opex (5% beat). Asset quality was stable sequentially, with GS3 % at 1.41% (-3bp QoQ)
- **AUM rose 4.7% QoQ/15% YoY to INR4.6t – growth continues to be driven by individual loans (+17% YoY to INR3.4t).** Interestingly, despite ~4x jump in the quantum of loan assignments to INR250b in FY19, the upfront income on assignment was up by only ~60% YoY to INR8.6b in the year.
- Comparatively, **core NII on loans jumped strongly by 11% QoQ to INR25.9b, driven primarily by lower interest expense (-1% QoQ, despite 3% QoQ increase in borrowings). The company hiked wholesale lending rates by average 65bp and retail lending by 20bp in 2HFY19.** The borrowing mix remained unchanged sequentially. On a reported basis, spreads improved to 2.3% in FY19 from 2.26% in 9MFY19, implying a 20bp QoQ rise in spreads.
- GNPL ratio improved 4bp QoQ to 1.18%, driven by ~10bp improvement in the corporate GNPL ratio to 2.34%. HDFC increased its stage 3 provisioning from 40% to 44% in the quarter.

Valuation view

HDFC has maintained a cautious stance on the wholesale segment over the last five years (~13% CAGR), when the sector was growing at a rapid pace. The share of wholesale in overall AUM has declined 350bp+ to 29% over FY14-19. In the current stress liquidity period for NBFCs, the preference of debt markets/banks would be toward well-established and strong parentage companies, and HDFC is well placed to capitalize on this. The company is sitting with strong capitalization (Tier I 17.6%) – networth has doubled (to INR737b+) over FY17-19, helped by a capital raise of INR120b+, warrant conversion of INR55b+ and strong internal accruals. We largely maintain our estimates. Maintain **Buy** with an SOTP-based TP of INR2,330.

Quarterly Performance

(INR M)

Y/E March	FY18				FY19				FY18	FY19
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Interest Income	24,117	24,616	25,643	27,198	28,904	29,911	32,390	32,052	96,237	114,566
YoY Change (%)	8.2	7.2	-0.4	-4.6	19.8	21.5	26.3	17.8	-3.3	19.0
Gross fee income	1,279	1,928	1,701	2,378	1,420	1,994	1,583	2,458	12,083	16,055
Core Income	25,396	26,545	27,344	29,576	30,324	31,905	33,973	34,510	108,321	130,621
YoY Change (%)	5.0	6.4	-1.3	-5.2	19.4	20.2	24.2	16.7	0.3	20.6
Operating Expenses	3,497	5,093	5,293	5,166	5,096	3,221	3,391	3,158	19,049	14,866
% of core income	13.8	19.2	19.4	17.5	16.8	10.1	10.0	9.2	17.6	11.4
Commission expenses	1,024	1,256	1,588	1,134	1,205	1,139	2,079	1,361	5,001	5,784
% of core income	4.0	4.7	5.8	3.8	4.0	3.6	6.1	3.9	4.6	4.4
Core Operating profits	20,875	20,196	20,464	23,276	24,023	27,546	28,504	29,991	84,270	109,971
YoY Change (%)	1.7	-6.3	-16.6	-16.9	15.1	36.4	39.3	28.8	-11.0	30.5
Provisions	1,636	-616	1,900	1,680	197	1,313	1,160	2,515	4,600	5,700
Core PBT	19,238	20,812	18,564	21,596	23,826	26,233	27,344	27,475	79,670	104,271
YoY Change (%)	-3.3	1.0	-20.6	-18.6	23.8	26.0	47.3	27.2	-11.9	30.9
Profit on Sale of Inv.	193	781	53,830	2,235	570	11,011	1,090	4,882	57,183	18,310
Divi. income and other op income	749	5,512	1,745	2,936	6,258	233	-15	5,952	11,411	11,957
One off expense/Prov			-15,750	-800		-2,700		-1,465	-16,550	-3,650
Other Income	43	42	45	53	46	114	75	65	183	300
PBT	20,224	27,147	58,434	26,020	30,700	34,891	28,493	36,909	131,896	131,188
YoY Change (%)	-25.1	6.1	130.9	-11.4	51.8	28.5	-51.2	41.8	23.0	-0.5
Provision for Tax	5,979	7,365	5,506	3,453	8,800	10,220	7,550	8,293	22,303	34,863
PAT	14,245	19,782	52,927	22,567	21,900	24,671	20,943	28,616	109,593	96,325
YoY Change (%)	-23.9	8.3	211.1	10.4	53.7	24.7	-60.4	26.8	47.3	-12.1

Note: Sum of the quarterly numbers may not match the annual numbers due to difference in reporting formats

Exhibit 1: Quarterly performance v/s expectations and reasons for the deviation

Y/E March	4QFY19E	4QFY19A	v/s Exp Comments
Net Interest Income	29,003	32,052	11 ❖ Reduction in cost of funds sequentially
YoY Change (%)	-9.7	-0.2	
Gross fee income	2,228	2,548	14
Core Income	31,231	34,600	11
YoY Change (%)	-9.4	0.3	
Operating Expenses	3,335	3,158	-5
% of core income	10.7	9.1	
Commission expenses	1,943	1,361	-30
% of core income	6.2	3.9	
Core Operating profits	25,953	30,080	16 ❖ PPOp beat due to higher NII and lower opex
YoY Change (%)	-14.7	-1.2	
Provisions	980	2,515	
Core PBT	24,973	27,564	10
YoY Change (%)	-15.2	-6.4	
Profit on Sale of Inv.	3,167	4,882	
Dividend income	4,728	5,862	
One off expense/Prov	-950	-1,465	
Other Income	148	65	
PBT	32,066	36,909	15
YoY Change (%)	-8.8	4.9	
Provision for Tax	8,993	8,293	-8 ❖ 22.5% tax rate for the quarter
PAT	23,072	28,616	24 ❖ PAT beat due to higher NII and lower opex
YoY Change (%)	-18.9	0.5	

E: MOFSL Estimates

Source: MOFSL, Company

Retail AUM growth healthy
at 17% YoY

Growth driven by retail lending

- HDFC scaled back on the corporate lending business, while the retail lending business was largely unaffected. AUM grew 4.7% QoQ/15% YoY to INR4.6t.
- Growth continues to be driven by individual loans, which were up 17% YoY to INR3.4t. **Share of individual loans in total AUM increased 50bp QoQ/160bp YoY to 74.5%**
- Assignments during the quarter amounted to INR24b v/s INR70b in the prior quarter. **The share of off-BS loans remains largely stable at ~12%.**

GNPL ratio declined 4bp
QoQ to 1.18%

Asset quality marginally improves

- GNPL ratio improved 4bp QoQ to 1.18%, driven by ~10bp improvement in the corporate GNPL ratio to 2.34%.
- Individual lending GNPL ratio remained largely stable QoQ at 70bp.
- **HDFC increased its stage 3 provisioning from 40% to 44% in the quarter.**
- **Stage 1 provisioning remains healthy at 84bp (up 7bp QoQ, but down 13bp YoY).**

Spreads stable; share of
deposits increasing

Sharp improvement in spreads QoQ

- Despite the tight liquidity environment, reported spreads improved to 2.3% in FY19 v/s 2.26% in 9MFY19, driven largely by corporate loans.
- HDFC reports spreads on a cumulative basis. In our calculation, spreads have improved 20bp QoQ to 2.4%
- On a calculated basis, cost of funds was 7.98%.
- The borrowing mix was stable sequentially.

Other highlights

- Gross fee income increased 42% YoY to INR1.6b
- Tier I capital stands at 17.6%, up 40bp QoQ.
- The company recorded a dividend income of INR5.4b in 4QFY19 (INR11.3b in FY19, +5% YoY).

Valuation and view

- HDFC's retail lending has been steady, clocking high-teens AUM growth, despite the high base and intensifying competition. The current liquidity situation presents HDFC with the opportunity to gain market share as competitive intensity moderates (driving lower balance transfer).
- HDFC maintained its cautious stance on the wholesale segment over the last five years (~13% CAGR), when the sector was growing at a rapid pace. The share of wholesale in overall AUM has declined by 350bp+ to 29% over FY14-19.
- With recent rate hikes across the portfolio, HDFC has been able to expand spreads, despite an incremental share coming from retail lending.
- The company has managed its ALM situation well without taking undue risk. Given vintage and strong relationships, HDFC has been able to raise money from multiple sources comfortably, albeit at slightly higher rates. In addition, the huge public deposit base (~INR1t) is a clear advantage HDFC enjoys over its peers.
- The company is sitting with strong capitalization (Tier I 17.6%) – networth has doubled (to INR737b+) over FY17-19, helped by capital raise of INR120b+, warrant conversion of INR55b+ and strong internal accrual.
- Over the past two decades, HDFC has incubated several subsidiaries, most of which have been early entrants in their domains. The subsidiaries have gained

significant scale and contributed ~42% of consolidated PAT (ex-dividend from HDFCB) in FY19 compared to 32% in FY12. HDFC will continue to effectively unlock value in each subsidiary. **The subsidiaries account for ~50% (post holdco discount of 20%) of its SOTP, up from 30% in FY12.**

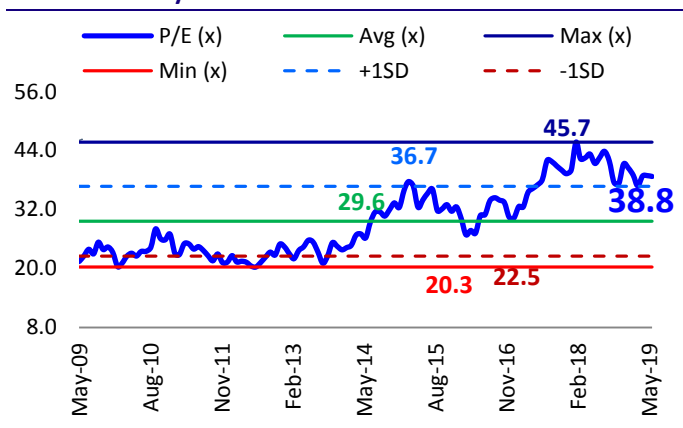
- We keep our FY20/21 estimates largely unchanged. **Buy** with an SOTP-based TP (FY21E based) of **INR2,330**.

Exhibit 2: We keep our estimates largely unchanged

INR b	Old Est		New Estimates		% Change	
	FY20	FY21	FY20	FY21	FY20	FY21
Total Income	150.7	172.3	148.5	168.9	-1.4	-2.0
Operating Expenses	23.4	26.5	22.4	24.4	-4.0	-8.0
Core PPop	127.3	145.9	126.1	144.5	-1.0	-0.9
Provisions	5.5	6.6	7.0	8.4		
Core PBT	121.8	139.3	119.1	136.1	-2.3	-2.3
Non-core income	19.4	22.6	19.8	22.9		
PBT	141.3	161.9	138.9	159.0	-1.7	-1.8
Tax	40.3	46.1	39.6	45.3	-1.7	-1.8
PAT	101.0	115.7	99.3	113.7	-1.7	-1.8
Loans	4,528	5,177	4,539	5,138	0.2	-0.7
AUM	5,271	6,103	5,271	6,056	0.0	-0.8
Borrowings	4,008	4,607	4,153	4,727	3.6	2.6
Spreads	1.40	1.43	1.14	1.20		
NIMs	3.06	3.08	2.71	2.74		
RoA (%)	1.83	1.85	1.74	1.76		
Core RoE (%)	14.9	15.3	13.8	14.3		

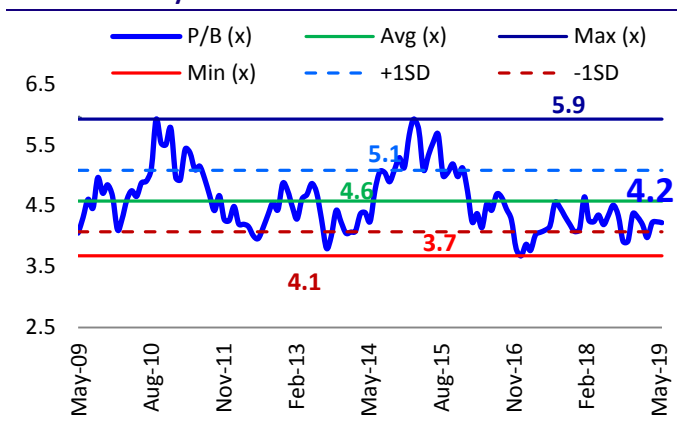
Source: MOFSL, Company

Exhibit 3: One year forward PE



Source: MOFSL

Exhibit 4: One year forward PB



Source: MOFSL

Exhibit 5: SOTP FY21E based (INR)

	Value (INR b)	Value (USD b)	Value/ Sh. (INR)	% of total	Rationale
Core business	2,047	30.7	1,190	51.1	3x BV
Key Ventures					
HDFC Bank (21.5% stake)	1,553	23.3	903	38.8	3.7x PBV
HDFC Standard Life (61.5% stake)	495	7.4	287	12.3	3.6x PEV
HDFC AMC (60% stake)	170	2.5	99	4.2	12% AUM CAGR FY19-21; 30x PAT
HDFC General Insurance (51% stake)	51	0.8	30	1.3	20x PE; Implied 4x PBV
Property Funds	7	0.1	4	0.2	13.3% of total AUM USD1.1b
Excess Capital	45	0.7	26	1.1	1x Cash
Gruh Finance	130	2.0	76	3.2	CMP
Total Value of Ventures	2,451	36.7	1,424	61.2	
Less: 20% holding discount	490	7.3	285	12.2	
Value of Key Ventures	1,961	29.4	1,140	48.9	
Target Value Post 20% Holding Co Discount	4,007	60.0	2,330	100.0	
CMP	3,362	50.4	1,953		
Upside - %	19.2	19.2	19.2		

Source: MOFSL

Exhibit 6: Quarterly Snapshot

	FY18				FY19				Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	QoQ	YoY
Profit and Loss (INR m)										
Net Interest Income	24,117	24,616	25,643	27,198	28,904	29,911	32,390	32,052	(1)	18
Other Operating Income	1,197	6,966	55,689	6,414	7,043	12,100	580	11,930	1,958	86
Miscellaneous Income	43	42	45	53	46	114	75	65	(12)	23
Net Income	25,357	31,624	81,376	33,665	35,993	42,124	33,044	44,047	33	31
Operating Expenses	3,497	5,093	5,293	5,166	5,096	3,221	3,391	3,158	(7)	(39)
Employee	1,124	1,070	1,143	1,009	1,329	1,189	1,347	1,189	(12)	18
Others	2,374	4,024	4,150	4,157	3,767	2,031	2,044	1,969	(4)	(53)
Operating Profits	21,860	26,531	76,084	28,500	30,897	38,904	29,653	40,889	38	43
Provisions	1,636	-616	17,650	2,480	197	4,013	1,160	3,980	243	60
PBT	20,224	27,147	58,434	26,020	30,700	34,891	28,493	36,909	30	42
Taxes	5,979	7,365	5,506	3,453	8,800	10,220	7,550	8,293	10	140
PAT	14,245	19,782	52,927	22,567	21,900	24,671	20,943	28,616	37	27
Ratios (%)										
Cost to Income	13.8	16.1	6.5	15.3	14.2	7.6	10.3	7.2		
Provision to PPOP	7.5	-2.3	23.2	8.7	0.6	10.3	3.9	9.7		
Tax Rate	29.6	27.1	9.4	13.3	28.7	29.3	26.5	22.5		
CAR	14.7	15.1	16.9	19.2	16.3	18.4	18.9	19.2	30	-
<i>Tier I</i>	<i>12.1</i>	<i>12.6</i>	<i>14.5</i>	<i>17.3</i>	<i>15.0</i>	<i>17.1</i>	<i>17.2</i>	<i>17.6</i>	40	30
Margins Reported (Cum %)										
Individual spreads	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	2	(1)
Corporate spreads	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.2	9	7
Overall spreads	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	4	1
NIMs	3.4	3.9	3.3	3.3	3.5	3.5	3.5	3.3	(20)	-
Break up of Interest Income	80,289	80,809	84,045	86,074	91,016	96,384	102,425	103,209	1	20
Interest Income on HL	76,199	77,197	80,734	82,563	87,174	92,506	95,843	97,724	2	18
Surplus deployed in MFs	972	1,015	807	1,545	1,803	1,824	2,892	2,919	1	89
Other interest Income	3,118	2,597	2,504	1,966	2,039	2,054	3,691	2,566	(30)	31
Other Operating Inc.	2,046	8,071	55,949	8,294	7,680	12,227	1,568	11,620	641	40
Balance Sheet (INR b)										
Networth	415	407	464	653	675	708	756	774	2	19
Borrowings	2,862	3,003	3,081	3,197	3,325	3,406	3,547	3,653	3	14
Total liabilities	3,277	3,410	3,545	3,850	4,000	4,114	4,303	4,426	3	15
Net Loans	3,136	3,241	3,422	3,628	3,720	3,791	3,855	4,066	5	12
Investments	206	212	233	305	311	319	491	336	(32)	10
Total Assets	3,473	3,583	3,752	3,989	4,130	4,270	4,478	4,588	2	15
AUM	3,556	3,675	3,842	4,029	4,188	4,295	4,410	4,619	5	15
AUM Mix (%)										
Individual Home loans	73	73	73	73	73	73	74	74	47	155
Corporate loans	27	27	27	27	27	27	26	26	(47)	(155)
AUM Mix (%)										
On books	88	88	89	90	89	88	87	88	61	(203)
Off books	12	12	11	10	11	12	13	12	(61)	203
Borrowing Mix (%)										
Term Loans	12	13	13	15	16	18	21	21	20	662
Bonds, Deb, etc	59	57	56	57	54	54	49	50	44	(699)
Deposits	30	30	31	29	30	28	30	29	(63)	36

Source: Company, MOFSL

Story in charts

Exhibit 7: Loans (net of sell down) grew by 12% YoY

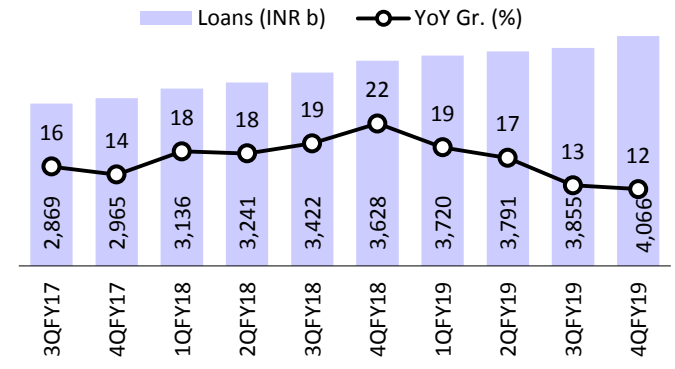


Exhibit 8: AUM growth trend

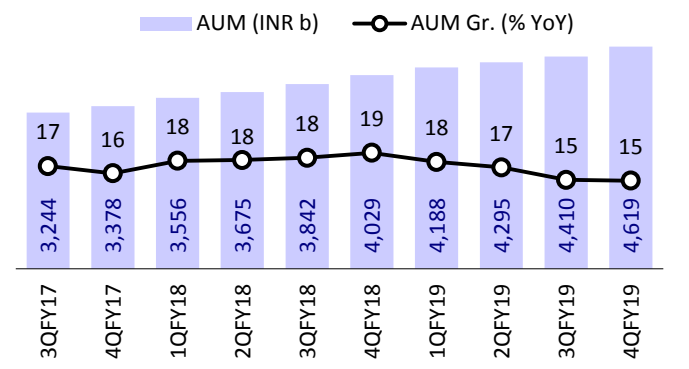


Exhibit 9: AUM mix largely stable (%)

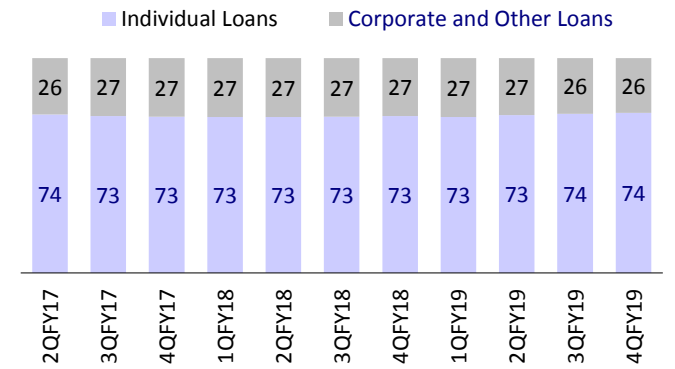


Exhibit 10: NII up 18% YoY

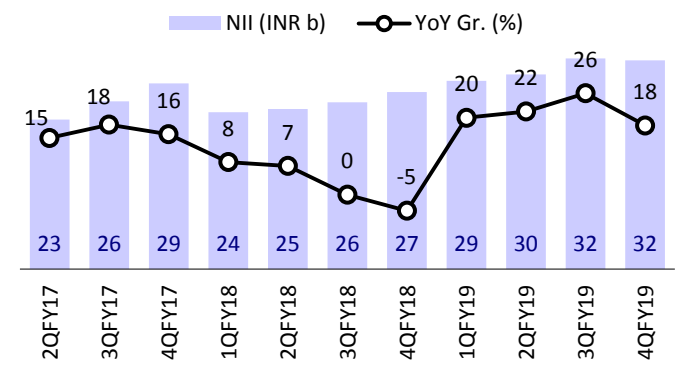


Exhibit 11: GNPL ratio trend (%)

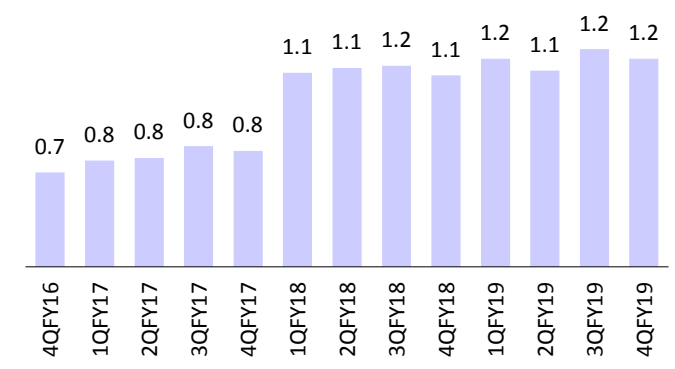


Exhibit 12: Liability mix sequentially stable (%)

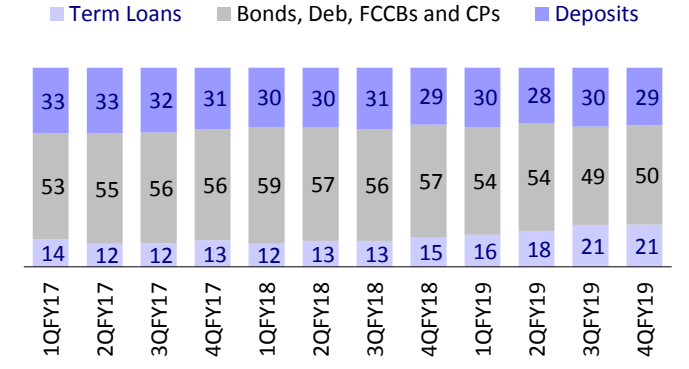


Exhibit 13: Reported spreads inch up

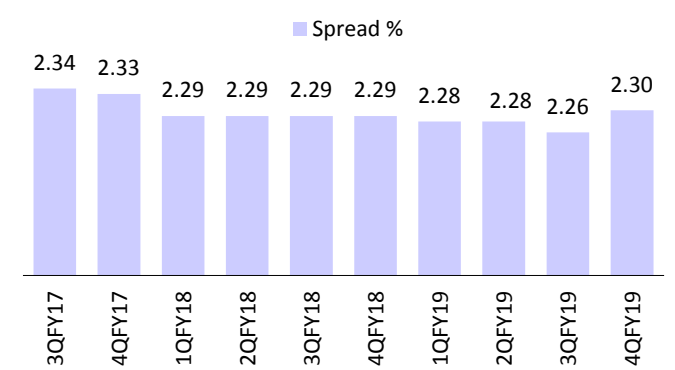
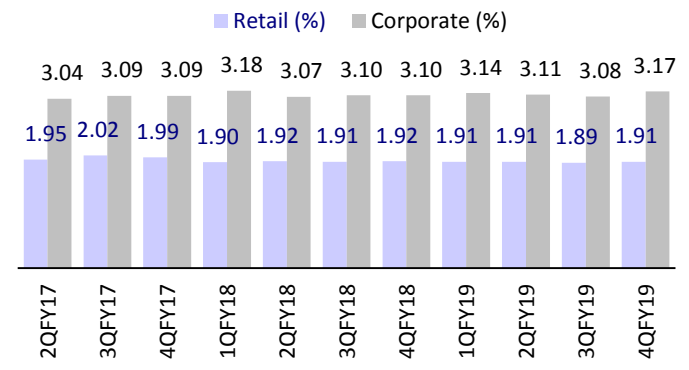


Exhibit 14: Retail and corporate spreads



Source: Company, MOFSL

Source: Company, MOFSL

Exhibit 15: Financials - Valuation matrix

	Rating	CMP	Mcap	EPS (INR)		P/E (x)		BV (INR)		P/BV (x)		RoA (%)		RoE (%)	
		FY21E (INR)	(USDb)	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E	FY19E	FY20E
ICICIBC*	Buy	376	35.2	5.2	21.2	52.2	12.9	166	181	1.6	1.5	0.4	1.3	3.2	12.4
HDFCB	Buy	2,289	88.7	79.3	94.4	28.9	24.2	548	624	4.2	3.7	1.8	1.9	16.5	16.1
AXSB	Buy	732	26.8	18.2	40.0	40.2	18.3	259	301	2.8	2.4	0.6	1.2	7.2	14.3
KMB*	Neutral	1,390	37.7	37.7	44.1	36.8	31.5	303	346	4.6	4.0	1.7	1.8	12.2	13.2
YES	Buy	155	5.4	7.5	14.1	20.8	11.0	116	138	1.3	1.1	0.5	0.8	6.5	11.0
IIB	Buy	1,395	12.3	53.8	99.4	25.9	14.0	427	541	3.3	2.6	1.4	2.2	13.1	20.6
FB	Buy	96	2.7	6.3	8.0	15.3	12.1	67	73	1.4	1.3	0.8	0.9	9.8	11.4
DCBB	Buy	214	0.9	10.5	14.0	20.4	15.3	96	110	2.2	2.0	1.0	1.1	12.0	14.1
SIB	Buy	14	0.4	1.4	2.2	10.1	6.1	29	30	0.5	0.5	0.3	0.4	4.7	7.4
Equitas	Buy	126	0.6	6.3	6.5	19.8	19.4	73	78	1.7	1.6	1.5	1.2	9.0	8.6
RBL	Buy	658	4.1	20.3	25.2	32.4	26.1	177	245	3.7	2.7	1.2	1.3	12.2	12.4
Private Aggregate															
SBIN (cons)*	Buy	307	39.0	2.6	33.5	105.4		247	278	1.1		0.0	0.7	0.4	13.4
PNB	Neutral	80	4.6	-14.6	5.8	-5.5	13.8	112	117	0.7	0.7	-0.6	0.3	-11.2	4.8
BOI	Neutral	81	2.1	-22.0	3.2	-3.7	25.5	121	122	0.7	0.7	-0.9	0.2	-14.1	2.4
BOB	Buy	106	4.3	7.8	14.8	13.5	7.1	164	177	0.6	0.6	0.3	0.5	4.7	8.4
CBK	Neutral	243	2.8	17.0	42.3	14.3	5.8	448	484	0.5	0.5	0.2	0.4	3.5	8.2
UNBK	Neutral	76	1.4	4.5	12.8	17.0	5.9	236	246	0.3	0.3	0.1	0.3	2.1	5.5
Public Aggregate															
Banks Aggregate															
HDFC*	Buy	1,952	45.9	41.2	47.0	23.8	20.8	325	357	3.0	2.7	1.7	1.8	14.9	14.9
LICHF	Buy	475	3.4	48.1	54.3	9.9	8.7	320	364	1.5	1.3	1.3	1.3	16.0	15.9
IHFL	Under Review	660	4.2	95.9	101.9	6.9	6.5	396	442	1.7	1.5	3.4	3.5	25.7	24.3
PNBHF	Buy	755	1.8	71.1	73.2	10.6	10.3	440	502	1.7	1.5	1.6	1.4	17.8	15.6
REPCO	Buy	383	0.4	38.4	43.3	10.0	8.8	243	284	1.6	1.3	2.3	2.3	17.1	16.5
Housing Finance															
SHTF	Buy	987	3.3	113.1	129.7	8.7	7.6	698	812	1.4	1.2	2.5	2.6	17.6	17.2
MMFS	Buy	370	3.3	25.3	29.5	14.6	12.6	170	191	2.2	1.9	2.5	2.3	15.8	16.3
BAF	Neutral	2,929	23.8	67.5	86.2	43.4	34.0	329	405	8.9	7.2	3.8	3.7	22.6	23.5
CIFC	Under Review	1,247	2.9	76.8	88.6	16.2	14.1	392	472	3.2	2.6	2.4	2.3	21.4	20.5
SCUF	Buy	1,447	1.4	149.9	165.5	9.7	8.7	969	1,116	1.5	1.3	3.5	3.5	16.7	15.9
LTFH	Buy	115	3.4	11.2	13.1	10.3	8.8	68	80	1.7	1.4	2.3	2.3	18.0	17.7
MUTH	Neutral	547	3.3	49.1	55.2	11.1	9.9	228	267	2.4	2.1	5.7	5.7	23.2	22.3
INDOSTAR	Buy	342	0.5	24.7	39.2	13.8	8.7	335	377	1.0	0.9	2.1	2.3	8.7	11.0
MAS	Buy	520	0.4	28.1	33.0	18.5	15.8	165	193	3.2	2.7	4.5	4.2	18.3	18.4

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

Financials and valuations

Income statement (INR M)								
Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
Interest Income	2,59,703	2,80,699	3,08,504	3,31,217	3,92,943	4,61,667	5,39,910	6,15,365
Interest Expended	1,79,751	1,93,745	2,08,962	2,34,980	2,78,377	3,31,753	3,92,947	4,48,992
Net Interest Income	79,952	86,954	99,542	96,237	1,14,566	1,29,914	1,46,963	1,66,373
Change (%)	14.2	8.8	14.5	-3.3	19.0	13.4	13.1	13.2
Fees and Assignment income	6,453	8,183	8,486	12,083	16,055	18,594	21,895	25,794
Core Income	86,405	95,137	1,08,029	1,08,321	1,30,621	1,48,508	1,68,858	1,92,167
Change (%)	18.4	10.1	13.6	0.3	20.6	13.7	13.7	13.8
Operating Expenses	10,610	12,011	13,392	24,050	20,650	22,425	24,364	26,482
% of core income	12.3	12.6	12.4	22.2	15.8	15.1	14.4	13.8
Core operating profits	75,795	83,126	94,637	84,270	1,09,971	1,26,083	1,44,494	1,65,685
Change (%)	13.6	9.7	13.8	-11.0	30.5	14.7	14.6	14.7
Provisions/write offs	1,650	2,650	4,250	4,600	5,700	7,013	8,415	10,098
Core PBT	74,145	80,476	90,387	79,670	1,04,271	1,19,070	1,36,079	1,55,587
Change (%)	12.9	8.5	12.3	-11.9	30.9	14.2	14.3	14.3
Profit on sale of Invest.	4,413	16,478	10,017	57,183	18,310	6,000	7,200	8,640
Other op. inc. (Incl Div.Inc)	6,987	8,113	9,144	11,411	11,957	13,452	15,328	17,485
One off exp/prov	0	-4,500	-2,750	-16,550	-3,650	0	0	0
Miscellaneous Income	697	515	468	183	300	345	396	456
PBT	86,242	1,01,081	1,07,266	1,31,896	1,31,188	1,38,867	1,59,003	1,82,167
Tax	26,340	30,150	32,840	22,303	34,863	39,577	45,316	51,918
Tax Rate (%)	30.5	29.8	30.6	16.9	26.6	28.5	28.5	28.5
Reported PAT	59,902	70,931	74,426	1,09,593	96,325	99,290	1,13,687	1,30,250
Change (%)	10.1	18.4	4.9	47.3	-12.1	3.1	14.5	14.6
PAT adjusted for EO*	51,902	56,333	63,271	55,769	74,241	84,778	96,888	1,10,778
Change (%)	-4.6	8.5	12.3	-11.9	33.1	14.2	14.3	14.3
Proposed Dividend	27,828	31,380	28,681	40,222	43,381	43,959	46,080	48,188

* Core PBT adjusted for 30% Tax Rate

Balance sheet (INR M)								
Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
Capital	3,149	3,160	3,177	3,352	3,443	3,443	3,443	3,443
R&S	3,06,550	3,38,051	3,64,595	6,49,297	7,33,961	7,89,292	8,91,034	9,73,095
Net Worth	3,09,700	3,41,211	3,67,773	6,52,649	7,37,404	7,92,735	8,94,477	9,76,538
Add: DTL on special Res	9,244	18,599	34,135	34,135	34,135	34,135	34,135	34,135
Net Worth	3,18,944	3,59,809	4,01,907	6,86,784	7,71,539	8,26,870	9,28,611	10,10,673
Borrowings	20,85,990	23,76,392	28,05,340	31,97,157	36,52,657	41,53,303	47,26,856	54,19,856
Change (%)	13.4	13.9	18.1	14.0	14.2	13.7	13.8	14.7
Other liabilities	1,34,582	1,51,327	1,56,332	1,05,155	1,63,580	1,79,938	1,97,932	2,17,725
Total Liabilities	25,39,517	28,87,528	33,63,579	39,89,096	45,87,776	51,60,111	58,19,265	66,14,119
Loans	22,81,809	25,92,244	29,64,720	35,94,420	40,66,070	45,39,129	51,37,887	58,59,303
Change (%)	15.8	13.6	14.4	21.2	13.1	11.6	13.2	14.0
Investments	1,42,943	1,53,454	2,04,101	3,07,167	4,62,404	5,08,644	5,59,508	6,15,459
Change (%)	2.7	7.4	33.0	50.5	50.5	10.0	10.0	10.0
Net Fixed Assets	6,770	6,645	6,423	6,445	6,513	7,165	7,881	8,669
Other assets	1,07,995	1,35,185	1,88,335	81,064	52,789	1,05,173	1,13,988	1,30,687
Total Assets	25,39,517	28,87,528	33,63,579	39,89,096	45,87,776	51,60,111	58,19,265	66,14,119

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2015	2016	2017	2018	2019	2020E	2021E	2022E
Spreads Analysis (%)								
Avg Yield on Hsg Loans	11.6	11.0	10.6	9.7	9.7	10.2	10.6	10.6
Avg. Yield on Funds	11.5	10.9	10.4	9.4	9.3	9.6	10.0	10.1
Avg. Cost of funds	9.2	8.7	8.1	7.8	8.1	8.5	8.9	8.9
Interest Spread	2.3	2.2	2.4	1.5	1.2	1.1	1.2	1.3
Net Interest Margin	3.5	3.4	3.4	2.7	2.7	2.7	2.7	2.7
Profitability Ratios (%)								
RoAE	20.0	20.9	19.5	20.1	13.2	12.4	13.2	13.9
Core ROE	21.4	19.4	18.9	12.7	13.7	13.8	14.3	14.6
RoA	2.17	2.08	2.02	1.52	1.73	1.74	1.76	1.78
Core ROA	2.00	1.90	1.86	1.42	1.74	1.74	1.75	1.76
Efficiency Ratios (%)								
Int. Expended/Int.Earned	69.2	69.0	67.7	70.9	70.8	71.9	72.8	73.0
Other Inc./Net Income	18.8	27.7	22.0	45.7	28.9	22.8	23.4	23.9
Op. Exps./Net Income	10.8	10.0	10.5	13.6	12.8	13.3	12.7	12.1
Empl. Cost/Op. Exps.	46.5	46.0	46.5	72.0	48.2	48.2	48.2	48.2
Asset Quality (INR m)								
Gross NPAs	15,941	18,845	24,363	47,170	51,450	57,549	64,358	72,065
Gross NPAs to Adv. (%)	0.7	0.7	0.8	1.3	1.3	1.3	1.2	1.2
Net NPAs	10,616	12,666	16,457	27,470	26,460	30,809	35,868	41,825
Net NPAs to Adv. (%)	0.5	0.5	0.6	0.8	0.7	0.7	0.7	0.7
VALUATION								
Book Value (INR)	202.5	227.7	253.0	409.8	448.2	480.3	539.4	587.1
Price-BV (x)					4.4	4.1	3.6	3.3
Adjusted BV* (INR)	150.2	176.6	201.2	283.2	324.9	357.0	396.3	444.0
Adj Price-ABV (x)					3.4	2.7	2.5	2.5
Adjusted EPS (INR)#	29.4	31.7	35.6	30.0	41.2	47.0	53.8	61.5
Adjusted EPS Growth YoY	11.5	7.8	12.3	-15.7	37.4	14.2	14.3	14.3
Adj Price-Adj EPS (x)					26.9	20.8	18.2	18.0
Dividend per share (INR)	15.0	17.0	18.0	20.0	21.0	22.0	23.1	24.1
Dividend yield (%)					1.1	1.1	1.2	1.2

E: MOFSL 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 INR4.6t as of FY19. It is also the largest deposit accepting NBFC, with total deposits exceeding INR1t. 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

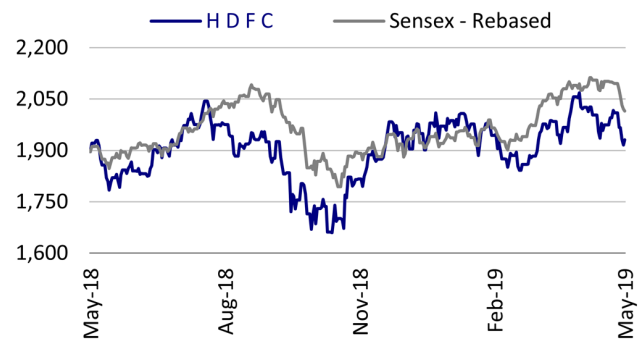


Exhibit 1: Shareholding pattern (%)

	Mar-19	Dec-18	Mar-18
Promoter	0.0	0.0	0.0
DII	16.7	17.1	12.8
FII	72.4	72.2	74.0
Others	10.9	10.7	13.2

Note: FII Includes depository receipts

Exhibit 2: Top holders

Holder Name	% Holding
LIFE INSURANCE CORPORATION OF INDIA	3.7
OPPENHEIMER DEVELOPING MARKETS FUND	3.0
GOVERNMENT OF SINGAPORE	1.9
EUROPACIFIC GROWTH FUND	1.9
SBI-ETF NIFTY 50	1.8

Exhibit 3: Top management

Name	Designation
Deepak Parekh	Chairman
Keki M Mistry	Vice Chairman & CEO
Renu S Karnad	Managing Director
Ajay Agarwal	Company Secretary

Exhibit 4: Directors

Name	Name
J J Irani*	Upendra Kumar Sinha*
Jalaj Ashwin Dani*	V Srinivasa Rangan
Nasser Munjee*	Bhaskar Ghosh*

*Independent

Exhibit 5: Auditors

Name	Type
B S R & Co LLP	Statutory
Vinod Kothari & Co	Secretarial Audit

Exhibit 6: MOFSL forecast v/s consensus

EPS (INR)	MOFSL forecast	Consensus forecast	Variation (%)
FY20	47.0	62.0	-24.1
FY21	53.8	71.4	-24.6

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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