

Estimate change	↔
TP change	↑
Rating change	↔

CMP: INR1,686 TP: INR2,000 (+19%) Buy

Earnings/PPOP in line; asset quality robust

Restructuring increased to 1.5% of loans; contingent provision provides comfort

- HDFCB reported an inline quarter with NII/PPoP growth of 12%/14% YoY and PAT growth of 18% YoY to INR88.3b (inline). Profitability came in strong despite creating an additional contingent provision of INR12b, thus taking the total buffer to ~INR78b (~0.65% of loans).
- The bank witnessed a healthy pickup in business momentum as deposits / loans were up 4.5% QoQ each. Retail segment grew ~13% YoY while Commercial and Rural Banking grew robustly at 27.6% YoY. CASA deposits grew 29% YoY and the ratio now stands at 46.8% (+130bp QoQ).
- On the asset quality front, GNPA/NNPA ratio improved by 12bp/8bp QoQ to 1.35%/0.4%, with slippages moderating to INR53b (1.8% of loans). On the other hand, the restructured book increased to 1.5% of loans (v/s 0.8% in 1QFY22). The management said the net impact of the restructured book on NPAs is likely to be 10-20bp. Higher provision coverage, along with a contingent provision buffer, provides comfort on asset quality.
- Our estimates remain unchanged at 20% PAT CAGR over FY21-24E, with RoA/RoE at 2.1%/18.3% for FY24E. The stock trades at 3.5x FY23E P/B and 21x FY23E P/E. **We maintain our Buy rating.**

Healthy pick up in loan growth at 4.5% QoQ; NIM stable at 4.1%

- Strong recovery in retail loans along with robust trends in commercial and rural loans resulted in a pick-up in NII growth to 12% YoY vs 8.5% YoY in 1QFY22. Core NIMs stood flat QoQ at 4.1%. This coupled with healthy fee income resulted in a PAT of INR88.3b (+18% YoY; inline).
- Growth in other income was robust ~21% YoY to INR74b, aided by a strong recovery in fee income (+27% QoQ). Forex-related fees too stood strong at 55% YoY. However, treasury gains came in at INR6.75b (-34% YoY). Opex grew by ~15% YoY, with C/I ratio at 37% v/s 35% in 1QFY22. PPOP grew 14% YoY (in line). **For 1HFY22, NII/PPPOP/PAT grew ~10%/16%/ 17% YoY.**
- Loans grew by ~15.5% YoY, led by robust (~28.5%) growth in Commercial and Rural loans (excluding Agri), while Retail/other Wholesales advances rose ~13%/~6% YoY. On a QoQ basis, Retail witnessed a strong recovery at 5.4%, Commercial and Rural loans (ex. Agri) grew 6.8%, Agri loans rose 11.8%, while the Corporate book was muted with a decline of ~1% QoQ.
- Deposits grew by ~14% YoY led by CASA growth of ~29%, while TD growth moderated to ~4%. CASA ratio increased by 130bp QoQ to 46.8%. Growth in CASA was led by both SA (6% QoQ) and CA (11% QoQ) deposits.
- On the asset quality front, GNPA/NNPA ratio improved by 12bp/8bp QoQ to 1.35%/0.4%, with slippages moderating to ~INR53b (1.8% of loans). PCR improved by ~300bp QoQ to 71%. On the other hand, the restructured book increased to ~INR180b (~1.5% of loans) v/s 0.8% of loans in 1QFY22.

Bloomberg	HDFCB IN
Equity Shares (m)	5,527
M.Cap.(INRb)/(USD\$b)	9335.6 / 124
52-Week Range (INR)	1690 / 1164
1, 6, 12 Rel. Per (%)	4/-6/-11
12M Avg Val (INR M)	13190

Financials & Valuations (INR b)

Y/E March	FY21	FY22E	FY23E	FY24E
NII	648.8	729.6	878.9	1,046.6
OP	573.6	656.6	795.5	948.7
NP	311.2	367.2	445.6	540.2
NIM (%)	4.1	4.0	4.2	4.3
EPS (INR)	56.6	66.6	80.8	98.0
EPS Gr. (%)	17.8	17.7	21.4	21.2
BV/Sh. (INR)	369.5	424.8	493.6	579.5
ABV/Sh. INR	356.8	410.0	475.8	559.9

Ratios

RoE (%)	16.6	16.8	17.6	18.3
RoA (%)	1.9	2.0	2.0	2.1

Valuations

P/E(X)	29.8	25.3	20.9	17.2
P/BV (X)	4.6	4.0	3.4	2.9
P/ABV (X)	4.7	4.1	3.5	3.0

Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	21.1	21.1	21.2
DII	17.6	17.3	18.0
FII	50.7	51.0	48.8
Others	10.7	10.6	12.0

FII Includes depository receipts

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- **Performance of subsidiaries remains mixed:** HDFC Securities reported a strong performance. Total revenue/PAT increased by 42%/~44% YoY to INR4.9b/~INR2.4b. HDB Financial Services reported muted business volumes with flattish loan growth. Total net operating revenue grew 12.5%, while PPOP growth was muted ~9% YoY. Provisions stood elevated at INR6.3b, while reported PAT stood at INR1.9b v/s a loss of INR0.85b in 2QFY21. It reported a modest recovery in asset quality with Gross Stage-3 assets moderating by ~200bp QoQ to ~6.1%.

Highlights from the management commentary

- **Restructuring impact:** The net impact of restructuring on potential NPAs is likely to be 10-20bp.
- Retail business momentum has picked up strongly and reached close to pre-COVID levels across most segments. Demand resolution stands at 97.5%.
- A strong pick up in Credit Card spends was aided by robust festive demand.

Valuation and view

HDFCB continues to deliver strong business growth v/s peers, resulting in market share gains. This was led by a healthy pickup in the Retail segment, while Commercial and Rural Banking continues to remain robust. Earnings were in line, despite making additional contingent provisions to strengthen its Balance Sheet. Asset quality ratios have improved, while the restructured book increased to 1.5% of loans (v/s 0.8% in 1QFY22). However, high provision coverage and contingent provision buffer provide comfort on asset quality. Pick up in loan growth particularly retail would aid NII and margins which would drive profitability. Our estimates remain unchanged at 20% PAT CAGR over FY21-24E, with a RoA/RoE at 2.1%/18.3% in FY24E. **We maintain Buy and roll-forward our estimate to Sep'23E with a revised TP of INR2,000/share (3.6x Sep'23E ABV + INR120/share from subsidiaries).**

Quarterly performance

(INR b)

	FY21				FY22E				FY21	FY22E	FY22E	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Net Interest Income	156.7	157.8	163.2	171.2	170.1	176.8	185.5	197.1	648.8	729.6	175.8	0.6
% Change (Y-o-Y)	17.8	16.7	15.1	12.6	8.6	12.1	13.7	15.1	15.5	12.5	11.5	
Other Income	40.8	60.9	74.4	75.9	62.9	74.0	80.8	84.8	252.0	302.5	72.9	1.5
Total Income	197.4	218.7	237.6	247.1	233.0	250.9	266.3	281.9	900.8	1,032.1	248.7	0.9
Operating Expenses	69.1	80.6	85.7	91.8	81.6	92.8	98.4	102.7	327.2	375.4	89.7	3.4
Operating Profit	128.3	138.1	151.9	155.3	151.4	158.1	168.0	179.2	573.6	656.6	159.0	-0.6
% Change (Y-o-Y)	15.1	18.1	17.3	19.9	18.0	14.4	10.6	15.4	17.7	14.5	15.1	
Provisions	38.9	37.0	34.1	46.9	48.3	39.2	32.2	46.2	157.0	166.0	40.8	-3.8
Profit before Tax	89.4	101.1	117.7	108.4	103.1	118.8	135.7	133.0	416.6	490.7	118.2	0.5
Tax	22.8	26.0	30.1	26.5	25.8	30.5	33.6	33.6	105.4	123.5	29.3	4.0
Net Profit	66.6	75.1	87.6	81.9	77.3	88.3	102.1	99.4	311.2	367.2	88.9	-0.6
% Change (Y-o-Y)	19.6	18.4	18.1	18.2	16.1	17.6	16.6	21.4	18.5	18.0	18.3	
Operating Parameters												
Deposit	11,894	12,293	12,711	13,351	13,458	14,063	14,632	15,487	13,351	15,487	14,060	0.0
Loan	10,033	10,383	10,823	11,328	11,477	11,988	12,263	13,028	11,328	13,028	11,985	0.0
Deposit Growth (%)	24.6	20.3	19.1	16.3	13.2	14.4	15.1	16.0	16.3	16.0	14.4	0.0
Loan Growth (%)	20.9	15.8	15.6	14.0	14.4	15.5	13.3	15.0	14.0	15.0	15.4	0.0
Asset Quality												
Gross NPA (%)	1.4	1.1	0.8	1.3	1.5	1.4	1.4	1.4	1.3	1.4	1.5	-0.2
Net NPA (%)	0.3	0.2	0.1	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.0
PCR (%)	76.2	84.5	88.5	69.8	67.9	70.9	70.0	71.0	69.8	71.0	71.0	-0.1

Quarterly snapshot

	FY20				FY21				FY22		Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
Profit & Loss (INR b)												
Interest Income	273.9	281.7	293.7	298.9	303.8	299.8	300.8	304.2	304.8	313.5	5	3
Loans	218.0	225.1	234.2	240.4	240.4	234.0	235.8	238.1	235.9	241.1	3	2
Investment	52.5	50.9	52.0	50.9	56.0	56.2	58.3	61.7	64.9	64.5	15	-1
Others	3.4	5.6	7.4	7.5	7.4	9.5	6.7	4.5	4.0	7.9	-17	98
Interest expenses	141.0	146.5	152.0	146.8	147.1	142.0	137.6	133.0	134.7	136.7	-4	1
Net interest income	132.9	135.2	141.7	152.0	156.7	157.8	163.2	171.2	170.1	176.8	12	4
Other Income	49.7	55.9	66.7	60.3	40.8	60.9	74.4	75.9	62.9	74.0	21	18
Trading profit	2.1	4.8	6.8	5.7	10.9	10.2	11.1	6.6	6.0	6.8	-34	12
Exchange profit	5.8	5.5	5.3	5.0	4.4	5.6	5.6	8.8	12.0	8.7	55	-28
Others	41.8	45.6	54.7	49.7	25.5	45.2	57.7	60.6	44.9	58.6	30	31
Total Income	182.6	191.0	208.4	212.4	197.4	218.7	237.6	247.1	233.0	250.9	15	8
Operating Expenses	71.2	74.1	79.0	82.8	69.1	80.6	85.7	91.8	81.6	92.8	15	14
Employee	22.2	23.6	24.5	25.0	25.1	25.4	26.3	26.8	27.7	29.7	17	7
Others	49.0	50.5	54.4	57.8	44.0	55.1	59.4	65.0	53.9	63.1	14	17
Operating profit	111.5	117.0	129.5	129.6	128.3	138.1	151.9	155.3	151.4	158.1	14	4
Core operating profit	109.4	112.2	122.7	123.9	117.4	128.0	140.8	148.8	145.4	151.3	18	4
Provisions	26.1	27.0	30.4	37.8	38.9	37.0	34.1	46.9	48.3	39.2	6	-19
PBT	85.3	90.0	99.0	91.7	89.4	101.1	117.7	108.4	103.1	118.8	18	15
Taxes	29.7	26.5	24.9	22.5	22.8	26.0	30.1	26.5	25.8	30.5	17	18
PAT	55.7	63.4	74.2	69.3	66.6	75.1	87.6	81.9	77.3	88.3	18	14
Balance Sheet (INR b)												
Deposits	9,546	10,216	10,674	11,475	11,894	12,293	12,711	13,351	13,458	14,063	14	4
Loans	8,297	8,970	9,360	9,937	10,033	10,383	10,823	11,328	11,477	11,988	15	4
Asset quality (INR b)												
GNPA	117.7	125.1	134.3	126.5	137.7	113.0	88.3	150.9	171.0	163.5	45	-4
NNPA	35.7	37.9	44.7	35.4	32.8	17.6	10.2	45.5	54.9	47.6	171	-13
Ratios												
Asset quality ratios (%)												
GNPA	1.4	1.4	1.4	1.3	1.4	1.1	0.8	1.3	1.5	1.4	27	-12
NNPA	0.4	0.4	0.5	0.4	0.3	0.2	0.1	0.4	0.5	0.4	23	-8
PCR (calc.)	69.7	69.7	66.7	72.0	76.2	84.5	88.5	69.8	67.9	70.9	-1,356	299
Slippages	2.1	1.8	2.4	1.3	1.2	2.0	1.9	1.7	2.5	1.8	-13	-69
Business ratios (%)												
Fees-to-total Income	22.9	23.9	26.2	23.4	12.9	20.6	24.3	24.5	19.3	23.4	270	409
Cost-to-core income	39.4	39.8	39.2	40.0	37.1	38.6	37.9	38.2	36.0	38.0	-62	205
Tax Rate	34.8	29.5	25.1	24.5	25.5	25.7	25.6	24.5	25.0	25.7	-3	65
CASA (reported)	39.7	39.3	39.5	42.2	40.1	41.6	43.0	46.1	45.5	46.8	520	130
Loan/Deposit	86.9	87.8	87.7	86.6	84.4	84.5	85.1	84.9	85.3	85.2	78	-3
Profitability ratios (%)												
Yield on loans	10.6	10.4	10.2	10.0	9.6	9.2	8.9	8.6	8.3	8.2	-95	-5
Yield on investments	7.1	6.7	6.7	5.8	5.8	5.7	5.6	5.7	5.9	6.1	39	15
Yield on funds	9.8	9.7	9.6	9.1	8.8	8.5	8.2	7.9	7.7	7.8	-62	12
Cost of funds	5.4	5.4	5.3	4.7	4.5	4.3	4.0	3.7	3.7	3.6	-65	-5
Spreads	4.4	4.3	4.3	4.3	4.2	4.2	4.2	4.2	4.1	4.2	4	18
Margin	4.3	4.2	4.2	4.3	4.3	4.1	4.2	4.2	4.1	4.1	0	0
RoA	1.8	2.0	2.2	2.0	1.8	1.9	2.2	2.0	1.8	2.0	8	20
RoE	14.6	16.3	18.6	16.6	15.3	16.5	18.4	16.4	14.9	16.4	-12	153
Other details												
Branches	4,990	5,314	5,345	5,416	5,326	5,430	5,485	5,608	5,653	5,686	256	33
ATMs	13,727	13,514	14,533	14,901	14,996	15,292	15,541	16,087	16,291	16,642	1,350	351
Employees	104,154	111,208	113,981	116,971	115,822	117,082	117,560	120,093	123,473	129,341	12,259	5,868



Highlights from the management commentary

Opening remarks

- Around 400 new branches are to be opened over the next few months.
- About 2.4m new liability relationship accounts were opened in 2QFY22.
- Credit Card spends grew 36% YoY in 2QFY22 and 42% in the first 10 days of Oct'21. Overall card spends are witnessing a healthy uptick.
- The management's focus is on strengthening its geographical footprint for growth.

P&L and Balance Sheet related

- The bank opened 256 branches over the past one year
- The key driver to improve NII would be a rise in Retail disbursements.
- Its **partnership with Paytm** provides access to the latter's merchant base to offer banking relationships. It would also aid in Credit Card acquisition.
- **Opex:** The bank will continue to invest on digital, open new branches, and boost employee strength. Technology cost constitutes 2.7-2.8% of revenue (7-8% of operating expenses).

Asset quality

- Slippages stand ~1.8% of loans (~INR53b).
- **Restructured book stands at 1.5% of loans (~INR180b).** The management will continue to remain watchful on this portfolio. **The net impact of restructuring on potential NPAs is likely to be 10-20bp.**
- Demand resolution stands at 97.5% of loans (reached pre-COVID levels).
- Bounce resolution rate is better than pre-COVID levels across most segments.
- The bank will continue to bolster its Balance Sheet by creating contingent provisions.

Business growth/asset quality trends across segments

Commercial and Rural portfolio

- The Transportation Finance business is showing market share gains.
- The mid-Corporate segment grew 29% YoY (6.5% QoQ). Capex demand is improving, and the overall environment remains favorable for growth.
- The management's focus is on expanding its village footprint to improve rural demand. The bank is participating in various government schemes to grow its Rural footprint.
- The bank is increasing its market share in Rural Banking. NPAs in this segment are declining as compared to its peers who are witnessing an increase in NPAs.

Retail portfolio

- Retail growth has picked up in both Unsecured and Secured segments.
- Among segments, Auto loans, LAP, and Mortgage disbursements are showing a healthy recovery. Disbursement in its Unsecured portfolio is improving.
- The bank expects MFI disbursement to normalize over the next 60 days.

Subsidiary performance

- HDB Financial Services is following a conservative accounting policy for acquiring new customers. It disbursed ~INR80b in 2QFY22. It expects better disbursements over 2HFY22, led by festive demand.

Loan growth healthy at 15.5% YoY; Retail book picks up sequentially

- The loan book grew 15.5% YoY (+4.5% QoQ) to ~INR12t. Deposits were up 14.4% YoY (+4.5% QoQ) to ~INR14t. The CD ratio was stable ~85%.
- As per internal classification, Retail loans grew 12.9% YoY (5.4% QoQ), Commercial and Rural Banking rose 27.6% YoY (7.4% QoQ), and Wholesale advances increased by 6% YoY (flat QoQ).
- The share of Retail loans stood at 39.9%.
- Home loans/LAP grew 4.9%/5.3% QoQ. Personal loans/Credit Card book grew 4.9%/7.4% QoQ, while Gold loans declined by 1.3% QoQ.
- Auto loans grew 8.1% YoY (+3.6% QoQ), while 2W loans declined by 8% YoY (+2% QoQ).

Exhibit 1: Share of Retail loans stands ~40% in 2QFY22

INR b	2QFY21	1QFY22	2QFY22	YoY (%)	QoQ (%)	As a percentage of total
Auto Loans	880.6	919.1	952.0	8.1	3.6	7.9
Two-wheeler loans	105.9	95.3	97.1	-8.2	2.0	0.8
Personal loans	1,131.7	1,204.7	1,263.6	11.7	4.9	10.4
Payment products	600.5	630.9	677.8	12.9	7.4	5.6
Home loans	628.1	722.4	757.5	20.6	4.9	6.3
Gold loans	69.3	82.1	81.1	17.0	-1.3	0.7
LAP	486.1	517.0	544.3	12.0	5.3	4.5
Other Retail	374.6	411.4	456.0	21.8	10.9	3.8
Retail total	4,276.7	4,582.8	4,829.4	12.9	5.4	39.9
Commercial and Rural Banking	2,793.7	3,362.3	3,590.2	28.5	6.8	29.7
Agriculture	460.0	501.1	560.0	21.7	11.8	4.6
Corporate and other wholesale	2,947.7	3,146.2	3,124.2	6.0	-0.7	25.8
Total loans	10,478.1	11,592.3	12,103.9	15.5	4.4	100.0

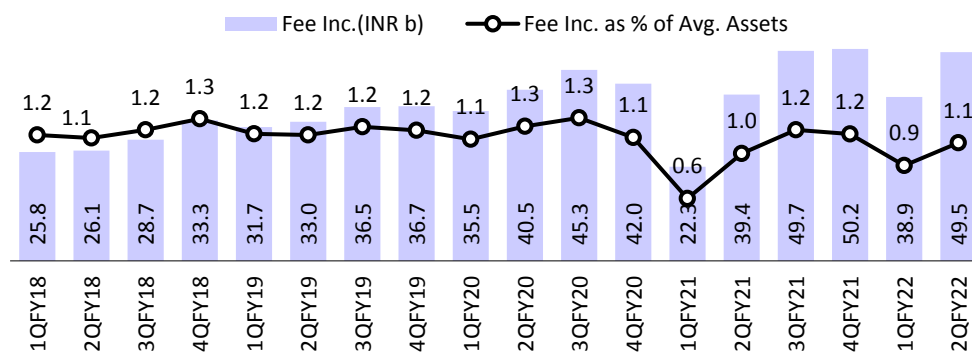
CASA/term deposits grew by ~29%/~4% YoY

NIM flat QoQ at 4.1%, CASA ratio improves 130bp to 46.8%

- Reported NIM stood flat QoQ at 4.1%.
- CASA deposit grew ~29% YoY (+7.6% QoQ), driven by 30% YoY/6.2% QoQ growth in SA deposits. CA deposits grew 26.3% YoY (+10.9% QoQ).
- Term deposits grew 4.2% YoY (+2% QoQ), resulting in CASA ratio expanding to 46.8% (+130bp QoQ).

Core fee income grew 26% YoY (+27% QoQ), fee income to average assets improves to 1.1% of total assets

- Core fee income grew 25.5% YoY (+27.3% QoQ) to INR49.5b, led by a pickup in business activity. Fee income/average assets, thus, improved to 1.1% in 2QFY22.
- Total other income grew 21.5% YoY (+17.7% QoQ) supported by other non-interest income, which grew by 51% QoQ. Treasury gains stood at INR6.8b.
- Overall opex grew 15.2% YoY (+13.7% QoQ). The cost-to-core income ratio increased by 205bp QoQ to 38%. C/I ratio stood at 37% (+196bp QoQ).

Exhibit 2: Fee income-to-assets (%) improves to 1.1%, led by a pick-up in business activity

Source: MOFSL, Company

PCR ~71% in 2QFY22

Asset quality ratios improve QoQ, contingent provisions provide comfort

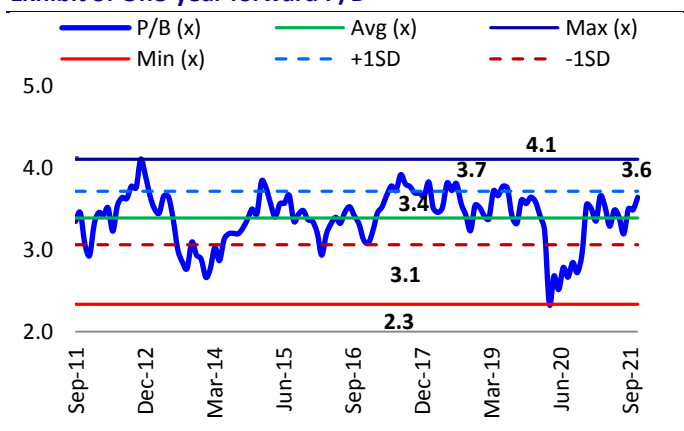
- Asset quality witnessed a sequential improvement, with the GNPA/NNPA ratio declining by 12bp/8bp QoQ to 1.35%/0.4%. This was led by a moderation in slippages (1.8%) and improved collections, which stood almost at pre-COVID levels. Coverage ratio improved to ~71%. Absolute GNPA/NNPA fell 4.4%/13.3% QoQ to ~INR163b/~INR48b.
- The bank continues to carry a floating provision of INR14.5b and holds a contingent provision of INR77.6b.
- Total restructuring under the RBI resolution framework for COVID-19 stood at ~INR180b (~1.5% of advances).

Valuation and view

- HDFCB delivered healthy growth in advances over 2QFY22, led by strong sequential trends in Retail loans. The growth was also led by Commercial and Rural Banking, while Wholesale advances saw modest trends. We expect a strong uptick over 2HFY22 and thus estimate loans to grow by 15%/17.5% in FY22E/FY23E. Deposit growth remains strong, led by CASA, which would support the margin trajectory.
- Its fee income profile improved over 2QFY22, led by a pick-up in business activity. We expect the momentum to continue. Strong cost control, led by further digitalization, is likely to drive overall improvement in the bank's return ratios. Margin stood stable. We expect a gradual increase in margin on account of lower cost of funds and a strong and granular liability franchise.
- Strong capitalization and liquidity levels should help HDFCB sustain its growth momentum over the next few years. This renders the bank better placed to tide over the crisis and gain incremental market share.
- Asset quality witnessed an improvement over 2QFY22 led by lower slippages. GNPA/NNPA moderated to 1.35%/0.4%. Restructuring book increased to ~INR180b (1.5% of total loans). Moreover, PCR stands ~71%, which, along with a floating provision of INR14.5b and contingent provision of INR77.6b, would keep credit cost in check and limit the impact on profitability. We expect NNPA to remain at 0.4% in FY22E/FY23E.

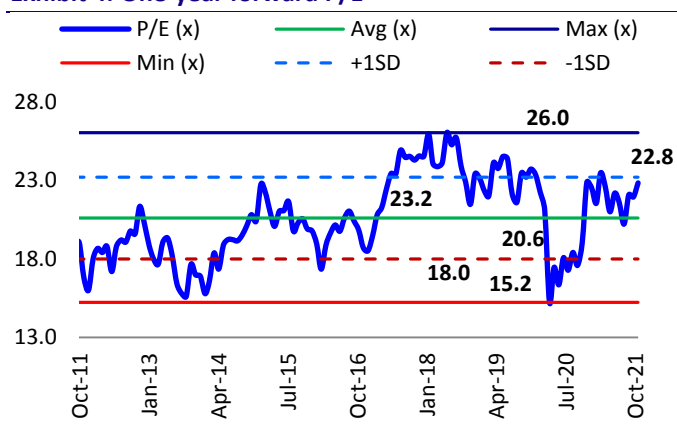
- Buy with a TP of INR2,000/share:** HDFCB continues to deliver strong business growth v/s peers, resulting in market share gains. This was led by a healthy pickup in the Retail segment, while Commercial and Rural Banking continues to remain robust. Earnings were in line, despite making additional contingent provisions to strengthen its Balance Sheet. Asset quality ratios have improved, while the restructured book increased to 1.5% of loans (v/s 0.8% in 1QFY22). However, high provision coverage and contingent provision buffer provide comfort on asset quality. Pick up in loan growth particularly retail would aid NII and margins which would drive profitability. Our estimates remain unchanged at 20% PAT CAGR over FY21-24E, with a RoA/RoE at 2.1%/18.3% in FY24E. **We maintain Buy and roll-forward our estimate to Sep'23E with a revised TP of INR2,000/share (3.6x Sep'23E ABV + INR120/share from subsidiaries).**

Exhibit 3: One-year forward P/B



Source: MOFSL, Company

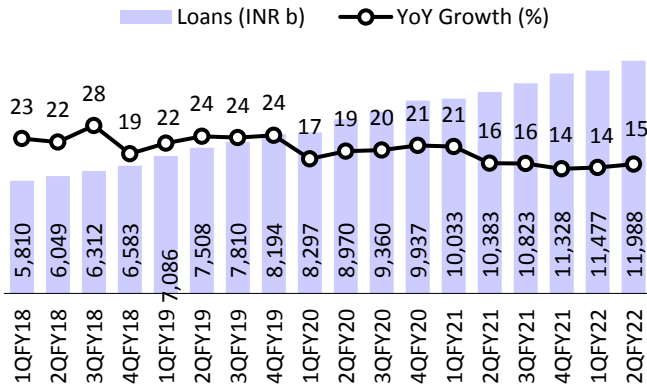
Exhibit 4: One-year forward P/E



Source: MOFSL, Company

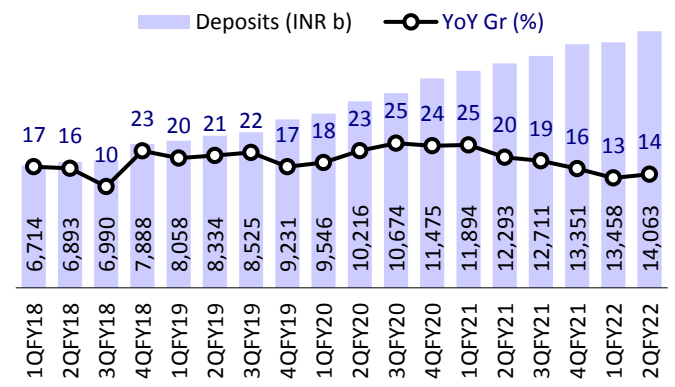
Story in charts

Exhibit 5: Loan book grew by ~15.5% YoY (+4.5% QoQ)



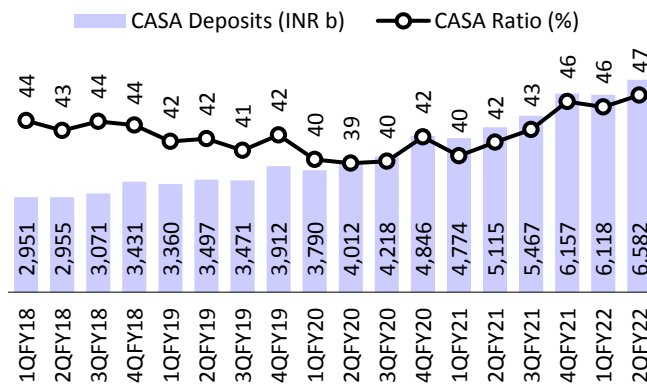
Source: MOFSL, Company

Exhibit 6: Deposits strong at 14.4% YoY (+4.5% QoQ)



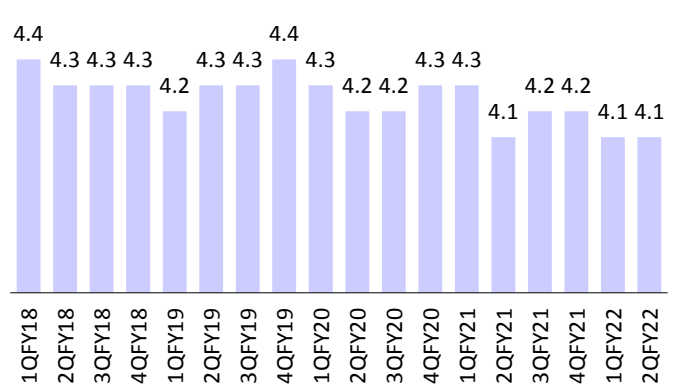
Source: MOFSL, Company

Exhibit 7: CASA ratio improves 130bp QoQ to 46.8%



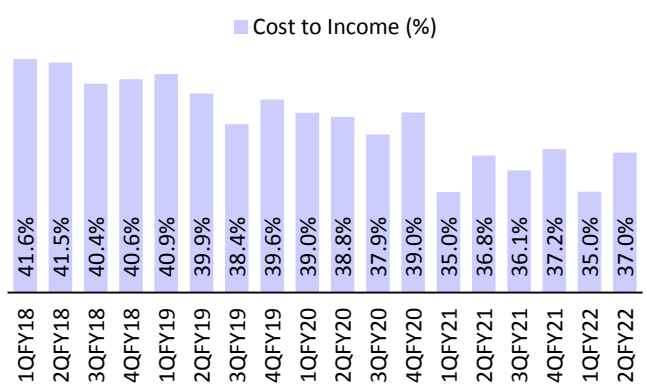
Source: MOFSL, Company

Exhibit 8: NIM stood stable QoQ at 4.1%



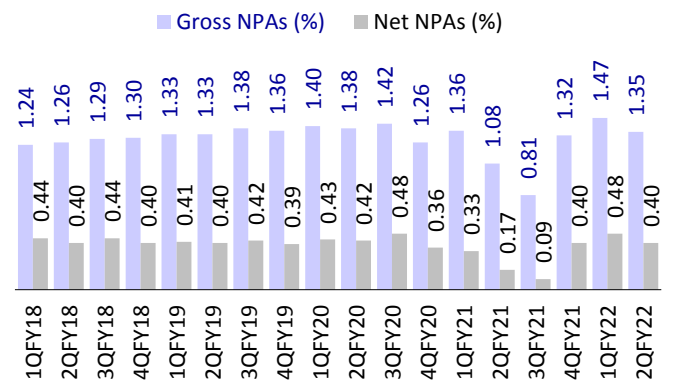
Source: MOFSL, Company

Exhibit 9: C/I ratio stood at 37% in 2QFY22



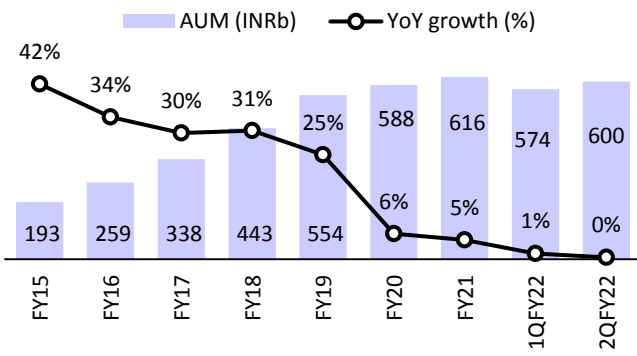
Source: MOFSL, Company

Exhibit 10: GNPA/NNPA moderates by 12bp/8bp to 1.35%/0.4%



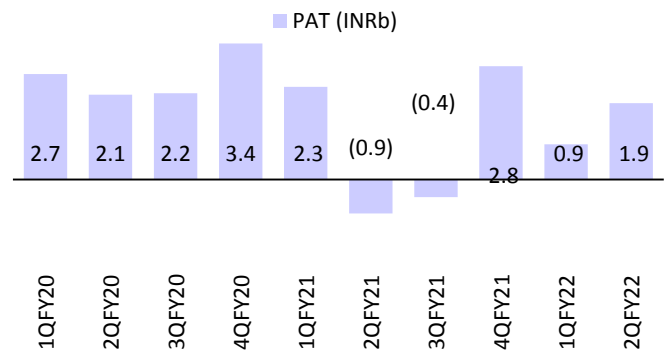
Source: MOFSL, Company

Exhibit 11: HDB Financial – AUM flat YoY in 2QFY22



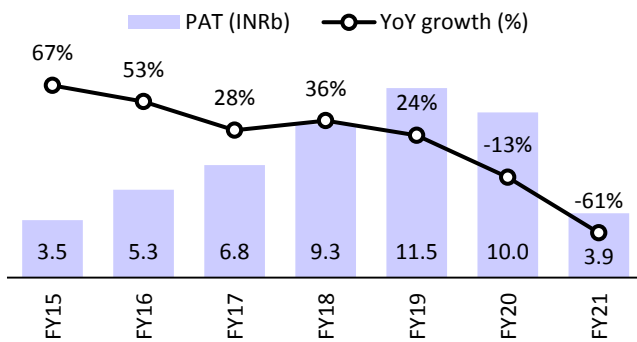
Source: MOFSL, Company

Exhibit 12: HDB Financial posts a PAT of INR1.9b in 2QFY22



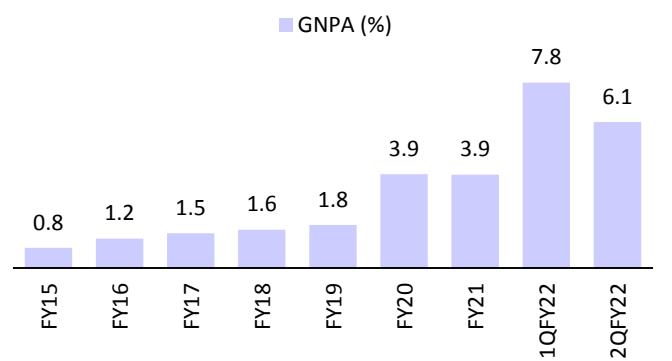
Source: MOFSL, Company

Exhibit 13: PAT for HDB Financial declines over FY21, impacted by higher provisions



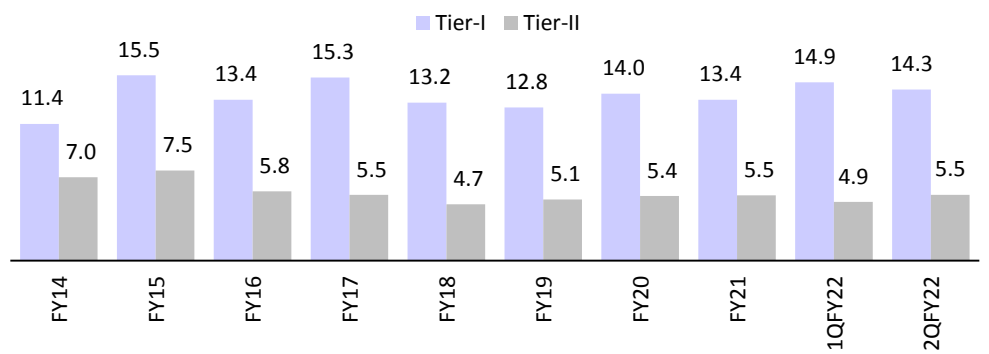
Source: MOFSL, Company

Exhibit 14: Asset quality improves QoQ with GNPA at 6.1%



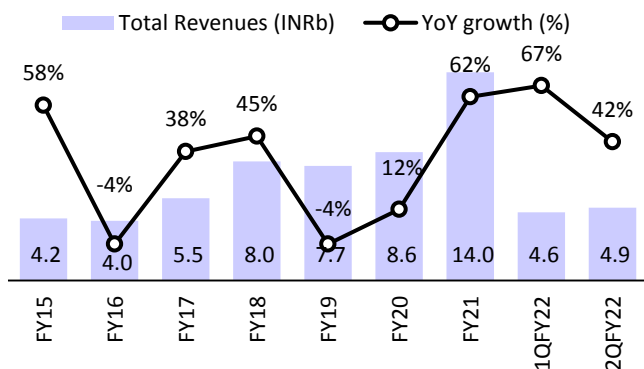
Source: MOFSL, Company

Exhibit 15: HDB Financial – capitalization levels strong, with total CAR ~20%



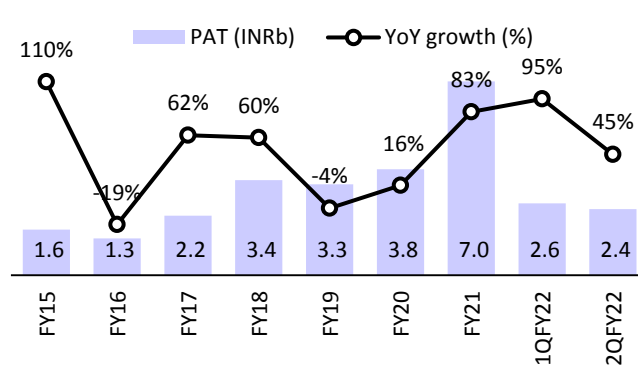
Source: MOFSL, Company

Exhibit 16: Total income from HDFC Securities rises 42%...



Source: MOFSL, Company

Exhibit 17: ...with PAT up 45% YoY to INR2.4b in 2QFY22



Source: MOFSL, Company

Exhibit 18: DuPont Analysis – return ratios to improve steadily

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Interest Income	8.81	8.32	8.57	8.27	7.38	7.4	7.5	7.5
Interest Expense	4.60	4.17	4.40	4.23	3.42	3.5	3.4	3.4
Net Interest Income	4.21	4.16	4.18	4.05	3.96	3.89	4.04	4.11
Core Fee Income	1.12	1.31	1.34	1.38	1.15	1.18	1.22	1.24
Trading and others	0.44	0.27	0.19	0.30	0.39	0.43	0.42	0.41
Non-Interest income	1.56	1.58	1.53	1.68	1.54	1.61	1.64	1.64
Total Income	5.33	5.74	5.71	5.73	5.50	5.50	5.68	5.76
Operating Expenses	2.51	2.35	2.26	2.21	2.00	2.00	2.02	2.03
Employee cost	0.82	0.71	0.67	0.69	0.63	0.62	0.63	0.62
Others	1.68	1.65	1.59	1.53	1.36	1.38	1.39	1.40
Operating Profit	3.27	3.38	3.44	3.51	3.50	3.50	3.65	3.73
Core operating Profit	2.83	3.11	3.26	3.22	3.11	3.07	3.24	3.32
Provisions	0.46	0.61	0.65	0.88	0.96	0.88	0.92	0.89
PBT	2.82	2.77	2.79	2.64	2.54	2.61	2.74	2.84
Tax	0.97	0.96	0.96	0.75	0.64	0.66	0.69	0.71
RoA	1.85	1.81	1.83	1.89	1.90	1.96	2.05	2.12
Leverage (x)	9.7	9.8	9.0	8.7	8.7	8.6	8.6	8.6
RoE	17.9	17.9	16.5	16.4	16.6	16.8	17.6	18.3

Financials and valuations

Income Statement						(INR b)		
Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Interest Income	693.1	802.4	989.7	1,148.1	1,208.6	1,390.5	1,629.3	1,918.3
Interest Expense	361.7	401.5	507.3	586.3	559.8	660.9	750.4	871.7
Net Interest Income	331.4	400.9	482.4	561.9	648.8	729.6	878.9	1,046.6
Growth (%)	20.1	21.0	20.3	16.5	15.5	12.5	20.5	19.1
Non-Interest Income	123.0	152.2	176.3	232.6	252.0	302.5	356.9	417.6
Total Income	454.4	553.2	658.7	794.5	900.8	1,032.1	1,235.8	1,464.2
Growth (%)	18.5	21.7	19.1	20.6	13.4	14.6	19.7	18.5
Operating Expenses	197.0	226.9	261.2	307.0	327.2	375.4	440.3	515.5
Pre-Provision Profit	257.3	326.2	397.5	487.5	573.6	656.6	795.5	948.7
Growth (%)	20.4	26.8	21.8	22.6	17.7	14.5	21.2	19.3
Core PPP	220.9	311.0	380.3	465.9	549.2	619.4	752.1	897.4
Growth (%)	19.7	40.8	22.3	22.5	17.9	12.8	21.4	19.3
Provisions (excl. tax)	35.9	59.3	75.5	121.4	157.0	166.0	200.1	226.8
PBT	221.4	267.0	322.0	366.1	416.6	490.7	595.4	721.9
Tax	75.9	92.1	111.2	103.5	105.4	123.5	149.9	181.7
Tax Rate (%)	34.3	34.5	34.5	28.3	25.3	25.2	25.2	25.2
PAT	145.5	174.9	210.8	262.6	311.2	367.2	445.6	540.2
Growth (%)	18.3	20.2	20.5	24.6	18.5	18.0	21.4	21.2

Balance Sheet

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	5.1	5.2	5.4	5.5	5.5	5.5	5.5	5.5
Reserves and Surplus	855.6	1,057.8	1,486.6	1,704.4	2,031.7	2,336.2	2,715.5	3,189.4
Net Worth	860.7	1,063.0	1,492.1	1,709.9	2,037.2	2,341.7	2,721.0	3,194.9
Deposits	6,436.4	7,887.7	9,231.4	11,475.0	13,350.6	15,486.7	18,274.3	21,563.7
Growth (%)	17.8	22.5	17.0	24.3	16.3	16.0	18.0	18.0
of which CASA Dep.	3,091.5	3,430.9	3,912.0	4,846.3	6,156.8	7,123.9	8,387.9	9,940.9
Growth (%)	30.8	11.0	14.0	23.9	27.0	15.7	17.7	18.5
Borrowings	740.3	1,231.0	1,170.9	1,446.3	1,354.9	1,453.6	1,555.3	1,665.6
Other Liabilities and Prov.	601.0	457.6	551.1	673.9	726.0	805.9	902.6	992.8
Total Liabilities	8,638.4	10,639.3	12,445.4	15,305.1	17,468.7	20,087.9	23,453.2	27,417.0
Current Assets	489.5	1,229.2	813.5	866.2	1,194.7	1,219.7	1,348.4	1,509.9
Investments	2,144.6	2,422.0	2,931.2	3,918.3	4,437.3	5,147.2	5,919.3	6,748.0
Growth (%)	9.5	12.9	21.0	33.7	13.2	16.0	15.0	14.0
Loans	5,545.7	6,583.3	8,194.0	9,937.0	11,328.4	13,027.6	15,307.5	18,139.3
Growth (%)	19.4	18.7	24.5	21.3	14.0	15.0	17.5	18.5
Fixed Assets	36.3	36.1	40.3	44.3	49.1	53.5	58.3	63.6
Other Assets	422.3	368.8	466.5	539.3	459.3	639.8	819.6	956.1
Total Assets	8,638.4	10,639.3	12,445.4	15,305.1	17,468.7	20,087.9	23,453.2	27,417.0

Asset Quality

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
GNPA	58.9	86.1	112.2	126.5	150.9	181.5	236.9	255.7
NNPA	18.4	26.0	32.1	35.4	45.5	52.7	67.3	71.6
GNPA Ratio	1.1	1.3	1.4	1.3	1.3	1.4	1.5	1.4
NNPA Ratio	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Slippage Ratio	1.5	2.1	1.9	1.9	1.5	1.8	1.8	1.6
Credit Cost	0.6	0.8	0.9	1.0	1.1	1.3	1.3	1.3
PCR (Excl. Tech. write-off)	68.7	69.8	71.4	72.0	69.8	71.0	71.6	72.0

Financials and valuations

Ratios

Y/E March	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Yield and Cost Ratios (%)								
Avg. Yield-to-Earning Assets	9.6	9.4	9.6	9.0	8.1	8.1	8.2	8.2
Avg. Yield on loans	10.2	10.3	10.5	10.1	8.9	8.8	9.0	9.1
Avg. Yield on Inv.	7.8	7.2	7.6	6.1	5.6	6.3	6.1	6.1
Avg. Cost-to-Int. Bear. Liabilities	5.5	4.9	5.2	5.0	4.1	4.2	4.1	4.0
Avg. Cost of Deposits	5.3	4.6	4.8	4.9	4.0	4.0	3.9	3.9
Interest Spread	4.2	4.5	4.4	4.0	4.0	3.9	4.1	4.2
Net Interest Margin	4.6	4.4	4.4	4.2	4.1	4.0	4.2	4.3

Capitalization Ratios (%)

CAR	14.6	14.8	17.1	18.3	18.5	18.3	17.6	17.0
Tier I	12.8	13.3	15.8	17.0	17.3	17.2	16.7	16.3
Tier II	1.8	1.6	1.3	1.2	1.2	1.0	0.9	0.7

Business and Efficiency Ratios (%)

Loans/Deposit	86.2	83.5	88.8	86.6	84.9	84.1	83.8	84.1
CASA Ratio	48.0	43.5	42.4	42.2	46.1	46.0	45.9	46.1
Cost/Assets	2.3	2.1	2.1	2.0	1.9	1.9	1.9	1.9
Cost/Total Income	43.4	41.0	39.7	38.6	36.3	36.4	35.6	35.2
Cost/Core Income	45.8	42.2	40.7	39.7	37.3	37.7	36.9	36.5
Int. Expense/Int. Income	52.2	50.0	51.3	51.1	46.3	47.5	46.1	45.4
Fee Income/Total Income	21.8	22.8	23.5	24.1	20.9	21.5	21.5	21.5
Non Int. Inc./Total Income	27.1	27.5	26.8	29.3	28.0	29.3	28.9	28.5
Emp. Cost/Total Expense	32.9	30.0	29.7	31.0	31.7	31.2	31.1	30.8
Investment/Deposit	33.3	30.7	31.8	34.1	33.2	33.2	32.4	31.3

Valuation

RoE	17.9	17.9	16.5	16.4	16.6	16.8	17.6	18.3
RoA	1.8	1.8	1.8	1.9	1.9	2.0	2.0	2.1
RoRWA	2.4	2.4	2.4	2.6	2.8	2.8	2.9	3.0
Book Value (INR)	167.9	204.8	273.9	311.8	369.5	424.8	493.6	579.5
Growth (%)	16.9	22.0	33.8	13.8	18.5	14.9	16.2	17.4
Price-to-BV (x)	10.0	8.2	6.2	5.4	4.6	4.0	3.4	2.9
Adjusted BV (INR)	165.4	193.9	262.8	300.3	356.8	410.0	475.8	559.9
Price-to-ABV (x)	10.2	8.7	6.4	5.6	4.7	4.1	3.5	3.0
EPS (INR)	28.4	33.9	39.6	48.0	56.6	66.6	80.8	98.0
Growth (%)	16.7	19.4	16.9	21.2	17.8	17.7	21.4	21.2
Price-to-Earnings (x)	59.4	49.7	42.5	35.1	29.8	25.3	20.9	17.2

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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

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