

April 20, 2012

BSE Code: 500180 NSE Code: HDFCBANK Reuters Code: HDBK.NS Bloomberg Code: HDFCB:IN

HDFC Bank Ltd. is the India's second-largest private sector lender engaged in providing a range of banking and financial services. The Bank operates in four segments: treasury, retail banking, wholesale banking and other banking business. The bank has Customer base of 21.9 million with a nationwide network of 2,201 Branches and 7,346 ATM's in 1,174 Indian towns and cities.

Investor's Rationale

Higher credit demand lift net profit by 30.4%YoY

India's second-largest private sector lender, HDFC Bank posted a 30.4% surge in its fiscal fourth quarter net profit at ₹14.5 billion from ₹11.2 billion in the corresponding quarter last year, broadly in line with expectations, as demand for retail loans remained robust and it earned more fees and commissions during the quarter while for the full year, the net profit for FY'12 rose over 31.6% to ₹51.7 crore as against ₹39.3 crore in FY'11.

NII grew by 19.3%YoY

HDFC Bank's total income increased from ₹67.2 billion for the quarter ended March 31, 2011 to ₹88.8 billion for the quarter ended March 31, 2012. Further, the net interest income during the quarter grew by 19.3% YoY at ₹33.9 billion, driven by loan growth of 22.2%, while core net interest margin for the quarter stood at 4.2%. In addition, Non-interest income up by 18.8% YoY at ₹14.9 billion, mainly on account of 23.7% in fees & commissions.

Reported steady asset quality on lower provision

At the same time, the lender managed to retain its asset quality. The gross non-performing asset (GNPA) ratio stood at around 1%. Since last five quarters, the bank has been reporting almost the same gross NPA ratio. Net NPA ratio too remained unchanged at 0.2%. This signifies that the bank's possesses one the highest quality assets, as the provisions and contingencies (including specific loan loss and floating provisions of ₹2.9 billion) dropped 31% YoY to ₹3.0 billion.

Strong loan book growth

The bank's loan book expanded 22.2% YoY to ₹1,954.2 billion. This growth is significantly higher than the average industry credit growth of 16.80% in FY'12. Moreover, the retail loans surged up 34% YoY. Loans against commercial vehicle and construction equipment have shot up 60% YoY to ₹130 billion while, gold loans book has been doubled from ₹13.2 billion to ₹30.2 billion. Whereas, the bank's deposits too grew more than 18% YoY to ₹2,467.1 billion as compared to 13% YoY growth for the entire industry in FY'12 and CASA to total deposits ratio stood at 48.4%.

Market Data

CMP (₹)	551.1
Target Price	600
Stop Loss	524
Duration	Mid-term
52-week High-Low (₹)	557.7/400.4
Rise from 52WL (%)	37.8
Correction from 52WH (%)	1.1
Beta	0.89
1 year Average Volume (mn)	0.2
	3M-
	6M-
	9M-
Stock Return (%)	13.6
	6M-
	9M-
Market Cap (₹bn)	1,293.3
Enterprise Value (₹bn)	1,223.1

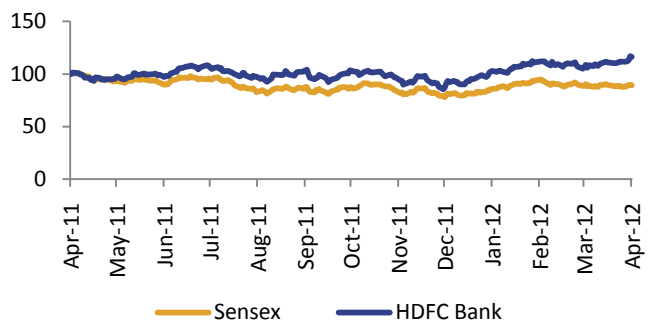
Shareholding Pattern

	Dec'11	Sep'11	Chg
Promoters (%)	23.2	23.2	-
FII (%)	29.7	29.3	0.4
DII (%)	10.9	11.0	(0.1)
Public & Others (%)	36.2	36.5	(0.3)

Quarterly Performance

(₹ bn)	Q4 FY'12	Q4 FY'11	Q3 FY'12	%Y-o-Y Change	%Q-o-Q Change
Total inc.	88.8	67.2	86.2	32.1	3.0
Op. exp	24.7	20.0	21.6	23.5	14.3
Net profit	14.5	11.2	14.3	30.4	1.6
NII	33.9	28.4	31.2	19.3	8.7
NIM (%)	4.2	4.2	4.1	-	10bps
GNPA (%)	1.0	1.1	1.0	(3bps)	(1bps)
EPS	6.1	4.7	6.1	29.8	-

One Year Price Chart





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