

HDFC Bank is one of the largest private sector bank in India. The Bank has a nationwide distribution network of 4,541 branches and 12,013 ATM's in 2,587 cities/towns as of June 30, 2016. The bank has grown its balance sheet at a healthy pace of 21% CAGR to Rs 708,846 crore over FY11-16 maintaining high profit CAGR of 26%.

Key Developments

Bank's loan growth across segments:

HDFC bank's advances grew at a robust CAGR of 24% over FY11-16 mainly attributed by the growth in retail (25% CAGR) and wholesale advances (22% CAGR). The bank's loan book has healthy mix of retail and wholesale assets (53:47) as on FY16.

Retail liability franchise:

HDFC bank has registered healthy CAGR of 21% in deposits over FY11-16 led by 26% CAGR in retail deposits, which reflects its continuous focus on building a strong retail deposits portfolio.

Net Interest Margin (NIM):

HDFC Bank has consistently maintained its NIM at a level of ~4.8% over the last five years even as market yields in the overall economy were falling.

Net Profit:

HDFC Bank's net profit has grown at a robust pace of 26% CAGR over FY11-16 led by higher than industry business growth rate coupled with improved productivity and stable asset quality.

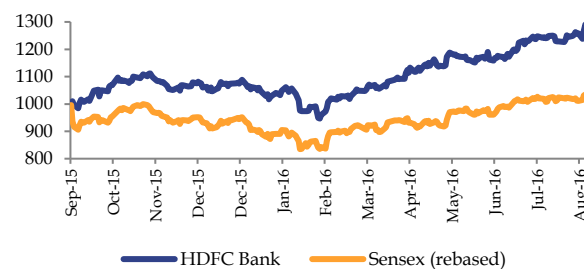
Market Data

CMP (Rs.)	1,272
Face Value	2.0
52 week H/L (Rs.)	1,318/929
Adj. all time High (Rs.)	1,318
Decline from 52WH (%)	3.5
Rise from 52WL (%)	36.9
Beta	0.8
Mkt. Cap (Rs. Cr)	323,728

Fiscal Year Ended

	FY14	FY15	FY16
Interest Income (Rs.cr)	41,136	48,470	60,221
Interest Expense (Rs.cr)	22,653	26,074	32,630
NII (Rs.Cr)	18,483	22,396	27,592
Pre Pro Profit (Rs. Cr)	14,360	17,404	21,364
EPS (Rs.)	35.3	40.8	48.6
P/E (x)	36.0	31.2	26.1
P/BV (x)	7.0	5.1	4.4
P/ABV (x)	7.2	5.2	4.5
ROE (%)	21.3	19.4	18.3
ROA (%)	1.9	1.9	1.9

One year Price Chart



Shareholding	Jun16	Mar16	Diff.
Promoters (%)	26.3	26.4	-
Public (%)	73.7	73.6	-
Others (%)	-	-	-

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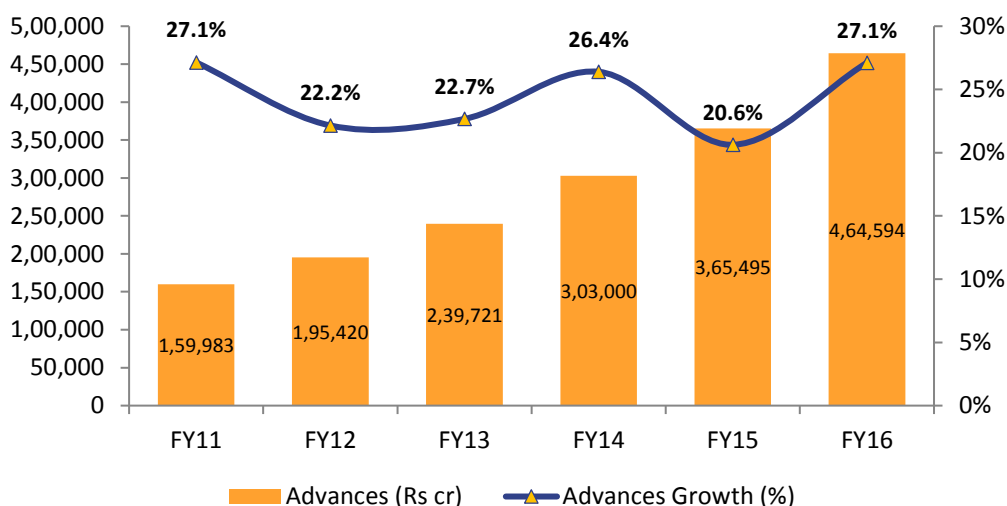
HDFC Bank: Business overview

HDFC Bank, a new-generation bank, is one of the largest private sector bank in India. The Bank has a nationwide distribution network of 4,541 branches and 12,013 ATM's in 2,587 cities/towns as of June 30, 2016. The bank has grown its balance sheet at a healthy pace of 21% CAGR to Rs 708,846 crore over FY11-16 maintaining high profit CAGR of 26%.

Loan growth across segments

HDFC bank's advances grew at a robust CAGR of 24% over FY11-16 mainly attributed by the strong growth in retail (25% CAGR) and wholesale advances (22% CAGR). The bank's loan book has healthy mix of retail and wholesale assets (53:47) as on FY16.

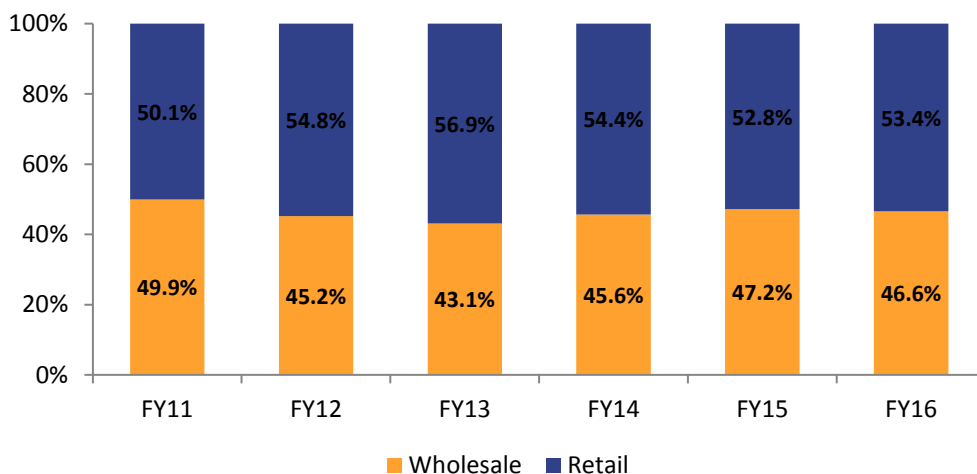
Advances grew at a CAGR of 23.8% over FY11-16



Source: Company, In-house research

Over the past five years, the retail loan book has outpaced the corporate loan book mainly due to tactical move to rundown on wholesale book given the tough economic conditions and strong underlying drivers in retail space. As per the Bank, the growth in retail advances has been primarily due to two factors. (1) extensive network of branches across the length and breadth of the country which allows the bank to reach out to different customer segments, and (2) emphasis on innovation across multiple channels, which offers customers choice, convenience and a superior experience. Within retail loans, home loans (+24% CAGR over FY13-16) and high-yielding unsecured loans (+29% CAGR in personal loans +27% CAGR in credit cards) were the major drivers.

Share of retail advances over the years

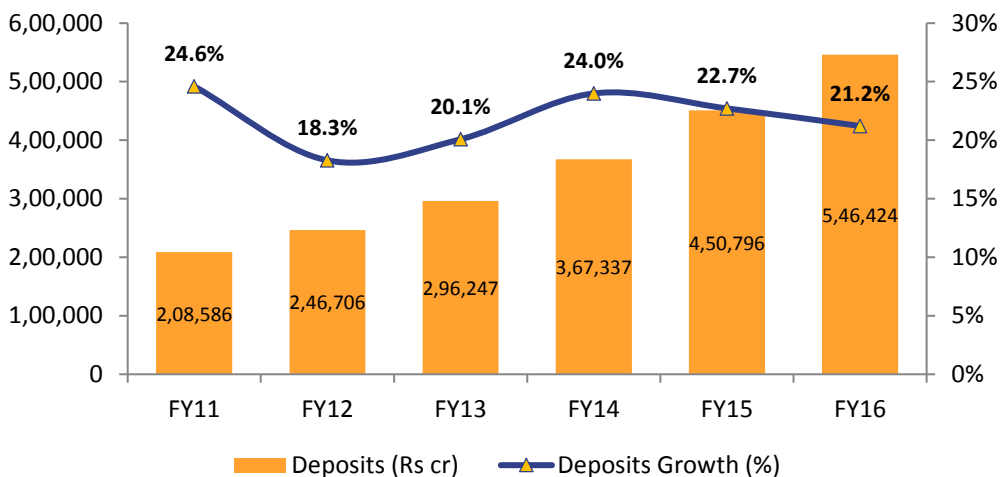


Source: Company, In-house research

Retail liability franchise

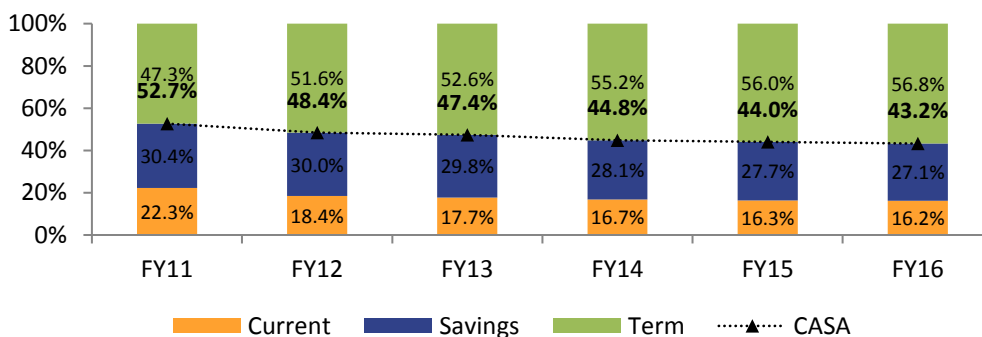
HDFC bank has registered healthy CAGR of 21% in deposits over FY11-16 led by 26% CAGR in retail deposits. The Bank had a market share of ~5.4% in total domestic deposits as on FY16. The bank has significant presence in retail deposits as retail deposits consisted 80% of total deposits as on FY16.

Deposits growth trend



Source: Company, In-house research

CASA ratio is one of the best in the industry

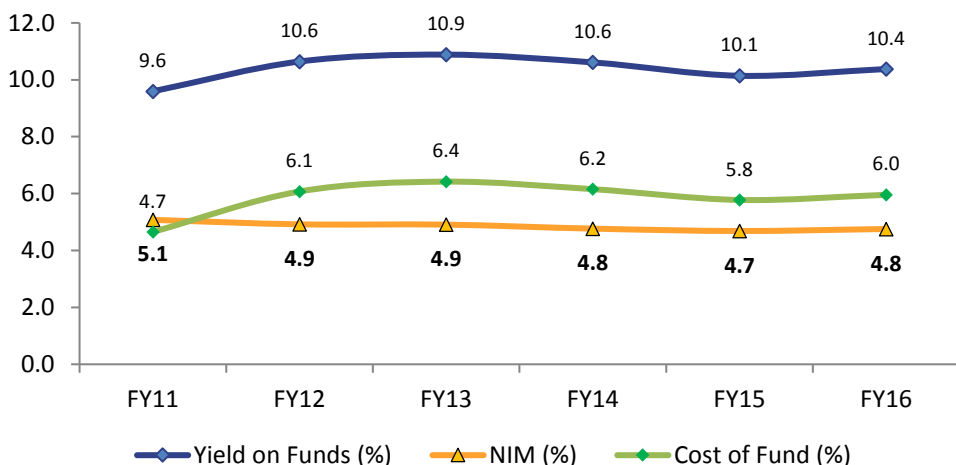


Source: Company, In-house research

Stable Net Interest Margin (NIM)

HDFC Bank has consistently maintained its NIM at a level of ~4.8% over the last five years. The higher proportion of retail loans in the bank's portfolio has aided in maintaining the net interest margins.

NIMs over the years

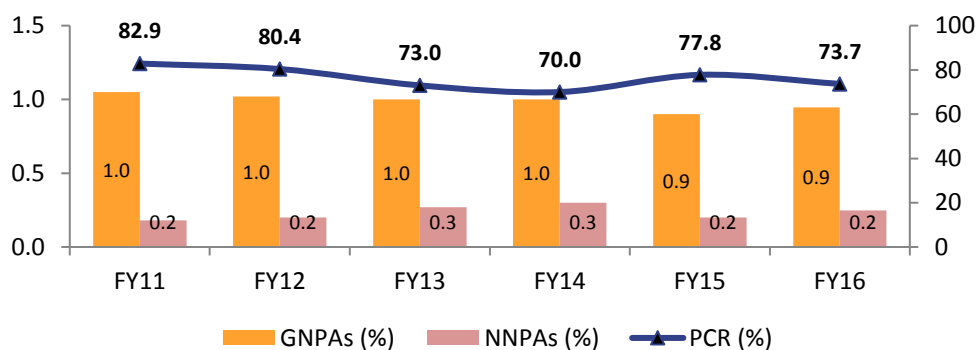


Source: Company, In-house research

Asset Quality

HDFC bank's asset quality trend continues to be relatively stronger than peers despite challenging macro environment largely due to stringent credit origination practices, relentless monitoring system and adequate provisioning. The bank has managed to retain its asset quality with gross non-performing assets (NPA) ratio at ~1% and Net NPA ratio at ~0.2% as of FY16. Both Gross and Net NPA ratios remained almost unchanged over the last five years.

Track record of asset quality

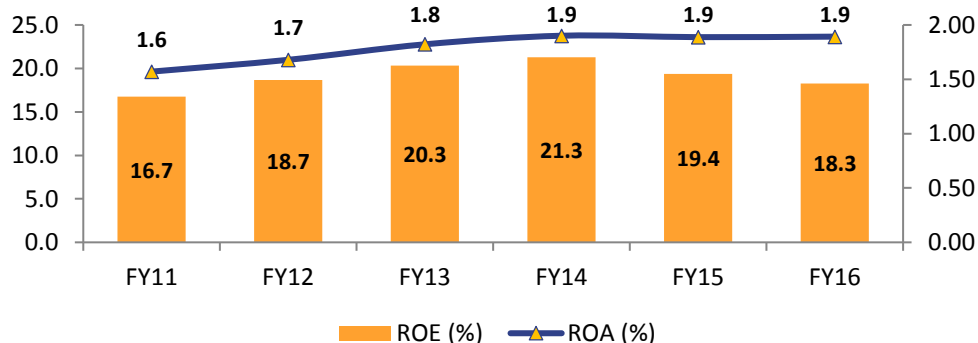


Source: Company, In-house research

Robust return profile

HDFC Bank's net profit has grown at a robust pace of 26% CAGR over FY11-16 led by higher than industry business growth rate coupled with improved productivity and stable asset quality. As a result, the bank has consistently maintained its RoE and RoA in the range of ~17-21% and 1.6-1.9%, respectively over the last five years.

Return ratios trend

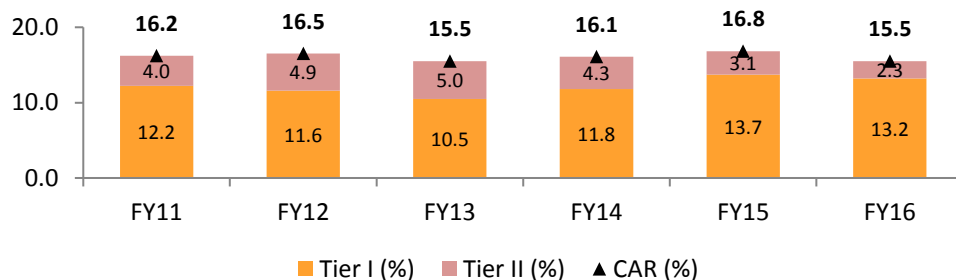


Source: Company, In-house research

Adequately capitalized

The Bank's capital adequacy ratio (CAR) as per Basel III norms continues to remain strong at 15.5% with Tier-I capital ratio of 13.2%. This will help the bank to grow its business at a strong pace without raising fresh equity in the near to medium term. The bank has relatively high Tier I capital adequacy ratio.

Well capitalized to support growth momentum



Source: Company, In-house research

Balance Sheet (Standalone)

(Rs.Cr)	FY14	FY15	FY16
Liabilities			
Capital	480	501	506
Reserves and surplus	42,999	61,508	72,172
Deposits	367,337	450,796	546,424
Borrowings	39,439	45,214	53,018
Other Liabilities & Provisions	41,403	32,557	36,725
Total Liabilities	491,658	590,576	708,846
Assets			
Cash & Balances	39,584	36,331	38,919
Investments	120,951	166,460	163,886
Advances	303,000	365,495	464,594
Fixed assets	2,940	3,122	3,343
Other assets	25,183	19,168	38,104
Total Assets	491,658	590,576	708,846

Profit & Loss Account (Standalone)

(Rs.Cr)	FY14	FY15	FY16
Interest Income	41,136	48,470	60,221
Interest Expense	22,653	26,074	32,630
Net Interest Income	18,483	22,396	27,592
Non Interest Income	7,920	8,996	10,752
Net Income	26,402	31,392	38,343
Operating Expenses	12,042	13,988	16,980
Total Income	49,055	57,466	70,973
Total Expenditure	34,695	40,062	49,610
Pre Provisioning Profit	14,360	17,404	21,364
Provisions	1,588	2,076	2,726
Profit Before Tax	12,772	15,329	18,638
Tax	4,294	5,113	6,342
Net Profit	8,478	10,216	12,296

Key Ratios (Standalone)

	FY14	FY15	FY16
Per share data (Rs.)			
EPS	35.3	40.8	48.6
DPS	6.9	8.0	9.5
BV	181.2	247.4	287.5
ABV	177.8	243.8	282.9
Valuation (%)			
P/E	36.0	31.2	26.2
P/BV	7.0	5.1	4.4
P/ABV	7.2	5.2	4.5
Div. Yield	0.5	0.6	0.7
Capital (%)			
CAR	16.1	16.8	15.5
Tier I	11.8	13.7	13.2
Tier II	4.3	3.1	2.3
Asset (%)			
GNPA	1.0	0.9	0.9
NNPA	0.3	0.2	0.2
PCR	70.0	77.8	73.7
Management (%)			
Credit/ Deposit	82.5	81.1	85.0
Cost/ Income	45.6	44.6	44.3
CASA	44.8	44.0	43.2
Earnings (%)			
NIM	4.8	4.7	4.8
ROE	21.3	19.4	18.3
ROA	1.9	1.9	1.9

Financial performance snapshot

Net interest income of the bank stood at Rs27,592cr in FY16, a growth of 23.2% as compared to Rs22,396cr in FY15. The NIM (net interest margin) of the bank expanded by 7 bps to 4.8% from 4.7% during the year. The bank's pre-provisioning profit grew by 22.7% YoY to Rs21,364cr in FY16 from Rs17,404cr in FY15. Net profit increased by 20.4% to Rs12,296cr in FY16 from Rs10,216cr in FY15. CAR (Capital Adequacy Ratio) contracted by 130 bps to 15.5% from 16.8% during the period under review.



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