

May 17, 2013

HDFC Ltd.

BSE Code: 500010 NSE Code: HDFC Reuters Code: HDFC.NS Bloomberg Code: HDFC:IN

Founded in 1977, Housing Development Finance Corporation Ltd (HDFC) is a veteran in housing finance business with a vast experience of 35 years. HDFC as a pioneer launched India's first specialised home loan company with an initial capital of ₹100 mn. HDFC has a wide network of 326 offices (which includes 80 offices of HDFC's wholly owned distribution company HDFC Sales Private Limited) catering to over 2,400 towns & cities spread across the country. Besides, it offers a huge range of products including loans for purchase and construction of a residential unit, purchase of plot, home improvement loans, home extension loans etc.

Investor's Rationale

Despite robust loan book topline crawled 0.2% YoY– HDFC, registered a modest surge in topline by 0.2% YoY to ₹110.4 bn for Q4FY'13 on consolidated basis. The reported top-line numbers were triggered on an impressive growth in loan advances 20.6% YoY to ₹1,700 bn. The growth story was further led by overall phenomenal segment performance. Majorly, the loan and life insurance business soared 15.3% and 20.5% YoY to ₹58.8 bn and ₹45.6 bn respectively.

Net profit revolted 17.2% YoY on strong demand from individual borrowers and healthy NII– The company's net profit augmented 17.2% YoY at ₹20.8 bn against ₹17.8 bn helped by higher individual disbursement 31% YoY to ₹1,164 bn. The Net Interest Income (NII) rose 13% YoY to ₹19 bn during the quarter. Besides, on sectoral front the profit from loan business rose abruptly 12.3% YoY to ₹21.8 bn. Further, decline in depreciation cost by 24.8% YoY at ₹0.1 bn also uplifted the bottom line. The Net Interest Margin (NIM) and Cost to Income Ratio (C/I) stood at 4.2% and 7.8% YoY in Q4FY'13. At the end, NPM contracted by 28 bps YoY at 18.9% as against 19.1%.

Resilient asset quality– Total asset of the mortgage lender rose by 17% to ₹1,955.3 bn as against ₹1,675.2 bn a year ago. Gross non-performing assets for the same quarter stood at ₹11.9 bn, while provision for contingencies stood at ₹17.9 bn, constituting 1.05% of the total asset portfolio. Besides, the lender has made a provision of ₹1.5 bn against ₹0.8 bn. The provision was mainly in respect of standard assets as a result of change in the provisioning norms for standard assets.

Credit quality– HDFC has tuned its future on credit quality front. Non-performing loans to individuals during Q4FY'13 rose marginally to 0.58% as against 0.55% during the same period last fiscal. However, corporate NPLs improved to 0.91% from 1.05% during the same period.

Market Data

Rating	BUY
CMP (₹)	903.5
Target Price	1,000
Stop Loss	850
Duration	Short-term
52-week High-Low (₹)	916.6/623.5
Rise from 52WL (%)	45
Correction from 52WH (%)	1.4
Beta	1.2
1 year Average Volume (mn)	2.9
	3M-
	3.2
Stock Return (%)	6M-
	16.6
	1Y-
	38.8
Market Cap (₹bn)	1,394.3
Book Value (₹)	123

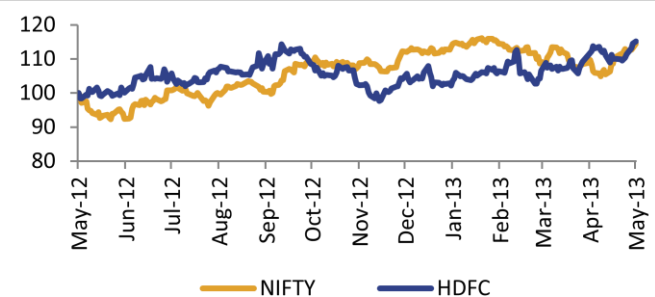
Shareholding Pattern

	Mar'13	Dec'12	Chg
Promoters (%)	-	-	-
FII (%)	73.7	73.2	0.5
DII (%)	13.2	13.7	(0.5)
Public & Others (%)	13.1	13.1	-

Quarterly Performance (Consolidated)

(₹bn)	Q4 FY'13	Q4 FY'12	Q3 FY'13	YoY Change(%)	QoQ Change(%)
Revenue	110.4	92.7	88.6	0.2	0.2
Op. exp	85.8	71.6	70.4	19.7	21.9
EBITDA	24.6	21.1	18.3	16.4	34.6
OPM (%)	22.3	22.8	20.6	(48bps)	166bps
Net profit	20.8	17.8	17.1	17.2	4.2
NPM (%)	18.9	19.1	19.2	(28bps)	(36bps)
EPS (₹)	13.3	11.8	10.9	12.6	21.8

One Year Price Chart





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