

HDFC Bank

Performance Highlights

Particulars (₹ cr)	1QFY19	4QFY18	% chg (qoq)	1QFY18	% chg (yoy)
NII	10,814	10,656	1.48	9,371	15.40
Pre-prov. profit	8,648	8,835	-2.12	7,519	15.01
PAT	4,601	4,799	-4.12	3,893	18.19

Source: Company, Angel Research

HDFC Bank delivered steady performance for Q1FY19, with PAT growth of 18.2% yoy. On the operating front, the bank reported 15.4% yoy growth in NII, however, the numbers disappointed on NIM front. NIM declined by 20bps on a sequential basis to 4.2%. The bank managed to reduce its expenses and brought down the cost/income ratio from 41.7% in 1QFY18 to 40.9% in 1QFY19.

Healthy operating profit growth; Asset quality stable

During 1QFY19, the bank's advances grew by 22% yoy, of which retail loan book increased 25% yoy to constitute 54% of the total advances. The wholesale loans inched up by 18% yoy. The net interest income during this period grew by 15.4% yoy, which is not congruent to the advances growth. NIM compression was led by higher share of home loan (lower yield), lower yield on investment, low CASA growth and interest reversal in agri portfolio. Moreover, a slower rise in opex aided lower cost/income by 75bps yoy to 40.9% in Q1FY19.

Total deposits surged by 20% yoy and 2.2% qoq in 1QFY19. CASA deposits accounted for 41.7% of the total deposits.

On asset quality front, the bank continued to maintain strong asset quality with a GNPA/NPA ratio of 1.33%/0.4% of loans. Total slippages for the quarter were ₹3,580cr vs. ₹2,790cr qoq.

Outlook & Valuation: Credit growth beat the industry growth rate, driven by strong retail business. The Strong liability franchise and healthy capitalisation provides strong earning visibility. At the current market price, the bank is trading at 3.6x FY20E ABV. We recommend a Buy rating on the stock, with a target price of ₹2,350/-.

Key financials (Standalone)

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
NII	27,592	33,139	40,092	46,775	54,803
% chg	23.6	20.1	21.0	16.7	17.2
Net profit	12,296	14,549	17,486	21,080	25,741
% chg	21.2	18.3	20.2	20.6	22.1
NIM (%)	4.5	4.5	4.4	4.3	4.2
EPS (Rs)	48.6	56.8	67.5	77.5	94.6
P/E (x)	44.3	38.0	31.9	27.8	22.8
P/ABV (x)	7.6	6.6	5.4	4.1	3.6
RoA (%)	1.9	1.9	1.8	1.8	1.8
RoE (%)	18.3	18.3	18.2	16.6	16.3

Note: CMP as of 23/7/18

Accumulate

CMP	₹2,158
Target Price	₹2,350

Investment Period 12 Months

Stock Info

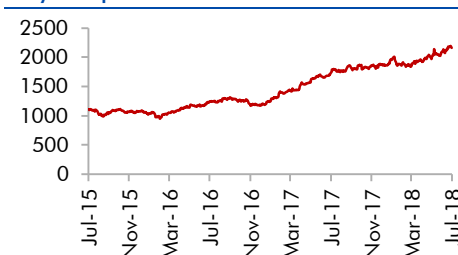
Sector	Banking
Market Cap (₹ cr)	5,70,787
Beta	1.1
52 Week High / Low	2,219/1,685
Avg. Daily Volume	14,97,970
Face Value (₹)	2
BSE Sensex	36,859
Nifty	11,137
Reuters Code	HDBK.NS
Bloomberg Code	HDFCB:IN

Shareholding Pattern (%)

Promoters	20.9
MF / Banks / Indian Fls	17.1
FII / NRIs / OCBs	52.0
Indian Public / Others	10.1

Abs. (%)	3m	1yr	3yr
Sensex	7.0	24.0	29.0
HDFC Bank	12.0	14.0	92.0

3-year price chart



Source: Company, Angel Research

Jaikishan Parmar

Research Analyst

022 – 39357600 Ext: 6810

Jaikishan.parmar@angelbroking.com

Exhibit 1: quarterly results summary

Particulars (₹ cr)	Q2FY17	Q3FY17	Q4FY17	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	% QoQ	% YoY
Interest earned	17,070	17,606	18,115	18,669	19,670	20,581	21,319	22,549	5.8%	20.8%
- on Advances / Bills	12,901	13,176	13,508	14,486	15,356	16,157	16,663	17,391	4.4%	20.1%
- on investments	3,818	4,049	4,268	3,893	4,007	4,100	4,222	4,589	8.7%	17.9%
- on balance with RBI & others	140	187	165	108	107	112	196	332	69.6%	207.2%
- on others	211	194	174	182	202	212	238	237	-0.6%	30.3%
Interest Expended	9,076	9,297	9,059	9,298	9,918	10,267	10,663	11,735	10.1%	26.2%
Net Interest Income	7,994	8,309	9,055	9,371	9,752	10,314	10,656	10,814	1.5%	15.4%
Other income	2,902	3,143	3,446	3,516	3,606	3,868	4,229	3,818	-9.7%	8.6%
- Fee & commission income	2,104	2,207	2,523	2,578	2,614	2,872	3,330	3,171	-4.8%	23.0%
- Treasury income	284	399	180	331	356	259	-22	-283	1187.3%	-185.6%
- Forex & derivative income	295	297	356	297	384	426	416	500	20.1%	68.2%
Others	219	240	386	310	252	311	505	431	-14.7%	38.9%
C/I	44.7%	42.3%	41.8%	41.7%	41.5%	40.4%	40.6%	40.9%		
Operating income	10,896	11,452	12,501	12,887	13,358	14,182	14,885	14,632	-1.7%	13.5%
Operating expenses	4,870	4,843	5,222	5,368	5,540	5,732	6,050	5,984	-1.1%	11.5%
- Employee expenses	1,657	1,689	1,553	1,658	1,716	1,691	1,741	1,811	4.0%	9.2%
- Other Opex	3,213	3,154	3,669	3,710	3,824	4,041	4,309	4,173	-3.1%	12.5%
Pre-provision Profit	6,026	6,610	7,279	7,519	7,818	8,450	8,835	8,648	-2.1%	15.0%
Provisions & Contingencies	749	716	1,262	1,559	1,476	1,351	1,541	1,629	5.7%	4.5%
PBT	5,277	5,894	6,017	5,961	6,342	7,099	7,294	7,018	-3.8%	17.7%
Provision for Tax	1,820	2,028	2,028	2,067	2,191	2,457	2,495	2,417	-3.1%	16.9%
PAT	3,456	3,866	3,990	3,893	4,151	4,641	4,799	4,601	-4.1%	18.2%
Effective Tax Rate (%)	34	34	34	35	35	35	34	34	0.7%	-0.7%
Advance	4,94,418	4,95,043	5,54,568	5,80,976	6,04,867	6,31,215	6,58,333	7,08,649	7.6%	22.0%
YoY%				23%	22%	28%	19%	22%		
Yield Asst	7,18,949	7,35,201	7,80,087	8,17,851	8,55,034	8,69,560	9,18,778	9,96,232		
Borrowing	77,039	72,121	74,029	86,012	1,01,531	1,03,867	1,23,105	1,21,024		
Deposit	5,91,731	6,34,705	6,43,640	6,71,376	6,89,346	6,99,026	7,88,770	8,05,785	2.2%	20.0%
CA	79,154	1,01,239	1,15,574	1,02,030	97,825	1,01,286	1,19,283	1,09,297	-8.4%	7.1%
SA	1,59,950	1,86,634	1,93,579	1,93,105	1,97,655	2,05,833	2,23,810	2,26,656	1.3%	17.4%
CASA	40%	45%	48%	44%	43%	44%	43%	41.7%		
Advance Yield	10.7%	10.7%	10.3%	10.2%	10.4%	10.5%	10.3%	10.2%		
NIM	4.37%	4.34%	4.52%	4.48%	4.47%	4.60%	4.42%	4.20%		
COF	5.54%	5.41%	5.09%	5.04%	5.12%	5.15%	4.97%	5.11%		
GNPA	5,069	5,232	5,886	7,243	7,703	8,235	8,607	9,539	10.8%	31.7%
GNPA	1.03%	1.06%	1.06%	1.25%	1.27%	1.30%	1.31%	1.35%		
NPA	1,469	1,564	1,844	2,528	2,597	2,774	2,601	2,907	11.8%	15.0%
GNPA	0.30%	0.32%	0.33%	0.44%	0.43%	0.44%	0.40%	0.41%		

Source: Company

Income Statement

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
Net Interest Income	27,592	33,139	40,092	46,775	54,803
- YoY Growth (%)	23.6	20.1	21.0	16.7	17.2
Other Income	10,752	12,296	15,221	17,180	21,199
- YoY Growth (%)	19.5	14.4	23.8	12.9	23.4
Operating Income	38,343	45,435	55,313	63,956	76,003
- YoY Growth (%)	22.4	18.5	21.7	15.6	18.8
Operating Expenses	16,980	19,703	22,690	26,090	30,768
- YoY Growth (%)	21.4	16.0	15.2	15.0	17.9
Pre - Provision Profit	21,364	25,732	32,623	37,865	45,235
- YoY Growth (%)	23.2	20.4	26.8	16.1	19.5
Prov. & Cont.	2,726	3,593	5,927	6,252	6,816
- YoY Growth (%)	31.3	31.8	65.0	5.5	9.0
Profit Before Tax	18,638	22,139	26,696	31,614	38,419
- YoY Growth (%)	22.1	18.8	20.6	18.4	21.5
Prov. for Taxation	6,342	7,589	9,210	10,533	12,678
- as a % of PBT	34.0	34.3	34.5	33.3	33.0
PAT	12,296	14,549	17,486	21,080	25,741
- YoY Growth (%)	21.2	18.3	20.2	20.6	22.1

Source: Company

Balance Sheet

Y/E March (₹ cr)	FY16	FY17	FY18	FY19E	FY20E
Share Capital	506	513	518	544	544
Reserves & Surplus	72,172	85,502	1,05,776	1,46,560	1,67,687
Net Worth	72,678	86,014	1,06,294	1,47,104	1,68,231
Deposits	5,46,424	6,43,640	7,88,770	9,30,749	11,16,898
- Growth (%)	21.2	17.8	22.5	18.0	20.0
Borrowings	53,018	74,029	1,23,105	1,23,790	1,56,366
Other Liab & Prov.	36,725	56,709	45,764	74,460	89,352
Total Liabilities	7,08,846	8,60,392	10,63,933	12,76,102	15,30,847
Cash balances	30,058	37,897	1,04,670	51,191	61,429
Bank balances	8,861	11,055	18,244	14,892	17,870
Investments	1,63,886	2,14,463	2,42,200	3,07,147	3,68,576
Advances	4,64,594	5,54,568	6,58,333	8,03,166	9,79,863
- Growth (%)	27.1	19.4	18.7	22.0	22.0
Fixed Assets	3,343	3,627	3,607	5,771	6,925
Other Assets	38,104	38,782	36,879	93,935	96,183
Total Assets	7,08,846	8,60,392	10,63,933	12,76,102	15,30,847
- Growth (%)	20.0	21.4	23.7	19.9	20.0

Source: Company

Key Ratio

Y/E March	FY16	FY17	FY18	FY19E	FY20E
Profitability Ratios (%)					
NIMs	4.5	4.5	4.4	4.3	4.2
Cost to Income Ratio	44.3	43.4	41.0	40.8	40.5
RoA	1.9	1.9	1.8	1.8	1.8
RoE	18.3	18.3	18.2	16.6	16.3
B/S ratios (%)					
CASA Ratio	43.2	48.0	43.5	45.0	45.0
Credit/Deposit Ratio	85.0	86.2	83.5	86.3	87.7
CAR	15.5	14.7	17.3	16.7	16.1
- Tier I	13.2	12.9	15.8	15.4	15.1
Asset Quality (%)					
Gross NPAs	0.9	1.1	1.3	1.3	1.3
Net NPAs	0.3	0.3	0.4	0.4	0.4
Slippages	1.6	1.5	1.5	1.0	1.0
Loan Loss Prov./Avg. Assets	0.6	0.6	0.9	0.8	0.7
Provision Coverage	70	69	69	69	69
Per Share Data (₹)					
EPS	48.6	56.8	67.5	77.5	94.6
BVPS	287	336	410	541	619
ABVPS	282	328	400	529	607
DPS	9.5	11.5	13.5	13.5	14.5
Valuation Ratios					
PER (x)	44.3	38.0	31.9	27.8	22.8
P/BVPS (x)	7.5	6.4	5.3	4.0	3.5
P/ABVPS (x)	7.6	6.6	5.4	4.1	3.6
Dividend Yield	0.4	0.5	0.6	0.6	0.7
DuPont Analysis (%)					
Interest Income	9.3	8.8	8.3	8.3	8.2
Interest Expenses	5.0	4.6	4.2	4.3	4.3
NII	4.2	4.2	4.2	4.0	3.9
Non Interest Income	1.7	1.6	1.6	1.5	1.5
Total Revenues	5.9	5.8	5.7	5.5	5.4
Operating Cost	2.6	2.5	2.4	2.2	2.2
PPP	3.3	3.3	3.4	3.2	3.2
Total Provisions	0.4	0.5	0.6	0.5	0.5
PreTax Profit	2.9	2.8	2.8	2.7	2.7
Tax	1.0	1.0	1.0	0.9	0.9
ROA	1.9	1.9	1.8	1.8	1.8
Leverage	9.6	9.9	10.0	9.2	8.9
RoE (%)	18.3	18.3	18.2	16.6	16.3

Note - Valuation done on closing price of 23/07/2018

Research Team Tel: 022 - 39357800

 E-mail: research@angelbroking.com

 Website: www.angelbroking.com

DISCLAIMER

Angel Broking Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager and Investment Adviser with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel Broking Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market. Angel or its associates/analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Investors are advised to refer the Fundamental and Technical Research Reports available on our website to evaluate the contrary view, if any

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel Broking Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel Broking Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel Broking Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel Broking Pvt. Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information.

Disclosure of Interest Statement	HDFC Bank
1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No