



# HDFC Bank

BSE SENSEX  
17,214

S&P CNX  
5,227

**CMP: INR587**

**TP: INR600**

**Neutral**

	HDFCB IN	Year End	Net Income (INR m)	PAT (INR m)	EPS (INR)	EPS Gr. (%)	P/E (X)	BV (INR)	P/BV (X)	P/ABV (X)	RoAA (%)	RoAE (%)
Bloomberg Equity Shares (m)	2,346.7	3/11A	148,783	39,264	16.9	31.0	-	109.1	-	-	1.6	16.7
52-Week Range (INR)	594/400	3/12A	175,405	51,671	22.0	30.4	26.7	127.4	4.6	4.6	1.7	18.7
1,6,12 Rel.Perf.(%)	6/18/24	3/13E	217,224	67,257	28.7	30.2	20.5	149.4	3.9	4.0	1.8	20.7
M.Cap. (INR b)	1,377.2	3/14E	263,361	83,817	35.7	24.6	16.4	176.7	3.3	3.4	1.8	21.9
M.Cap. (USD b)	24.9											

HDFC Bank's 1QFY13 PAT grew 31% YoY to INR14.2b (in-line with estimates). Key positives: (1) Above industry loan growth (+9% QoQ, 22% YoY), (2) NIM of 4.3% (+10bp QoQ), (3) strong fee income (+23% YoY), and (4) stable asset quality. Key highlights:

- Loan growth was driven by corporate segment (+15% QoQ, 11% YoY), forming 73% of loans during the quarter. Retail loans grew 4% QoQ and 33% YoY and its share stood at 52.4% as against 54.8% in FY12.
- SA deposits growth was impressive (+4% QoQ, +18% YoY), despite increasing competitive intensity post deregulation in savings deposit rates. However, sequential decline in CA deposits (down 8% QoQ - seasonal in nature) led to fall in CASA ratio to 46% v/s 48.4% a quarter ago.
- Other highlights: 1) HDFCB opened 20 branches and 796 ATMs during the quarter. Outstanding pool of floating provision stood at INR16.75b (INR7/share).

**Valuation and view:** HDFC Bank is best placed in the current environment, with (1) CASA ratio of ~46%, (2) growth outlook of 1.3x of the industry, (3) improving operating efficiency, (4) expected traction in income due to strong expansion in branch network and (5) best in the class asset quality. While we remain positive on the bank's business, we believe valuations are rich. Over FY07-12, peak one-year forward P/BV was 5x and average one-year forward P/BV was 3.4x. The stock trades at 3.9x FY13E and 3.3x FY14E BV. Maintain **Neutral**.

## HDFC Bank: Quarterly Performance

	FY12				FY13				(INR Million)	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY12	FY13E
Interest Income	59,780	67,177	72,026	73,880	80,074	82,658	85,171	87,302	272,864	335,204
Interest Expense	31,300	37,732	40,867	39,997	45,234	46,591	47,290	47,857	149,896	186,971
Net Interest Income	28,480	29,445	31,160	33,883	34,841	36,067	37,881	39,444	122,968	148,233
% Change (Y-o-Y)	18.6	16.6	12.2	19.3	22.3	22.5	21.6	16.4	16.6	20.5
Other Income	11,200	12,117	14,200	14,920	15,295	16,424	17,770	19,502	52,437	68,990
Net Income	39,680	41,562	45,360	48,803	50,135	52,491	55,651	58,946	175,405	217,224
Operating Expenses	19,346	20,304	21,580	24,671	24,326	24,894	25,304	28,336	85,901	102,860
Operating Profit	20,334	21,258	23,780	24,132	25,809	27,598	30,347	30,610	89,504	114,364
% Change (Y-o-Y)	16.3	17.6	14.7	15.1	26.9	29.8	27.6	26.8	15.9	27.8
Other Provisions	4,437	3,661	3,292	2,983	4,873	4,800	3,200	2,946	14,373	15,819
Profit before Tax	15,897	17,598	20,488	21,149	20,936	22,798	27,147	27,664	75,132	98,544
Tax Provisions	5,047	5,604	6,191	6,618	6,762	7,181	8,551	8,793	23,461	31,288
Net Profit	10,850	11,994	14,297	14,531	14,174	15,616	18,595	18,871	51,671	67,257
% Change (Y-o-Y)	33.7	31.5	31.4	30.4	30.6	30.2	30.1	29.9	31.6	30.2
Deposit Growth (%)	15.4	18.1	21.0	18.3	22.0	16.1	21.0	21.0	18.3	21.0
Loan Growth (%)	20.0	20.0	22.1	22.2	21.5	21.1	22.2	22.0	22.2	22.0
CD Ratio (%)	83.1	81.7	83.6	79.2	82.8	85.2	84.4	79.9	79.2	79.9
Net Interest Margin (Reported,%)*	4.2	4.1	4.1	4.2	4.3	-	-	-	4.2	-
Net Interest Margin (Cal, %)##	4.7	4.5	4.6	4.7	4.6	4.5	4.5	4.5	4.6	4.5
Tax Rate (%)	31.7	31.8	30.2	31.3	32.3	31.5	31.5	31.8	31.2	31.8
Gross NPA (INR B)	18.3	18.9	20.2	20.0	20.9	24.0	27.6	31.3	20.0	31.3
Gross NPA (%)	1.0	1.0	1.0	1.0	1.0	1.0	1.2	1.3	1.0	1.3

E: MOSL Estimates; \* Reported on total assets; # Cal. on interest earning assets

**Alpesh Mehta** (Alpesh.Mehta@MotilalOswal.com); + 91 22 3982 5415

**Sohail Halai** (Sohail.Halai@MotilalOswal.com); + 91 22 3982 5430

**Quarterly performance: In line with estimate**

Y/E March	1QFY13A	1QFY13E	V/S our Est	Comments
<b>Net Interest Income</b>	<b>34,841</b>	<b>34,348</b>	<b>1</b>	<b>NIM improves 10bp QoQ - a positive surprise</b>
% Change (Y-o-Y)	22	21		
Other Income	15,295	14,038	9	Core Fee and forex income growth impressive
<b>Net Income</b>	<b>50,135</b>	<b>48,386</b>	<b>4</b>	
Operating Expenses	24,326	22,876	6	Strong branch expansion over past one year
<b>Operating Profit</b>	<b>25,809</b>	<b>25,510</b>	<b>1</b>	
% Change (Y-o-Y)	27	25		
Other Provisions	4,873	4,900	-1	Asset Quality remains strong
<b>Profit before Tax</b>	<b>20,936</b>	<b>20,610</b>	<b>2</b>	
Tax Provisions	6,762	6,492	4	
<b>Net Profit</b>	<b>14,174</b>	<b>14,118</b>	<b>0</b>	<b>Core operating parameters remains impressive</b>
% Change (Y-o-Y)	31	30		

Source: Company/MOSL

**Margin improved 10bo QoQ - better than estimate; Fee income performance remains impressive:** Reported margin improved 10bp QoQ to 4.3% led by improvement in CD ratio (+360bp) and benefit of reduction in CRR. Continued traction in retail liabilities, superior CASA ratio and higher share of fixed rate retail loans will help HDFCB maintain margins despite overall fall in interest rates in the system. Fee income growth was strong at 23% YoY v/s 19% YoY for FY12. Forex income improved sharply to INR3.15b (INR2.3b in 1QFY12). Past four quarters' negative drag due to profit on sale of investment was behind as bank booked a gain of INR665m (v/s loss of INR715m in 4QFY12 and INR2b in FY12).

**Impeccable asset quality performance:** GNPA's in absolute terms increased just 4% QoQ. In percentage terms, GNPA and NNPA were flat QoQ. PCR remained healthy at 81% (v/s 82.4% QoQ). Benign asset quality in retail segment and lower exposure to stressed sectors in corporate segment is leading to consistently strong asset quality performance, keeping credit cost under check. During the quarter provisions stood at INR4.8b of which INR2.4b is towards floating. Specific provision related to credit cost stood at 34bp v/s reported 23bp in 4QFY12 and 36bp in 1QFY12. Outstanding pool of floating provision stood at INR16.75b (INR7/share). Gross restructured loan in % terms declined marginally to 0.3% v/s 0.4% a quarter ago.

**Loan growth driven by corporate segment; Share of retail loan at 52.4% as against 54.8% in FY12:** Reported loans grew 9% QoQ and 22% YoY to INR2.1t. Incremental loans during the quarter were driven by non retail loans (up 15% QoQ and 11% YoY), whereas retail loans grew 4% QoQ and 33% YoY. Share of retail loans in overall loans declined to 52.4% v/s 54.8% in FY12 (47.8% in 1QFY12). Bank reported strong growth in CV/CE loans (+11% QoQ, +59% YoY), credit card (+10% QoQ, +42% YoY) and personal loan (+6% QoQ, +35% YoY). Traction in gold loan remained strong (+15% QoQ, +103% YoY), and share of gold loans in overall portfolio increased to 1.6% v/s 1% a year ago (1.5% a quarter ago). Home loan grew 23% YoY to INR136b (down 5% QoQ).

**SA deposit growth remains strong; CASA ratio declines QoQ:** SA deposits grew impressively (+4% QoQ, +18% YoY), despite increasing competitive intensity post deregulation in savings deposit rates. However, sequential decline in CA deposits

(down 8% QoQ - seasonal in nature) led to overall moderation in CASA (+14% YoY and flat QoQ). As a result, CASA ratio declined to 46% v/s 48.4% in 4QFY12.

**Cost to core Income ratio declined to 52.5% v/s 53.3% a quarter ago:** Opex grew 26% YoY to INR24.3b (flat QoQ). HDFCB opened 20 branches and 796 ATMs during the quarter. HDFCB has added 453 branches and 3,711 ATMs over past one year. Other operating expenses grew 25% YoY led by this strong distribution expansion.

### Key takeaways from Earnings Conference Call

- HDFCB reduced its base rate by 20bp in 1QFY13, impact of which on NIM would be 4-5bp, as 20-25% of the overall loan portfolio is linked to base rate which gets re-priced immediately.
- Fixed deposit growth remained strong at 29% YoY; however, this was led by strong inflow of NRE term deposits during the quarter. Adjusting for this, fixed deposit growth would have been ~22% and CASA ratio decline would have been restricted to ~47%. Bulk deposits as a proportion to overall deposits remains in the range of 10-15%.
- In 3QFY12, HDFCB had changed its strategy and moderated corporate loans due to high rates on cost bulk deposits and lower margins in this business. With high cost deposits now coming down, HDFCB has resumed corporate lending, thereby leading to strong 15% sequential growth. The bank remains focused on working capital and short term financing on corporate side.
- Traction in gold loan remains strong. Currently, HDFCB is offering gold loan through 600 branches.
- Management stated that retail delinquency is at its historic low and though there is some evidence of increased stress in retail segment, it remains significantly lower than product credit cost modeled.
- Fee income growth has been marginally higher over past two quarters due to some one-off gains. Forex income growth remains strong led by higher volume growth (due to increased volatility in exchange rates). Lower base of 1HFY12 due to negative impact of regulatory changes in mutual fund distribution and insurance commission would ensure healthy growth. Change in regulation for card-related fees is likely to impact fees marginally. Overall fee income growth is expected to be 18-20%.
- While reported CAR stood at 15.5% with Tier I ratio at 10.9%, including 1Q earnings it would be higher by ~50bp. RWA growth was largely in-line with loan growth, despite strong growth in corporate portfolio, due to higher operational risk.
- Bank targets to add 250-300 branches every year and expects cost to income ratio to improve 200-300bp over next 3-4 years due to productivity gains.

### Valuation and view

- HDFCB is best placed in the current environment, with (1) CASA ratio of ~46%, (2) growth outlook of 1.3x the industry, (3) improving operating efficiency, (4) expected traction in income due to strong expansion in branch network, and (5) best in the class asset quality.
- The bank has effectively utilized excess profits to create buffer. HDFCB has been able to consistently deliver margins of 4.2%+ despite increase in cost of funds as strong pricing power in retail segment has helped the bank to maintain margins.

In a falling interest rate scenario higher proportion, of fixed rate loan and CASA deposits will provide cushion to margins.

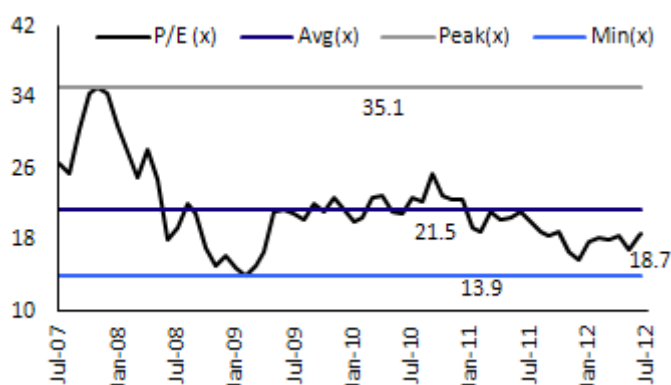
- In FY13/14, even though slippages might get normalized to average levels in retail segment and credit cost would increase, buffer on account of higher base due to floating provisions would provide cushion to earnings CAGR of 27%+ over FY12-14. Over past few quarters, fee income growth has also been impressive and continued traction on the same will aid profitability. We factor fee income CAGR of 20% over FY12/14.
- A third of HDFCB's branches are less than 24 months old; further, a large part of branch expansion happened outside top 9 cities, where breakeven period is 24-30 months. Going forward, this strong expansion in hinterland will not only help customer acquisition and product penetration but also meet priority sector targets.
- We expect EPS CAGR of ~27% over FY12-14 against 25% over FY07-12. HDFCB also carries floating provision of INR16.75b (INR7/share) created during FY11-12 to smoothen the strong earnings growth led by better than factored in credit cost on retail loans.
- While we remain positive on the bank's business, we believe valuations are rich. Over FY07-12, peak one-year forward P/BV was 5x and average one-year forward P/BV was 3.4x. The stock trades at 3.9x FY13E and 3.3x FY14E BV and P/E of 20.5x FY13E and 16.4x FY14E. Maintain **Neutral**, with a TP of INR600 (3.4x FY14E BV).

#### We largely maintain our earning estimates (INR b)

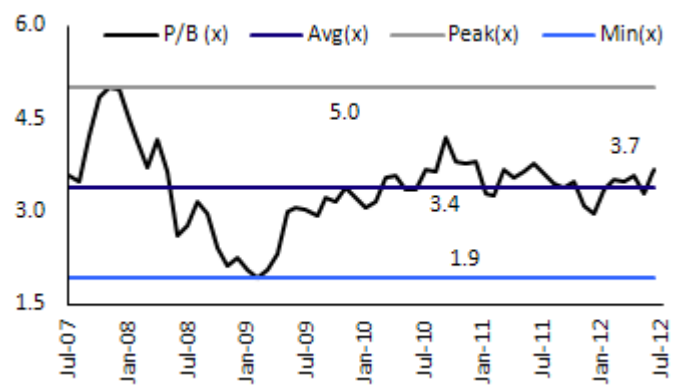
	Old Estimates		Revised Estimates		Change (%)	
	FY13	FY14	FY13	FY14	FY13	FY14
Net Interest Income	147.3	177.0	148.2	178.3	0.6	0.8
Other Income	68.0	82.8	69.0	85.0	1.5	2.7
<b>Total Income</b>	<b>215.3</b>	<b>259.8</b>	<b>217.2</b>	<b>263.4</b>	<b>0.9</b>	<b>1.4</b>
Operating Expenses	99.9	115.5	102.9	121.2	3.0	4.9
<b>Operating Profits</b>	<b>115.4</b>	<b>144.3</b>	<b>114.4</b>	<b>142.2</b>	<b>-0.9</b>	<b>-1.5</b>
Provisions	17.6	22.8	15.8	19.8	-9.9	-13.1
<b>PBT</b>	<b>97.9</b>	<b>121.5</b>	<b>98.5</b>	<b>122.4</b>	<b>0.7</b>	<b>0.7</b>
Tax	30.6	38.0	31.3	38.5	2.3	1.5
<b>PAT</b>	<b>67.3</b>	<b>83.5</b>	<b>67.3</b>	<b>83.8</b>	<b>0.0</b>	<b>0.3</b>
Margins (%)	4.5	4.5	4.5	4.5		
Credit Cost (%)	0.7	0.8	0.7	0.7		
<b>RoA (%)</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>		
<b>RoE (%)</b>	<b>20.7</b>	<b>21.8</b>	<b>20.7</b>	<b>21.9</b>		

Source: MOSL

#### HDFC Bank: One year forward P/E

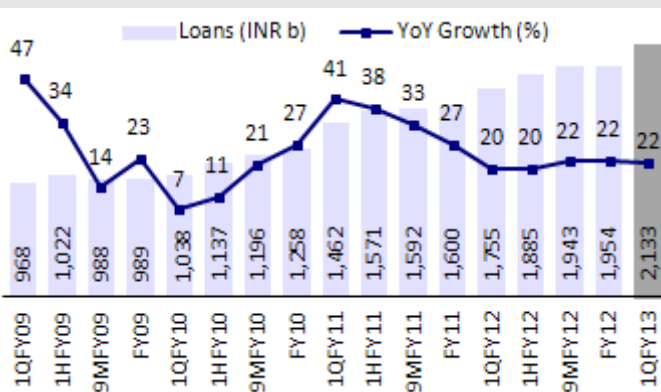


#### HDFC Bank: One year forward P/BV



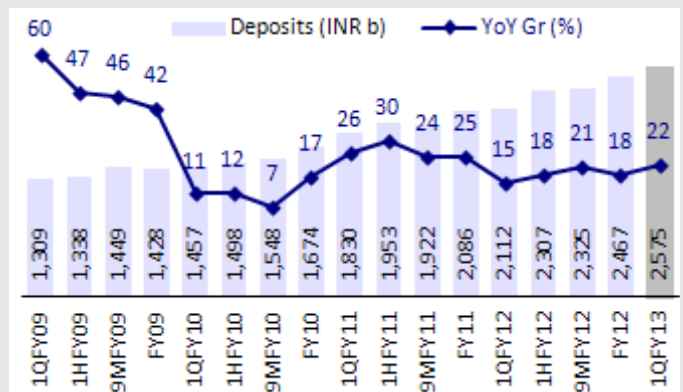
## Quarterly trends

### Loans growth remain above industry average



■ Incremental loans in 1QFY13 were driven by non retail loans (up 15% QoQ and 11% YoY)

### Deposits growth remain in-line with loan growth



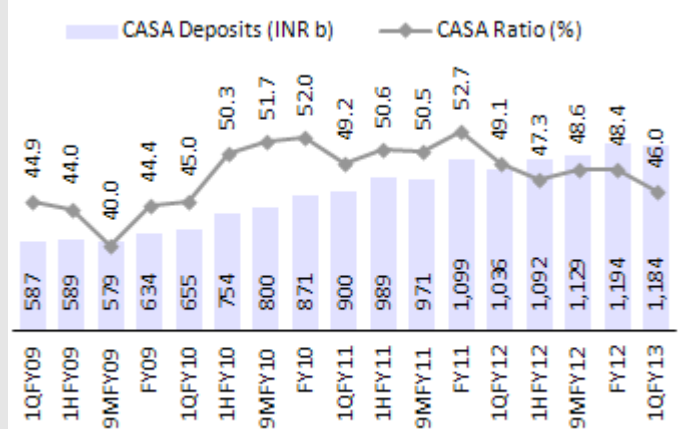
■ Deposits grew 4.4% QoQ and 22% YoY; Strong growth in NRE deposits led to 29% YoY growth in term deposits growth

### Retail loan growth remains healthy across segments

(INR b)	1Q FY13	1Q FY12	YoY Gr (%)	4Q FY12	QoQ Gr (%)
Auto Loans	275	232	18.5	264	4.2
Personal Loans	148	110	34.6	139	6.4
Loan against Secur.	10	11	-9.6	10	-7.7
Two wheeler	27	21	28.4	25	4.6
CV & Const Equip.	144	91	59.5	131	10.7
Credit Cards	77	54	42.2	70	10.4
Business Banking	195	154	27.0	186	4.8
Home Loans	136	110	23.2	143	-4.6
Gold Loan	35	17	103.3	30	15.1
Others	72	39	83.8	73	-1.4
<b>Retail Loans</b>	<b>1,119</b>	<b>839</b>	<b>33.4</b>	<b>1,071</b>	<b>4.4</b>
Corporate Loans	1,015	917	10.7	883	14.9
<b>Total Loans</b>	<b>2,133</b>	<b>1,755</b>	<b>21.5</b>	<b>1,954</b>	<b>9.2</b>

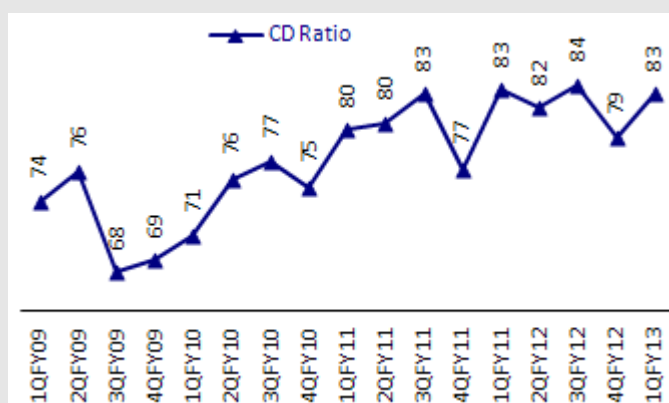
■ CV & CE loans (+11% QoQ and 59% YoY), personal loans (+6% QoQ and 35% YoY) and Credit card segment (+10% QoQ and 42% YoY) were the key drivers of retail loan growth

### Moderation in CA deposits growth led to fall in CASA ratio (%)



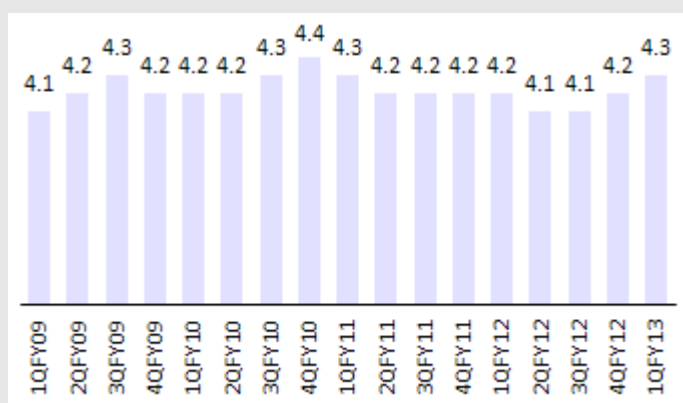
■ SA deposits grew 4% QoQ and 18% YoY while CA deposit growth moderated to 7% YoY (down 8% QoQ - seasonal in nature).

### CD ratio improves 363bp QoQ (%)



■ Incremental funding during the quarter done by borrowings (+9% QoQ and +19% YoY)

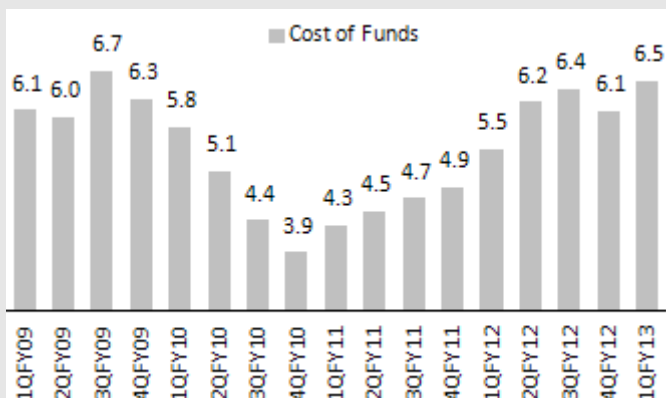
### NIM (on total assets) improves QoQ - a +ve surprise (%)



■ Reported margin improved 10bp QoQ to 4.3% led by benefit of reduction in CRR and lag impact of higher share of high yielding fixed rate retail loans

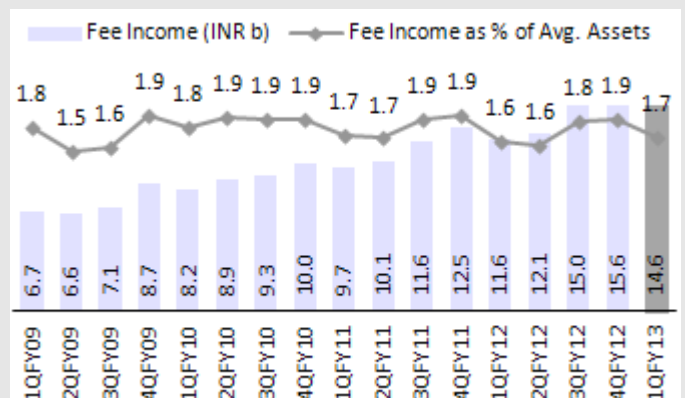
## Quarterly trends (continued)

### Cost of funds (cal) increase - in line with industry trend (%)



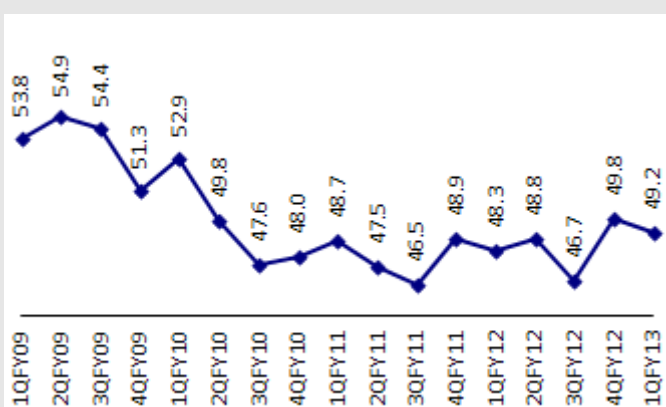
■ Higher inflows in fixed deposits and fall in CASA ratio led to the rise in cost of funds

### Strong growth in fee income (incl forex)



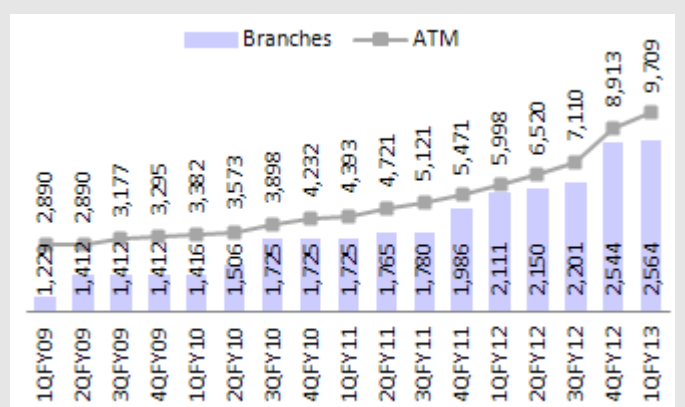
■ Fee income (incl. forex) grew 26% YoY; Strong growth over past 3 quarters aided by lower base and some one-offs

### Cost/Core Income declines marginally (%)



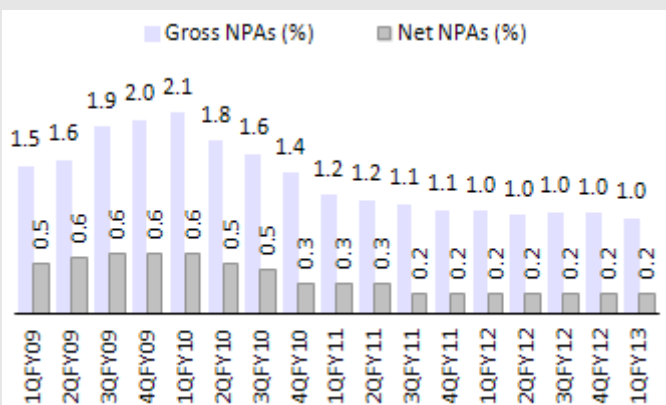
■ Despite high opex growth of 26% YoY strong growth in core income led to largely stable cost to core income ratio YoY

### Branch expansion over past one year remains strong



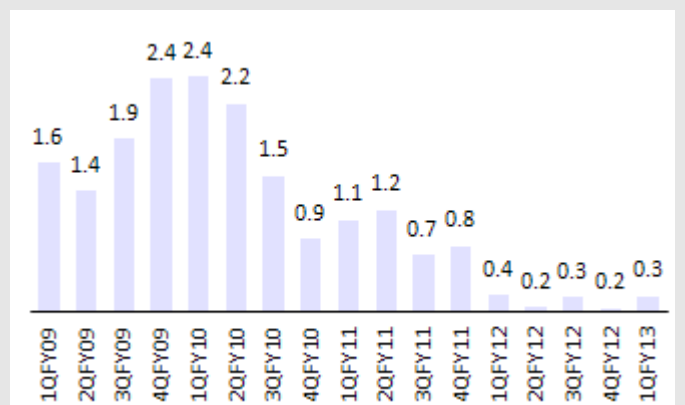
■ In the past one year, the bank has added 453 branches and 3,711 ATMs

### Asset quality remains best amongst the peers



■ In absolute terms, GNPA's were increased 4% QoQ; PCR at 81%

### Cyclical low retail NPA leading to lower credit cost (%)



■ In 1QFY13, NPA provisions stood at INR1.75b; bank made floating provision INR2.4b

## Quarterly Snapshot

	FY11				FY12				FY13	Variation (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	QoQ	YoY
<b>Profit and Loss (INR m)</b>											
Net Interest Income	24,011	25,263	27,767	28,395	28,480	29,445	31,160	33,883	34,841	3	22
Other Income	9,904	9,607	11,278	12,558	11,200	12,117	14,200	14,920	15,295	3	37
Trading profits	215	-521	-307	86	-413	-13	-818	-715	665	N.A.	N.A.
Exchange Profits	1,718	1,523	2,168	2,454	2,301	2,180	3,656	3,252	3,148	-3	37
Others (Ex non core)	7,971	8,605	9,417	10,018	9,312	9,950	11,362	12,383	11,482	-7	23
<b>Total Income</b>	<b>33,916</b>	<b>34,870</b>	<b>39,045</b>	<b>40,952</b>	<b>39,680</b>	<b>41,562</b>	<b>45,360</b>	<b>48,803</b>	<b>50,135</b>	<b>3</b>	<b>26</b>
Operating Expenses	16,429	16,799	18,318	19,984	19,346	20,304	21,580	24,671	24,326	-1	26
Employee	6,671	7,106	7,251	7,334	7,810	8,231	8,674	9,284	9,932	7	27
Others	9,758	9,693	11,068	12,650	11,536	12,073	12,905	15,387	14,394	-6	25
<b>Operating Profits</b>	<b>17,487</b>	<b>18,071</b>	<b>20,727</b>	<b>20,969</b>	<b>20,334</b>	<b>21,258</b>	<b>23,780</b>	<b>24,132</b>	<b>25,809</b>	<b>7</b>	<b>27</b>
Provisions	5,550	4,545	4,659	4,313	4,437	3,661	3,292	2,983	4,873	63	10
<b>PBT</b>	<b>11,937</b>	<b>13,526</b>	<b>16,068</b>	<b>16,655</b>	<b>15,897</b>	<b>17,598</b>	<b>20,488</b>	<b>21,149</b>	<b>20,936</b>	<b>-1</b>	<b>32</b>
Taxes	3,820	4,405	5,190	5,508	5,047	5,604	6,191	6,618	6,762	2	34
<b>PAT</b>	<b>8,117</b>	<b>9,121</b>	<b>10,878</b>	<b>11,147</b>	<b>10,850</b>	<b>11,994</b>	<b>14,297</b>	<b>14,531</b>	<b>14,174</b>	<b>-2</b>	<b>31</b>
<b>Asset Quality</b>											
GNPA	17,912	18,412	17,818	16,943	18,331	18,949	20,206	19,994	20,863	4	14
NNPA	4,125	4,085	3,307	2,964	3,185	3,553	3,980	3,523	3,960	12	24
GNPA (%)	1.2	1.2	1.1	1.1	1.0	1.0	1.0	1.0	1.0	-5	-7
NNPA (%)	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0	0
PCR (Calculated, %)	77	78	81	83	83	81	80	82	81	-136	-161
<b>Ratios (%)</b>											
Fees to Total Income	23.5	24.7	24.1	24.5	23.5	23.9	25.0	25.4	22.9		
Cost to Core Income	51.4	49.6	49.3	52.0	51.2	51.5	50.7	53.3	52.5		
Tax Rate	32.0	32.6	32.3	33.1	31.7	31.8	30.2	31.3	32.3		
CASA (Reported)	49.2	50.6	50.5	51.0	49.1	47.3	47.7	48.4	46.0	-240	-310
Loan/Deposit	79.9	80.4	82.8	76.7	83.1	81.7	83.6	79.2	82.8	363	-28
CAR	16.3	17.0	16.3	16.2	16.9	16.5	16.3	16.5	15.5		
Tier I	12.4	12.7	12.1	12.2	11.4	11.4	11.2	11.6	10.9		
RoA	1.4	1.5	1.7	1.7	1.5	1.6	1.8	1.7	1.6		
RoE	14.7	15.8	17.8	17.7	16.7	17.6	19.9	19.6	18.4		
<b>Margins (%) - Calculated</b>											
Yield on loans	9.7	9.7	10.0	10.4	10.8	11.0	11.3	11.5	11.9	35	110
Yield On Investments	7.1	7.1	7.7	7.7	7.8	8.5	8.8	7.8	8.0	23	17
Yield on funds	8.6	8.8	9.3	9.5	9.8	10.3	10.5	10.2	10.5	29	72
Cost of funds	4.3	4.5	4.7	4.9	5.5	6.2	6.4	6.1	6.5	46	104
Spreads	4.3	4.3	4.6	4.6	4.3	4.1	4.1	4.2	4.0	-17	-32
Margins	4.7	4.6	4.9	4.9	4.7	4.5	4.6	4.7	4.6	-12	-9
Margins (%) - Reported	4.3	4.2	4.2	4.2	4.2	4.1	4.1	4.2	4.3	10	10
<b>Balance Sheet (INR b)</b>											
Loans	1,462	1,571	1,592	1,600	1,755	1,885	1,943	1,954	2,133	9	22
Investments	608	637	630	709	729	788	802	975	902	-8	24
Deposits	1,830	1,953	1,922	2,086	2,112	2,307	2,325	2,467	2,575	4	22
CASA Deposits	900	989	971	1,099	1,036	1,092	1,129	1,194	1,184	-1	14
of which Savings	539	595	610	634	648	690	703	740	767	4	18
Current	362	394	360	465	388	402	426	454	417	-8	7
Borrowings	115	133	134	144	220	223	244	238	261	9	19
<b>Total Assets</b>	<b>2,333</b>	<b>2,500</b>	<b>2,498</b>	<b>2,774</b>	<b>2,859</b>	<b>3,157</b>	<b>3,355</b>	<b>3,379</b>	<b>3,600</b>	<b>7</b>	<b>26</b>
<b>Franchise</b>											
Branches	1,725	1,765	1,780	1,986	2,111	2,150	2,201	2,544	2,564	20	453
ATM	4,393	4,721	5,121	5,471	5,998	6,520	7,110	8,913	9,709	796	3,711

For %age change QoQ and YoY is bp

Source: Company/MOSL

## Stock Info

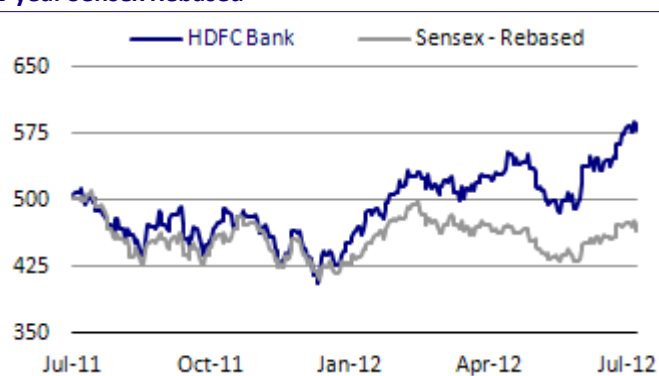
### EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY13	28.7	27.8	3.4
FY14	35.7	34.4	3.7

### Shareholding pattern (%)

	Jun-12	Mar-12	Jun-11
Promoter	23.1	23.2	23.3
Domestic Inst	10.7	10.5	11.1
Foreign	49.0	48.8	47.7
Others	17.3	17.5	17.9

### 1-year Sensex Rebased



### Financials: Valuation Matrix

	Rating	CMP (INR)	Mcap (USD\$b)	EPS (INR)		P/E (x)		P/BV (x)		RoA (%)		RoE (%)		Dividend Yield (%) #
				FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14	FY13	FY14	
ICICIBCB*	Buy	926	19.0	68	79	10.6	8.8	1.6	1.4	1.5	1.6	14.5	15.2	1.8
HDFCB	Neutral	587	24.6	29	36	20.5	16.4	3.9	3.3	1.8	1.8	20.7	21.9	0.7
AXSB	Buy	1,035	7.6	115	134	9.0	7.7	1.6	1.4	1.6	1.5	19.7	19.4	1.5
KMB	Neutral	603	8.0	28	32	21.6	18.8	3.0	2.6	1.6	1.4	14.9	14.8	0.1
YES	Buy	349	2.2	34	41	10.2	8.4	2.2	1.8	1.5	1.4	23.3	23.1	1.1
IIB	Buy	337	2.8	21	28	15.8	12.2	2.9	2.4	1.6	1.7	20.2	21.8	0.7
VYSB	Buy	389	1.0	34	41	11.3	9.5	1.4	1.2	1.0	1.0	12.6	13.4	1.0
FB	Buy	434	1.3	51	59	8.5	7.4	1.2	1.0	1.3	1.3	14.5	14.9	2.1
J&KBK	Buy	933	0.8	187	216	5.0	4.3	0.9	0.8	1.4	1.3	20.4	20.2	3.6
SIB	Buy	25	0.3	4	5	6.2	5.0	1.2	1.0	1.0	1.1	20.6	21.6	2.4
<b>Private Aggregate</b>			<b>67.7</b>			<b>14.6</b>	<b>12.3</b>	<b>2.3</b>	<b>2.0</b>					
SBIN (cons)*	Buy	2,179	26.1	288	343	7.2	6.0	1.2	1.0	1.1	1.1	17.7	18.2	1.6
PNB	Buy	843	5.1	158	192	5.3	4.4	0.9	0.8	1.1	1.1	18.7	19.4	2.6
BOI	Neutral	337	3.5	55	64	6.1	5.2	0.9	0.8	0.8	0.8	15.7	16.1	2.1
BOB	Neutral	720	5.3	122	137	5.9	5.3	1.0	0.9	1.0	1.0	18.2	17.5	2.4
CBK	Buy	425	3.4	78	89	5.4	4.8	0.8	0.7	0.9	0.9	15.8	15.8	2.6
UNBK	Buy	212	2.1	45	51	4.7	4.2	0.8	0.7	0.9	0.9	17.9	17.6	3.8
IOB	Neutral	83	1.2	16	19	5.2	4.4	0.6	0.5	0.5	0.5	11.5	12.5	5.4
OBC	Buy	256	1.3	49	56	5.2	4.6	0.6	0.6	0.7	0.7	12.3	12.7	3.1
INBK	Buy	187	1.4	43	47	4.3	4.0	0.8	0.7	1.2	1.2	18.2	17.3	4.0
CRPBK	Neutral	421	1.1	111	119	3.8	3.5	0.7	0.6	0.9	0.9	18.4	17.3	4.9
ANDB	Buy	115	1.1	26	29	4.4	4.0	0.8	0.7	1.1	1.0	18.4	17.6	4.8
IDBI	Neutral	95	2.2	18	21	5.2	4.6	0.6	0.6	0.8	0.7	12.7	13.0	3.7
DBNK	Buy	103	0.6	24	25	4.2	4.1	0.7	0.6	0.9	0.8	18.2	16.1	3.1
<b>Public Aggregate</b>			<b>54.5</b>			<b>6.7</b>	<b>5.8</b>	<b>1.0</b>	<b>0.9</b>					
HDFC*	Buy	675	17.8	32	39	14.7	11.3	4.5	3.5	2.9	2.9	29.4	30.9	1.6
LICHF	Buy	263	2.4	25	33	10.7	8.0	2.0	1.7	1.7	1.8	18.8	21.8	1.4
DEWH	Buy	166	0.3	34	46	4.9	3.6	0.9	0.8	1.4	1.4	19.7	21.0	2.1
IDFC	Buy	137	3.7	11	13	12.1	8.5	1.3	1.1	2.6	2.6	13.3	14.0	1.7
RECL	Buy	193	3.4	34	41	5.7	4.7	1.1	1.0	3.0	3.0	21.4	22.4	3.9
POWF	Buy	185	4.4	28	31	6.7	5.9	1.0	0.9	2.6	2.6	16.5	16.5	3.2
SHTF	Buy	564	2.3	63	72	8.9	7.9	1.8	1.5	2.9	2.9	21.7	20.5	1.7
MMFS	Buy	660	1.2	78	93	8.4	7.1	1.9	1.6	3.6	3.6	24.7	24.5	2.1
<b>NBFC Aggregate</b>			<b>35.5</b>			<b>11.3</b>	<b>9.5</b>	<b>2.0</b>	<b>2.0</b>					

\*Multiples adj. for value of key ventures/Investments; For ICICI Bank, HDFC Ltd BV is adjusted for investments in subsidiaries  
# Div Yield based on FY12 declared dividend



## Financials and Valuation

Income Statement					(INR Million)	
Y/E March	2009	2010	2011	2012	2013E	2014E
Interest Income	163,323	161,727	199,282	272,864	335,204	392,809
Interest Expense	89,111	77,863	93,851	149,896	186,971	214,486
<b>Net Interest Income</b>	<b>74,212</b>	<b>83,864</b>	<b>105,431</b>	<b>122,968</b>	<b>148,233</b>	<b>178,323</b>
Change (%)	42.0	13.0	25.7	16.6	20.5	20.3
Non Interest Income	32,906	39,831	43,352	52,437	68,990	85,039
<b>Net Income</b>	<b>107,118</b>	<b>123,695</b>	<b>148,783</b>	<b>175,405</b>	<b>217,224</b>	<b>263,361</b>
Change (%)	42.6	15.5	20.3	17.9	23.8	21.2
Operating Expenses	55,328	59,398	71,529	85,901	102,860	121,182
<b>Pre Provision Profits</b>	<b>51,790</b>	<b>64,297</b>	<b>77,254</b>	<b>89,504</b>	<b>114,364</b>	<b>142,179</b>
Change (%)	37.5	24.2	20.2	15.9	27.8	24.3
Provisions (excl tax)	18,797	21,406	19,067	14,373	15,819	19,818
<b>PBT</b>	<b>32,993</b>	<b>42,891</b>	<b>58,187</b>	<b>75,132</b>	<b>98,544</b>	<b>122,361</b>
Tax	10,543	13,404	18,923	23,461	31,288	38,544
Tax Rate (%)	32.0	31.3	32.5	31.2	31.8	31.5
<b>PAT</b>	<b>22,449</b>	<b>29,487</b>	<b>39,264</b>	<b>51,671</b>	<b>67,257</b>	<b>83,817</b>
Change (%)	41.2	31.3	33.2	31.6	30.2	24.6
<b>Equity Dividend (Incl tax)</b>	<b>4,254</b>	<b>6,414</b>	<b>8,948</b>	<b>11,806</b>	<b>15,737</b>	<b>16,763</b>
<b>Core PPP*</b>	<b>47,964</b>	<b>60,847</b>	<b>77,780</b>	<b>91,463</b>	<b>111,364</b>	<b>137,679</b>
Change (%)	36.1	26.9	27.8	17.6	21.8	23.6

\*Core PPP is (NII+Fee income-Opex)

Balance Sheet					(INR Million)	
Y/E March	2009	2010	2011	2012	2013E	2014E
Equity Share Capital	4,254	4,577	4,652	4,693	4,693	4,693
Reserves & Surplus	146,273	210,648	249,140	294,553	346,073	410,278
<b>Net Worth</b>	<b>150,527</b>	<b>215,225</b>	<b>253,793</b>	<b>299,247</b>	<b>350,766</b>	<b>414,971</b>
<b>Deposits</b>	<b>1,428,116</b>	<b>1,674,044</b>	<b>2,085,864</b>	<b>2,467,064</b>	<b>2,985,148</b>	<b>3,701,584</b>
Change (%)	41.7	17.2	24.6	18.3	21.0	24.0
<b>of which CASA Dep</b>	<b>633,597</b>	<b>871,039</b>	<b>1,099,083</b>	<b>1,194,059</b>	<b>1,372,663</b>	<b>1,647,196</b>
Change (%)	15.4	37.5	26.2	8.6	15.0	20.0
Borrowings	91,636	129,157	143,941	238,465	243,581	256,397
Other Liabilities & Prov.	162,428	206,159	289,929	374,319	522,123	729,025
<b>Total Liabilities</b>	<b>1,832,708</b>	<b>2,224,586</b>	<b>2,773,526</b>	<b>3,379,095</b>	<b>4,101,618</b>	<b>5,101,977</b>
Current Assets	175,066	299,424	296,688	209,377	245,251	316,212
<b>Investments</b>	<b>588,175</b>	<b>586,076</b>	<b>709,294</b>	<b>974,829</b>	<b>1,121,053</b>	<b>1,289,211</b>
Change (%)	19.1	-0.4	21.0	37.4	15.0	15.0
<b>Loans</b>	<b>988,830</b>	<b>1,258,306</b>	<b>1,599,827</b>	<b>1,954,200</b>	<b>2,384,124</b>	<b>2,980,155</b>
Change (%)	55.9	27.3	27.1	22.2	22.0	25.0
Fixed Assets	17,067	21,228	21,706	23,472	25,365	27,660
Other Assets	63,568	59,551	146,011	217,216	325,825	488,737
<b>Total Assets</b>	<b>1,832,708</b>	<b>2,224,586</b>	<b>2,773,526</b>	<b>3,379,095</b>	<b>4,101,618</b>	<b>5,101,977</b>

Asset Quality					(%)	
Y/E March	2009	2010	2011	2012	2013E	2014E
GNPA (INR m)	19,881	18,168	16,943	19,994	31,263	55,169
NNPA (INR m)	6,276	3,921	2,964	3,523	7,692	15,165
GNPA Ratio	1.98	1.43	1.05	1.01	1.30	1.83
NNPA Ratio	0.63	0.31	0.19	0.18	0.32	0.51
PCR (Excl Tech. write off)	68.4	78.4	82.5	82.4	75.4	72.5

E: MOSL Estimates

## Financials and Valuation

<b>Ratios</b>						
Y/E March	2009	2010	2011	2012	2013E	2014E
<b>Spreads Analysis (%)</b>						
Avg. Yield-Earning Assets	11.8	9.0	9.2	10.2	10.2	9.9
Avg. Yield on loans	15.0	10.8	10.6	11.6	11.7	11.2
Avg. Yield on Inv't	7.4	6.8	7.2	7.7	7.5	7.3
Avg. Cost-Int. Bear. Liab.	6.8	4.7	4.7	6.1	6.3	6.0
Avg. Cost of Deposits	6.6	4.5	4.3	5.6	5.7	5.3
Interest Spread	5.0	4.3	4.5	4.1	3.9	3.9
Net Interest Margin	5.4	4.7	4.9	4.6	4.5	4.5
<b>Profitability Ratios (%)</b>						
RoE	16.9	16.1	16.7	18.7	20.7	21.9
RoA	1.4	1.5	1.6	1.7	1.8	1.8
Int. Expense/Int. Income	54.6	48.1	47.1	54.9	55.8	54.6
Fee Income/Net Income	27.1	29.4	29.5	31.0	30.4	30.6
Non Int. Inc./Net Income	30.7	32.2	29.1	29.9	31.8	32.3
<b>Efficiency Ratios (%)</b>						
Cost/Income*	53.6	49.4	47.9	48.4	48.0	46.8
Empl. Cost/Op. Exps.	40.5	38.5	39.6	39.6	40.3	40.4
Busi. per Empl. (INR m)	41.1	51.2	61.5	66.5	71.4	81.8
NP per Empl. (INR lac)	0.5	0.6	0.7	0.8	1.0	1.1
* ex treasury						
<b>Asset-Liability Profile (%)</b>						
Loans/Deposit	69.2	75.2	76.7	79.2	79.9	80.5
CASA Ratio	44.4	52.0	52.7	48.4	46.0	44.5
Investment/Deposit	41.2	35.0	34.0	39.5	37.6	34.8
G-Sec/Investment	88.7	87.1	75.6	78.2	74.6	77.5
CAR	15.7	17.4	16.2	16.5	15.1	13.6
Tier 1	10.6	13.3	12.2	11.6	11.0	10.3
<b>Valuation</b>						
Book Value (INR)	70.8	94.0	109.1	127.4	149.4	176.7
Change (%)	9.1	32.9	16.0	16.8	17.2	18.3
<b>Price-BV (x)</b>				<b>4.6</b>	<b>3.9</b>	<b>3.3</b>
Adjusted BV (INR)	68.7	92.8	108.2	126.4	147.1	172.2
<b>Price-ABV (x)</b>				<b>4.6</b>	<b>4.0</b>	<b>3.4</b>
EPS (INR)	10.6	12.9	16.9	22.0	28.7	35.7
Change (%)	17.6	22.1	31.0	30.4	30.2	24.6
<b>Price-Earnings (x)</b>				<b>26.7</b>	<b>20.5</b>	<b>16.4</b>
Dividend Per Sh (INR)	2.0	2.4	3.3	4.3	5.7	7.1
<b>Dividend Yield (%)</b>				<b>0.7</b>	<b>1.0</b>	<b>1.2</b>
E: MOSL Estimates						

**N O T E S**

## Disclosures

This report is for personal information of the authorized recipient and does not constitute to be any investment, legal or taxation advice to you. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and Motilal Oswal Securities Limited (hereinafter referred as MOST) is not soliciting any action based upon it. This report is not for public distribution and has been furnished to you solely for your information and should not be reproduced or redistributed to any other person in any form.

Unauthorized disclosure, use, dissemination or copying (either whole or partial) of this information, is prohibited. The person accessing this information specifically agrees to exempt MOST or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOST or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOST or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

The information contained herein is based on publicly available data or other sources believed to be reliable. While we would endeavour to update the information herein on reasonable basis, MOST and/or its affiliates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent MOST and/or its affiliates from doing so. MOST or any of its affiliates or employees shall not be in any way responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MOST or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This report is intended for distribution to institutional investors. Recipients who are not institutional investors should seek advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

MOST and/or its affiliates and/or employees may have interests/positions, financial or otherwise in the securities mentioned in this report. To enhance transparency, MOST has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

### Disclosure of Interest Statement

### HDFC Bank

- |   |    |
|---|----|
| 1. Analyst ownership of the stock                       | No |
| 2. Group/Directors ownership of the stock               | No |
| 3. Broking relationship with company covered            | No |
| 4. Investment Banking relationship with company covered | No |

## Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. The research analysts, strategists, or research associates principally responsible for preparation of MOST research receive compensation based upon various factors, including quality of research, investor client feedback, stock picking, competitive factors and firm revenues.

## Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOST & its group companies to registration or licensing requirements within such jurisdictions.

### For U.K.

This report is intended for distribution only to persons having professional experience in matters relating to investments as described in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (referred to as "investment professionals"). This document must not be acted on or relied on by persons who are not investment professionals. Any investment or investment activity to which this document relates is only available to investment professionals and will be engaged in only with such persons.

### For U.S.

MOST is not a registered broker-dealer in the United States (U.S.) and, therefore, is not subject to U.S. rules. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., Motilal Oswal has entered into a chaperoning agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo"). Any business interaction pursuant to this report will have to be executed within the provisions of this Chaperoning agreement

This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors.

The Research Analysts contributing to the report may not be registered/qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, Marco Polo and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.



## Motilal Oswal Securities Ltd

Motilal Oswal Tower, Level 9, Sayani Road, Prabhadevi, Mumbai 400 025

Phone: +91 22 3982 5500 E-mail: reports@motilaloswal.com