



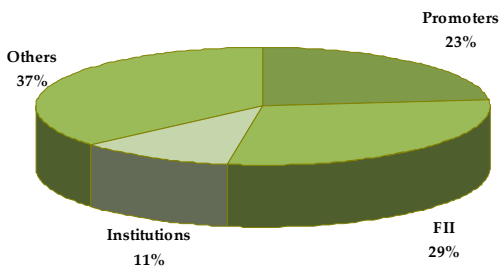
HDFC Bank

21 October 2011

HOLD

Industry	Banking
CMP (INR)	489
Target (INR)	513
52 week High/Low (INR)	519/396
Market Cap (INR BN)	1114907
3M Avg. Daily Volumes	3726480
P/BV FY13E	3.3x

Shareholding Pattern (%)



Stock Performance



Performance (%)

	1 Month	3 Months	1 Year
HDFCB	-1.4	-7.2	-0.3
NIFTY	0.1	-9.5	-17.1

* Source: Ace, Unicon Research

(INR in mn)

Particulars	Actual	Estimates
NII	29445	29506
Operating Profit	21258	21177
PAT	11994	10966

* Source: Ace, Unicon Research

Q2FY12 Result Highlights

HDFC Bank (HDFCB) continued to report strong growth with net profit increasing by 31% to INR 11.9 Bn YoY. This was supported by strong loan growth of 25% YoY to INR 1.89 Tn. Deposits grew 18.1% YoY to INR 2.30 Tn, while the CASA ratio stood at 47.3%.

In Q1FY12 net interest income grew by 16.5% YoY to INR 29.44 Bn. Core net interest margins (NIMs) fell by 10 bps to 4.1% on account of increasing cost of deposits. Going forward, NIMs are likely to remain stable within the range 3.9% to 4.2%.

The non interest income for the quarter grew by 26.1% to INR 12.2 Bn YoY, primarily contributed by fees and commissions of INR 9.87 Bn (up 15.3% compared to INR 8.57 Bn in Q2FY11) and foreign exchange/derivative revenues of INR 2.18 Bn (up 43.1% against INR 1.52 Bn in Q2FY11). HDFC Bank incurred a small loss on revaluation/sale of investments of INR 130 Mn for Q2FY12 as compared to a loss of INR 521 Mn for Q2FY11. Cost to income ratio increased to 48.85% in Q2FY12 from 48.18% YoY.

The bank's asset quality remained healthy in Q2FY12 on the back of lower slippages. The gross & net NPAs declined to 1% & 0.2% from 1.2% & 0.3% in Q2FY11 respectively. Total restructured assets were 0.4% of the bank's gross advances in Q2FY12. Of these, restructured advances categorized as standard advances were 0.1% of the banks gross advances. NPA coverage ratio improved to 81.3%. It also maintained a healthy capital adequacy ratio (CAR) of 16.5% with tier I capital of 11.4% in Q2FY12.

Outlook & Valuation

Going forward, HDFC Bank is expected to keep ~24% of credit growth & also expected to maintain the CASA ratio at ~48%. On the back of continuous growth momentum, strong business & credit growth, improvement in asset quality & strong capital adequacy, HDFC bank commands a premium in its valuations. At the CMP stock trades at 3.3x its FY13E book value. We have HOLD rating on the stock for a target price of INR 513.



HDFC Bank

Financials

	Q2 FY12	Q2 FY11	Y-o-Y	Q1 FY12	Q-o-Q
	(INR in mn)				
Interest income	67177	48100	39.66	59780	12.37
Interest expense	37732	22837	65.22	31300	20.55
Net Interest Income	29445	25263	16.56	28480	3.39
Other Income	12117	9607	26.12	11200	8.18
Total Operating income	41562	34870	19.19	39680	4.74
Operating expenditure	20304	16799	20.87	19346	4.95
Operating Profit	21258	18071	17.64	20334	4.55
Operating Profit (%)	26.81	31.32	-450 bps	28.65	-183 bps
Provisions	3661	4545	-19.46	4437	-17.49
PBT	17598	13526	30.10	15897	10.70
Tax	5604	4405	27.22	5047	11.03
PAT	11994	9121	31.49	10850	10.54
EPS (INR.)	25.65	19.72	30.06	23.24	10.33
NIMs	4.1	4.2	-10 bps	4.2	-10 bps

Source: Company, Unicon Research

*Standalone



HDFC Bank

Unicon Investment Ranking Methodology

Rating	Buy	Accumulate	Hold	Reduce	Sell
Return Range	>= 20%	10% to 20%	-10% to 10%	-10% to -20%	<= -20%

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