



HDFC Bank

		CMP: INR630	TP: INR615				Neutral					
BSE SENSEX	S&P CNX	Year	Net Income	PAT	EPS	EPS	P/E	BV	P/BV	P/ABV	RoAA	RoAE
18,675	5,676	End	(INR m)	(INR m)	(INR)	Gr. (%)	(X)	(INR)	(X)	(X)	(%)	(%)
Bloomberg	HDFCB IN	3/11A	148,783	39,264	16.9	31.0	-	109.1	-	-	1.6	16.7
Equity Shares (m)	2,346.7	3/12A	175,405	51,671	22.0	30.4	28.6	127.4	4.9	5.0	1.7	18.7
52-Week Range (INR)	639/400	3/13E	216,327	67,379	28.5	29.6	22.1	148.5	4.2	4.3	1.8	20.7
1,6,12 Rel.Perf.(%)	1/10/25	3/14E	265,846	84,118	35.6	24.8	17.7	175.8	3.6	3.7	1.9	22.0
M.Cap. (INR b)	1,479.4											
M.Cap. (USD b)	28.0											

HDFC Bank's 2QFY13 PAT grew 30% YoY to INR15.6b (in line with estimates). Key positives: (1) above industry average loan growth (+9% QoQ, 23% YoY), (2) strong core fee income (+6% QoQ and +22% YoY), and (3) stable asset quality. Key highlights:

- NII grew 7% QoQ and 27% YoY (3% above estimate) to INR37.3b. The NII growth outpaced asset growth as it included INR1b of income on account of dividend from MF, adjusted for which NII was in line with the estimate. However, this gain was offset by largely similar amount of loss on sale of investment and thus had a neutral impact on profitability. Core margins declined ~10bp QoQ.
- Loan growth was driven by continued traction across the retail (+10% QoQ and 33% YoY) segment. Growth in non-retail loan was strong as well at 7% QoQ (+13% YoY).
- SA deposits' growth was healthy at +3% QoQ and +15% YoY and core CASA ratio was stable QoQ at 46%.
- Other highlights: 1) Credit was contained at 30bp and the bank made floating provisions of INR750m in 2QFY13. Outstanding pool of floating provisions stood at INR17.5b (~INR7.4/share) and 2) the bank remains adequately capitalized with Tier I ratio at 11.4% (including 1HFY13 profits).

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. Though we remain positive on the bank's business, we believe valuations are rich. Maintain **Neutral**.

HDFC Bank: Quarterly Performance

									(INR Million)	
	FY12				FY13				FY12	FY13E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Interest Income	59,780	67,177	72,026	73,880	80,074	85,247	88,002	90,317	272,864	343,640
Interest Expense	31,300	37,732	40,867	39,997	45,234	47,930	48,888	50,039	149,896	192,091
Net Interest Income	28,480	29,445	31,160	33,883	34,841	37,317	39,114	40,278	122,968	151,550
% Change (Y-o-Y)	18.6	16.6	12.2	19.3	22.3	26.7	25.5	18.9	16.6	23.2
Other Income	11,200	12,117	14,200	14,920	15,295	13,451	17,232	18,799	52,437	64,777
Net Income	39,680	41,562	45,360	48,803	50,135	50,768	56,346	59,078	175,405	216,327
Operating Expenses	19,346	20,304	21,580	24,671	24,326	25,055	25,682	26,437	85,901	101,500
Operating Profit	20,334	21,258	23,780	24,132	25,809	25,713	30,664	32,640	89,504	114,826
% Change (Y-o-Y)	16.3	17.6	14.7	15.1	26.9	21.0	28.9	35.3	15.9	28.3
Other Provisions	4,437	3,661	3,292	2,983	4,873	2,929	3,500	4,801	14,373	16,103
Profit before Tax	15,897	17,598	20,488	21,149	20,936	22,784	27,164	27,840	75,132	98,724
Tax Provisions	5,047	5,604	6,191	6,618	6,762	7,184	8,557	8,841	23,461	31,345
Net Profit	10,850	11,994	14,297	14,531	14,174	15,600	18,607	18,998	51,671	67,379
Operating Parameters										
NIM (Reported,%)*	4.2	4.1	4.1	4.2	4.3	4.2			4.2	
NIM (Cal, %)#	4.7	4.5	4.6	4.7	4.6	4.7	4.7	4.6	4.6	4.6
Deposit Growth (%)	15.4	18.1	21.0	18.3	22.0	18.8	22.6	20.0	18.3	20.0
Loan Growth (%)	20.0	20.0	22.1	22.2	21.5	22.9	24.0	24.0	22.2	24.0
CASA Ratio (%)	49.1	47.3	48.6	48.4	46.0	46.4			48.4	
Asset Quality										
OSRL (%)	0.2	0.1	0.1	0.1	0.1	0.1			0.1	
Gross NPA (%)	1.0	1.0	1.0	1.0	1.0	0.9	1.0	1.1	1.0	1.1

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

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Quarterly performance: In line with estimate

Y/E March	2QFY13A	2QFY13E	V/S our Est	Comments
Net Interest Income	37,317	36,067	3	Adjusted for one -off income NII was in-line with estimates
% Change (Y-o-Y)	27	22		
Other Income	13,451	16,424	-18	Traction in fee income continues; moderation in forex and treasury loss led to -ve surprise
Net Income	50,768	52,491	-3	
Operating Expenses	25,055	24,894	1	
Operating Profit	25,713	27,598	-7	Lower than expected forex income led to negative surprise
% Change (Y-o-Y)	21	30		
Other Provisions	2,929	4,800	-39	Asset Quality remains strong
Profit before Tax	22,784	22,798	0	
Tax Provisions	7,184	7,181	0	
Net Profit	15,600	15,616	0	Core operating parameters remains impressive
% Change (Y-o-Y)	30	30		

Source: Company/MOSL

NIM moderates 10bp QoQ led by decline in yield on loans

NII grew 7% QoQ and 27% YoY to INR37.3b. However, it included a one-off dividend income of INR1b from mutual fund. Adjusted for which, NII was in line with the estimate. This was neutral on profitability as the bank booked a loss on investment of a similar magnitude. Reported margins declined 10bp QoQ to 4.2%, was led by a 20bp QoQ contraction in yield on loan (on the back of reduction in base rate), while deposits declined by just 10bp QoQ. Continued traction in retail liabilities, superior CASA ratio and higher share of fixed rate retail loans would help HDFCB maintain superior margins, going forward.

Fee income performance remains impressive

Non-interest income stood at INR13.4b (18% below our estimate) primarily due to a loss on sale of investment of ~INR1.1b and moderation in forex income (INR2.4b compared to INR3.1b in 1QFY13 and INR2.2b in 2QFY12). Fee income growth was strong at 5% QoQ and 22% YoY v/s 19% YoY for FY12.

Impeccable asset quality; credit cost contained at 30bp

GNPAs in absolute terms increased just 2% QoQ. In percentage terms, GNPA declined further to 0.9%, compared to 1% a quarter ago, while NNPA were flat QoQ. PCR improved to 82% (v/s 81% QoQ). Benign asset quality in the retail segment and lower exposure to stressed sectors in the corporate segment are leading to consistently strong asset quality performance, thus keeping credit cost under check. During the quarter, provisions stood at INR2.9b, of which INR750m is towards floating provisions. Outstanding pool of floating provision stood at INR17.5b (INR7.5/share). Specific provision related to credit cost stood at 30bp v/s reported 34bp in 4QFY12 and 24bp in 2QFY12 and the gross restructured loan in percentage terms was stable QoQ at 0.3%.

Strong loan growth; proportion of retail loans increases to 53%

Reported loans grew 8.6% QoQ and 23% YoY to INR2.3t. Growth was strong in both retail (+10% QoQ) and non-retail segment (+7% QoQ), while on a YoY basis, the growth in retail segment (+33%) outpaced the non-retail segment (+13%). Hence, the share of retail loans in overall loans increased to 53.1% v/s 49.3% a year ago (52.4% a quarter

ago). Management mentioned that while the sequential growth in non-retail loans looks strong, it remains tepid on a YoY basis due to loans' sell-off in 4QFY12.

Bank reported strong growth in CV/CE loans (+14% QoQ, +45% YoY), business banking (+10% QoQ and 28% YoY) and housing loan (+14% QoQ and 26% YoY), led by a portfolio buyout of INR25b. Traction in gold loan remained strong (+15% QoQ, +86% YoY) and its share in the overall portfolio increased to 1.7% v/s 1.1% in 2QFY12 and 1.6% 1QFY13. Growth in unsecured loan -- retail credit card (+12% QoQ) and personal loan (+7% QoQ) continued to show an impressive growth as well. Auto loans grew at a healthy pace of 5% QoQ and 18% YoY. The only laggards in retail segment were two-wheeler loans (+3% QoQ) and loan against shares (flat QoQ).

Cost to core income ratio declines marginally QoQ

Opex grew 3% QoQ and 26% YoY to INR25b. Employee expenses declined marginally QoQ as the base of 1Q had some one-off provisions. Adjusted for which, employee expenses would have been flat. Thus, the cost to core income declined marginally to 48.3%, compared to 49.2% a quarter ago and 48.8% a year ago. HDFCB added 56 branches and 607 ATMs during the quarter. Cumulatively, it has added 470 branches and 3,796 ATMs in last one year. Other operating expenses grew 28% YoY led by the strong distribution expansion.

Healthy SA deposit growth; CASA ratio stable QoQ

SA deposits' growth was healthy at +3% QoQ and +15% YoY, despite the competitive intensity post deregulation in savings deposit rates. CA deposits grew (+15% QoQ and 20% YoY) and included a one-off float at the quarter-end; adjusted for which, the CA growth was 8% QoQ and 12% YoY. Core CASA ratio was stable QoQ at 46%.

Key takeaways from earnings conference call

Guidance of above industry average loan growth maintained

- Management maintained its guidance of growing the loan book a few percentage points higher than the industry growth.
- Strong growth in retail loans is driven by healthy demand and market share gains as HDFCB has penetrated into areas where it was not present earlier. Hence, the share of retail loans increased to 53% from 49% a year ago.
- However, management remains agnostic about the overall loan mix and aims to tap opportunities both in retail and corporate segment.
- The growth in savings bank balances remained healthy (15% YoY and 3% QoQ in 2QFY13) on the back of healthy traction in savings bank account additions, coupled with an increase in savings bank balances.

Change in arrangement with HDFC for home loan buyouts

- During the quarter, HDFC Bank bought INR25b worth home loans from HDFC (nil in 1QFY13).
- Post the recent changes in securitization guidelines, HDFC would not be able to provide any credit enhancements on such loans and hence HDFCB would be paying 30bp lesser fees on the home loans bought from HDFC.

- Any credit losses arising on the buyout portfolio will be borne by the bank, which gets covered in the lower fees to be paid by it.
- Besides, there could be some increase in opex as certain activities will now be carried out by HDFCB, earlier done by HDFC.

Asset quality performance continues to be strong

- Credit costs have declined substantially from over 2% in 2009-10 (due to CBoP merger) to less than 50bp currently, as GNPA's have trended down due to lower slippages. Management mentioned that the retail portfolio's asset quality too remains healthy and the current credit losses in each segments are within the budgeted levels.

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 growth, (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 in the past quarters to create a buffer. HDFCB has been able to consistently deliver margins of 4.2%+ despite an increase in the cost of funds, as the strong pricing power in retail segment helped the bank to maintain margins. In a falling interest rate scenario, the higher proportion of fixed rate loan and CASA deposits would provide a cushion to margins.

In 2HFY13-14, even though slippages could get normalized to average levels in the retail segment and credit cost would increase, buffers created on account of higher base due to floating provisions would provide a cushion to earnings CAGR of ~28% over FY12-14. Over the past few quarters, fee income's growth has also been impressive and continued traction in the same shall aid profitability. We factor a fee income CAGR of 22% 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 shall not only help customer acquisition and product penetration, but also help achieve priority sector targets.

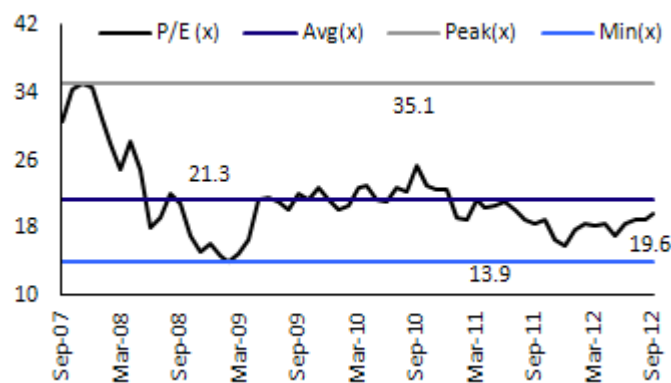
We expect EPS CAGR of ~27% over FY12-14, against 25% over FY07-12. HDFCB also carries floating provision of ~INR17.5b (INR7.4/share) created in the past two years to smooth the strong earnings growth led by better-than-factored credit cost on retail loans. Though we remain positive on the bank's business, 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 4.2x FY13E and 3.6x FY14E BV and P/E of 22.1x FY13E and 17.7x FY14E. Maintain **Neutral**.

We largely maintain our earning estimates (INR b)

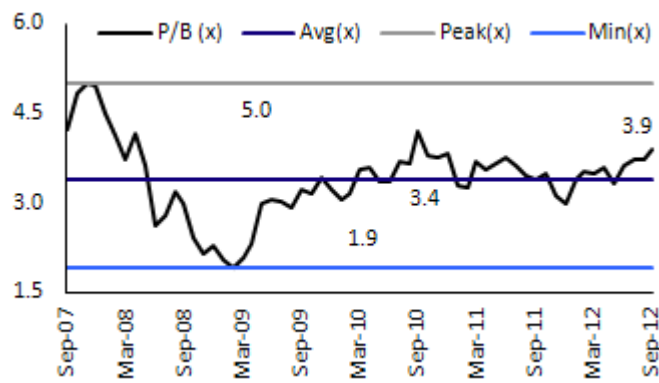
	Old Estimates		Revised Estimates		Change (%)	
	FY13	FY14	FY13	FY14	FY13	FY14
Net Interest Income	148.3	178.5	151.5	184.9	2.2	3.6
Other Income	69.0	85.0	64.8	81.0	-6.1	-4.8
Total Income	217.3	263.5	216.3	265.8	-0.4	0.9
Operating Expenses	102.9	121.2	101.5	120.0	-1.3	-1.0
Operating Profits	114.4	142.3	114.8	145.9	0.4	2.5
Provisions	15.8	19.8	16.1	23.1	1.8	16.3
PBT	98.6	122.5	98.7	122.8	0.1	0.2
Tax	31.3	38.6	31.3	38.7	0.1	0.2
PAT	67.3	83.9	67.4	84.1	0.1	0.2
Margins (%)	4.5	4.5	4.6	4.7		
Credit Cost (%)	0.7	0.7	0.7	0.8		
RoA (%)	1.8	1.8	1.8	1.9		
RoE (%)	20.7	21.9	20.7	22.0		

Source: MOSL

HDFC Bank: One year forward P/E

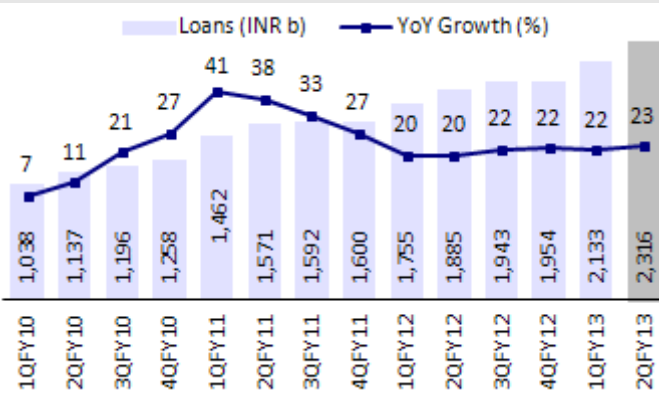


HDFC Bank: One year forward P/BV



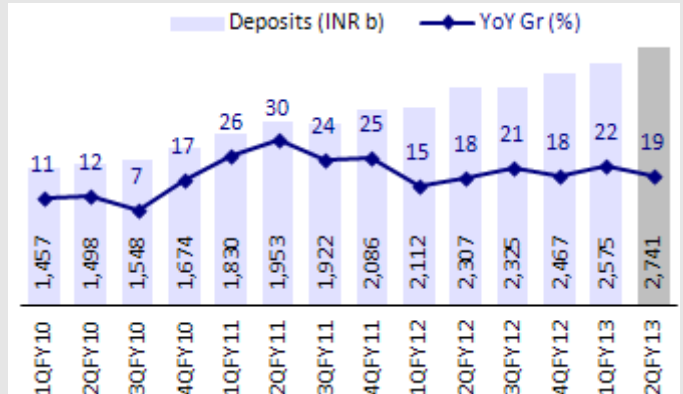
Quarterly trends

Above industry average loan growth continues



Continued traction in retail loans (+10% QoQ and 33% YoY) and pick up in corporate loan led to strong growth

Deposit growth lags loan growth QoQ



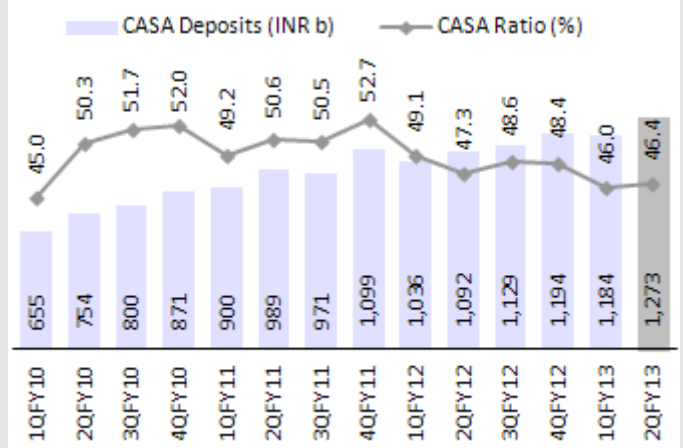
Management mentioned that bank continues to maintain adequate liquidity and have raised tier-II capital as a result of which deposit growth has moderated

Strong growth across segment

(INR b)	2Q FY13	2Q FY12	YoY Gr (%)	1Q FY13	QoQ Gr (%)
Auto Loans	290	246	17.9	275	5.4
Personal Loans	159	120	32.1	148	7.3
Loan against secur.	10	10	-1.2	10	0.3
Two wheeler	27	22	26.5	27	3.6
CV & Const Equip.	165	113	45.1	144	14.1
Credit Cards	86	59	47.1	77	12.0
Business Banking	215	168	27.5	195	10.0
Home Loans	155	123	25.9	136	14.3
Gold Loan	40	22	85.5	35	14.9
Others	85	46	85.4	72	17.3
Retail Loans	1,232	929	32.6	1,119	10.1
Corporate Loans	1,085	956	13.5	1,015	6.9
Total Loans	2,316	1,885	22.9	2,133	8.6

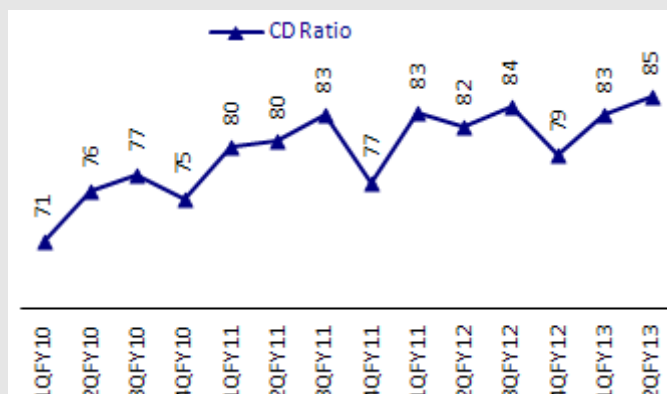
Traction continues in most of the retail segment with CV & CE, business banking and home loans being the key drivers for growth this quarter

Superior CASA ratio maintained (%)



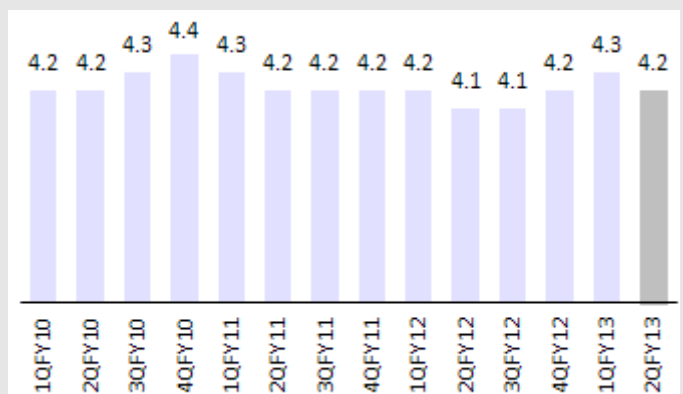
SA deposit grew 3% QoQ and 15% YoY, whereas CA growth picked up. Adjusted for one-off CA float at the end of 2QFY13, CASA ratio stood at 46%

CD ratio at an elevated level (%)



Higher dependency on borrowing (HDFCB raised Tier II capital in June-12) have led to higher CD ratio

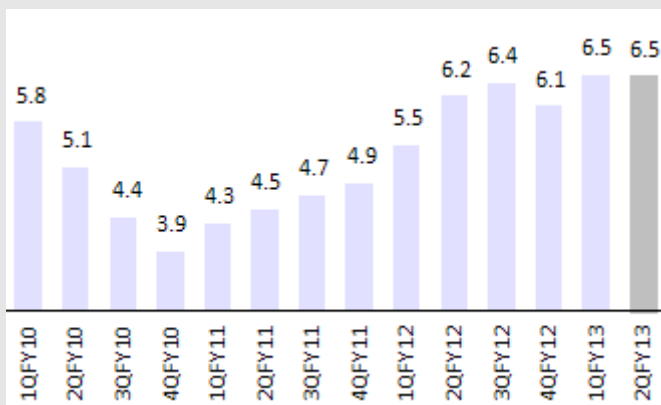
Core NIM (on total assets) declines QoQ (%)



Compression in yield on loan by 20bp, with cost of deposits falling by just 10bp have led to moderation in NIM

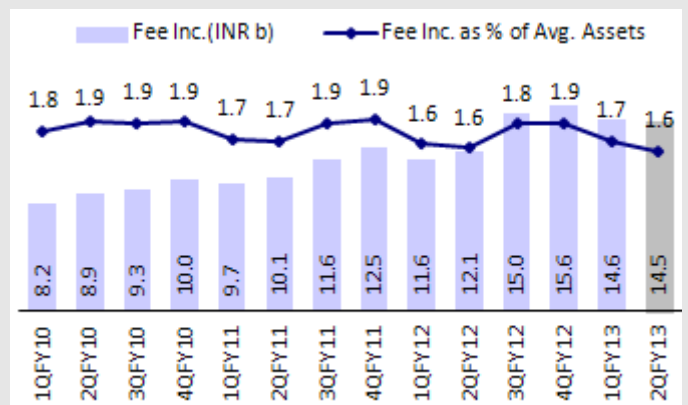
Quarterly trends (continued)

Cost of funds stabilizes (%)



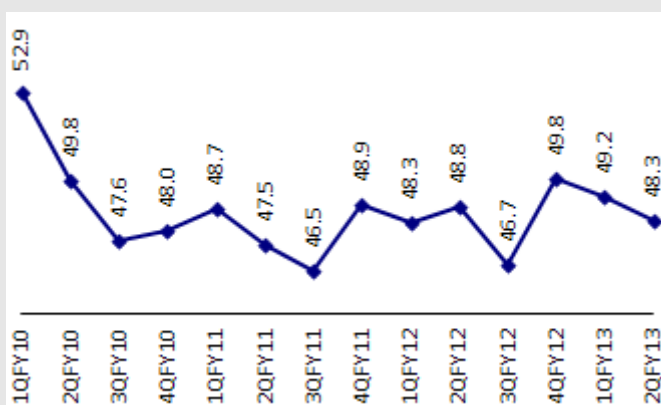
■ Strong CASA traction has helped bank to contain cost of funds

Strong growth in fee income (incl forex)



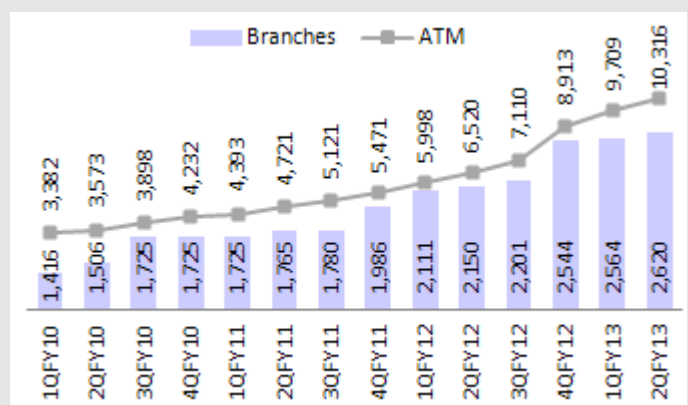
■ Core fee income growth was strong at 22%, however forex related income moderated and led to decline in fee income to average assets

Core to core income improves further (%)



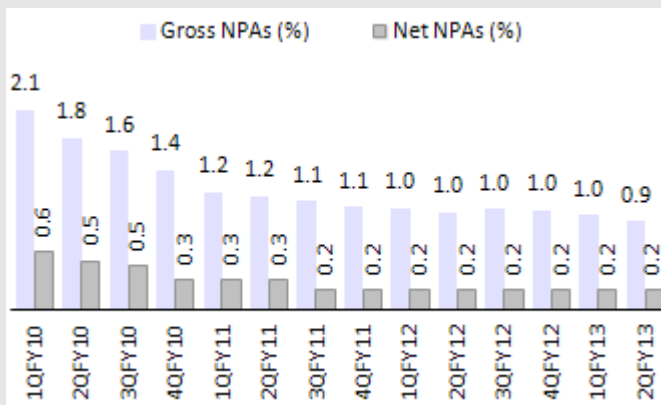
■ Strong core income growth of 25% coupled with containment of opex have led to moderation in cost to core income ratio

HDFCB's expansion spree continues



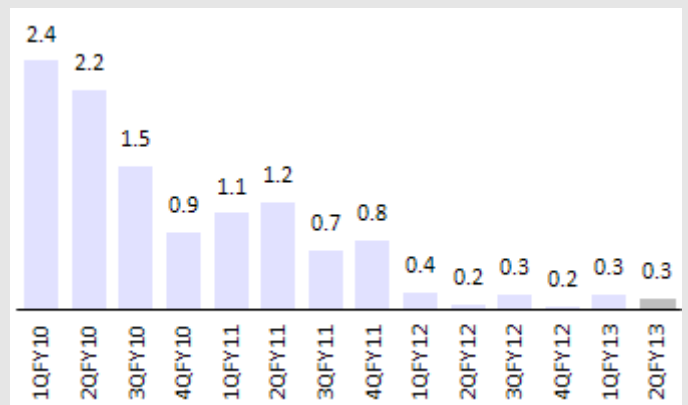
■ HDFCB opened 56 branches and 607 ATMs during the quarter. Higher addition of branches has been in Tier III to Tier VI cities

Asset quality remains best amongst the peers



■ GNPA's in absolute terms increased just 2% QoQ whereas in percentages terms it declined marginally

Credit cost at 0.3% (%)



■ Benign asset quality in retail segment and lower exposure to stressed sectors in corporate segment kept credit cost under check

Quarterly Snapshot

	FY12				FY12		Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY	1HFY12	1HFY13	YoY Gr (%)
Profit and Loss (INR m)											
Net Interest Income	28,480	29,445	31,160	33,883	34,841	37,317	7	27	57,925	72,157	25
Other Income	11,200	12,117	14,200	14,920	15,295	13,451	-12	11	23,317	28,746	23
Trading profits	-413	-13	-818	-715	665	-1,059	-259	N.A.	-426	-394	N.A.
Exchange Profits	2,301	2,180	3,656	3,252	3,148	2,359	-25	8	4,481	5,507	23
Others (Ex non core)	9,312	9,950	11,362	12,383	11,482	12,151	6	22	19,262	23,633	23
Total Income	39,680	41,562	45,360	48,803	50,135	50,768	1	22	81,242	100,904	24
Operating Expenses	19,346	20,304	21,580	24,671	24,326	25,055	3	23	39,650	49,381	25
Employee	7,810	8,231	8,674	9,284	9,932	9,629	-3	17	16,041	19,561	22
Others	11,536	12,073	12,905	15,387	14,394	15,426	7	28	23,609	29,820	26
Operating Profits	20,334	21,258	23,780	24,132	25,809	25,713	0	21	41,592	51,523	24
Provisions	4,437	3,661	3,292	2,983	4,873	2,929	-40	-20	8,097	7,802	-4
PBT	15,897	17,598	20,488	21,149	20,936	22,784	9	29	33,495	43,721	31
Taxes	5,047	5,604	6,191	6,618	6,762	7,184	6	28	10,651	13,947	31
PAT	10,850	11,994	14,297	14,531	14,174	15,600	10	30	22,843	29,774	30
Asset Quality											
GNPA	18,331	18,949	20,206	19,994	20,863	21,334	2	13	18,949	21,334	13
NNPA	3,185	3,553	3,980	3,523	3,960	3,869	-2	9	3,553	3,869	9
GNPA (%)	1.0	1.0	1.0	1.0	1.0	0.9	-6	-9	1.0	0.9	-9
NNPA (%)	0.2	0.2	0.2	0.2	0.2	0.2	0	0	0.2	0.2	0
PCR (Calculated, %)	82.6	81.3	80.3	82.4	81.0	81.9	85	61	81.3	81.9	61
Ratios (%)											
Fees to Total Income	23.5	23.9	25.0	25.4	22.9	23.9			23.7	23.4	
Cost to Core Income	48.3	48.8	46.7	49.8	49.2	48.3			48.6	48.7	
Tax Rate	31.7	31.8	30.2	31.3	32.3	31.5			31.8	31.9	
CASA (Reported)	49.1	47.3	47.7	48.4	46.0	45.9	-10	-140	47.3	45.9	-140
Loan/Deposit	83.1	81.7	83.6	79.2	82.8	84.5	166	279	81.7	84.5	279
CAR	16.9	16.5	16.3	16.5	15.5	17.0			16.5	17.0	
Tier I	11.4	11.4	11.2	11.6	10.9	11.4			11.4	11.4	
RoA	1.5	1.6	1.8	1.7	1.6	1.7					
RoE	16.7	17.6	19.9	19.6	18.4	19.2					
Margins (%) - Calculated											
Yield on loans	10.8	11.0	11.3	11.5	11.9	11.6	-27	62	10.9	11.7	86
Yield On Investments	7.8	8.5	8.8	7.8	8.0	8.6	58	6	8.2	8.3	11
Yield on funds	9.8	10.3	10.5	10.2	10.5	10.7	16	39	10.1	10.6	56
Cost of funds	5.5	6.2	6.4	6.1	6.5	6.5	-2	30	5.8	6.5	67
Spreads	4.3	4.1	4.1	4.2	4.0	4.2	18	8	4.2	4.1	-12
Margins	4.7	4.5	4.6	4.7	4.6	4.7	10	16	4.6	4.6	4
Margins (%) - Reported	4.2	4.1	4.1	4.2	4.3	4.2	-10	10	4.2	4.3	10

For %age change QoQ and YoY is bp

Source: Company, MOSL

Quarterly Snapshot

	FY11				FY12				FY13		Var. (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY
Balance Sheet (INR b)												
ESC	5	5	5	5	5	5	5	5	5	5	0	1
Reserves and Surplus	221	233	246	249	262	275	290	295	311	329	6	20
Net Worth	225	238	251	254	267	280	295	299	316	333	6	19
Deposits	1,830	1,953	1,922	2,086	2,112	2,307	2,325	2,467	2,575	2,741	6	19
Borrowings+Sub Debt	115	133	134	144	220	223	244	238	261	310	19	39
Other Liabilities	162	175	191	290	262	348	491	374	448	389	-13	12
Total Liabilities	2,333	2,500	2,498	2,774	2,859	3,157	3,355	3,379	3,600	3,774	5	20
Cash	149	166	160	251	177	216	190	150	183	217	19	0
Money at call	33	43	25	46	35	20	35	59	57	50	-12	156
Investments	608	637	630	709	729	788	802	975	902	917	2	16
Advances	1,462	1,571	1,592	1,600	1,755	1,885	1,943	1,954	2,133	2,316	9	23
Fixed Assets	22	21	21	22	22	22	22	23	24	25	3	15
Other Assets	58	62	70	146	141	227	363	217	301	248	-18	9
Total Assets	2,333	2,500	2,498	2,774	2,859	3,157	3,355	3,379	3,600	3,774	5	20
Loan Break Up (%)												
Retail	44.6	44.1	48.7	50.1	47.8	49.3	51.6	54.8	52.4	53.2	72	389
Auto Loans	13.3	13.2	13.9	13.8	13.2	13.1	13.3	13.5	12.9	12.5	-38	-53
Personal Loans	6.1	5.9	6.2	6.4	6.3	6.4	6.7	7.1	6.9	6.8	-8	48
Loan against securities	0.7	0.7	0.7	0.7	0.6	0.5	0.5	0.5	0.5	0.4	-3	-10
Two wheeler	1.2	1.1	1.2	1.2	1.2	1.2	1.2	1.3	1.2	1.2	-6	3
CV & CE	4.3	4.4	5.5	5.1	5.2	6.0	6.5	6.7	6.8	7.1	34	109
Credit Cards	2.7	2.6	2.9	3.0	3.1	3.1	3.3	3.6	3.6	3.7	11	61
Business Banking	7.2	7.3	8.4	9.4	8.8	8.9	8.9	9.5	9.2	9.3	12	34
Home loans	6.5	5.8	6.9	7.2	6.3	6.5	6.8	7.3	6.4	6.7	33	16
Other Retail loans	2.5	2.9	3.0	2.3	2.2	2.4	3.0	3.7	3.4	3.7	27	123
Corporate loans	55.4	55.9	51.3	49.9	52.2	50.7	48.4	45.2	47.6	46.8	-72	-389
Franchise												
Branches	1,725	1,765	1,780	1,986	2,111	2,150	2,201	2,544	2,564	2,620	56	470
ATM	4,393	4,721	5,121	5,471	5,998	6,520	7,110	8,913	9,709	10,316	607	3,796

% change are in bp

Source: Company, MOSL

Stock Info

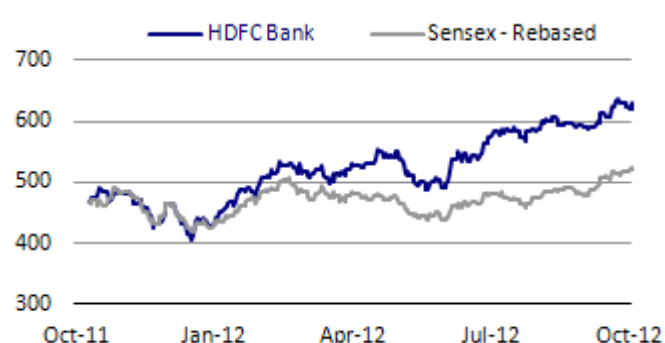
EPS: MOSL forecast v/s consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY13	28.5	27.8	2.7
FY14	35.6	34.6	2.8

Shareholding pattern (%)

	Sep-12	Jun-12	Sep-11
Promoter	23.0	23.1	23.2
Domestic Inst	10.1	10.7	11.0
Foreign	49.9	49.0	47.7
Others	17.0	17.3	18.1

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	
ICICIB*	Buy	1,045	22.8	68	79	12.4	10.5	1.9	1.6	1.5	1.5	14.2	14.7	1.6
HDFCB	Neutral	630	28.0	29	36	22.1	17.7	4.2	3.6	1.8	1.9	20.7	22.0	0.7
AXSB	Buy	1,120	8.8	109	126	10.2	8.9	1.8	1.5	1.5	1.5	18.8	18.4	1.4
KMB	Neutral	626	8.8	26	30	23.9	21.0	3.1	2.7	1.5	1.5	13.7	13.8	0.1
YES	Buy	394	2.6	35	43	11.1	9.2	2.4	2.0	1.5	1.5	24.1	23.9	1.0
IIB	Buy	365	3.2	22	27	16.6	13.5	3.2	2.6	1.6	1.6	20.8	21.3	0.6
VYSB	Buy	434	1.2	35	40	12.3	10.8	1.5	1.3	1.0	1.0	13.0	13.2	0.9
FB	Buy	483	1.6	47	56	10.3	8.7	1.3	1.2	1.2	1.3	13.4	14.3	1.9
J&KKB	Buy	1,134	1.0	186	206	6.1	5.5	1.1	1.0	1.4	1.3	20.3	19.4	3.0
SIB	Buy	23	0.2	4.4	5.3	5.3	4.4	1.1	0.9	1.1	1.1	22.5	22.6	2.6
Private Aggregate			78.2			16.0	13.5	2.5	2.2					
SBIN (cons)*	Buy	2,251	28.6	285	330	7.6	6.5	1.2	1.0	1.0	1.0	17.4	17.5	1.6
PNB	Buy	821	5.3	156	185	5.3	4.4	0.9	0.8	1.1	1.1	18.5	18.8	2.7
BOI	Neutral	302	3.3	54	64	5.6	4.7	0.8	0.7	0.7	0.7	15.5	16.0	2.3
BOB	Neutral	777	6.1	111	129	7.0	6.0	1.1	0.9	0.9	0.9	16.6	16.8	2.2
CBK	Buy	428	3.6	74	85	5.8	5.0	0.8	0.7	0.8	0.8	14.9	15.2	2.6
UNBK	Buy	203	2.1	42	48	4.8	4.2	0.8	0.7	0.8	0.8	16.7	16.9	3.9
IOB	Neutral	80	1.2	15	17	5.4	4.8	0.5	0.5	0.5	0.5	10.4	10.9	5.7
OBC	Buy	292	1.6	51	57	5.8	5.2	0.7	0.6	0.8	0.7	12.7	12.8	2.7
INBK	Buy	191	1.5	43	46	4.5	4.2	0.8	0.7	1.2	1.1	18.0	16.8	3.9
CRPDK	Neutral	406	1.1	111	119	3.7	3.4	0.6	0.6	0.9	0.9	18.4	17.3	5.1
ANDB	Buy	109	1.2	25	28	4.4	3.9	0.7	0.6	1.0	1.0	17.5	17.2	5.0
IDBI	Neutral	99	2.4	16	18	6.3	5.5	0.7	0.6	0.7	0.7	11.1	11.5	3.5
DBNK	Neutral	107	0.7	27	31	3.9	3.4	0.7	0.6	1.0	1.0	20.2	19.6	2.8
Public Aggregate			58.6			7.0	6.1	1.0	0.9					
HDFC*	Buy	740	20.7	32	39	16.7	13.0	5.1	4.0	2.9	2.9	29.4	30.9	1.5
LICHF	Buy	257	2.4	22	32	11.8	8.1	2.0	1.7	1.6	1.7	18.0	20.8	1.4
DEWH	Buy	193	0.4	38	51	5.1	3.8	1.1	0.9	1.5	1.4	21.7	22.7	1.8
IDFC	Buy	151	4.3	11	13	13.9	11.4	1.6	1.4	2.5	2.6	14.8	16.0	1.5
RECL	Buy	227	4.2	35	42	6.5	5.4	1.3	1.1	3.1	3.1	21.6	22.2	3.3
POWF	Buy	208	5.2	29	33	7.0	6.3	1.2	1.0	2.8	2.7	17.6	17.4	2.9
SHTF	Buy	642	2.7	60	70	10.7	9.1	2.0	1.7	2.6	2.6	20.6	20.3	1.0
MMFS	Buy	884	1.7	79	94	11.1	9.4	2.6	2.1	3.6	3.5	25.1	24.6	1.6
NBFC Aggregate			41.7			12.5	10.5	2.3	2.0					

*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	343,640	407,992
Interest Expense	89,111	77,863	93,851	149,896	192,091	223,114
Net Interest Income	74,212	83,864	105,431	122,968	151,550	184,878
Change (%)	42.0	13.0	25.7	16.6	23.2	22.0
Non Interest Income	32,906	39,831	43,352	52,437	64,777	80,969
Net Income	107,118	123,695	148,783	175,405	216,327	265,846
Change (%)	42.6	15.5	20.3	17.9	23.3	22.9
Operating Expenses	55,328	59,398	71,529	85,901	101,500	119,989
Pre Provision Profits	51,790	64,297	77,254	89,504	114,826	145,857
Change (%)	37.5	24.2	20.2	15.9	28.3	27.0
Provisions (excl tax)	18,797	21,406	19,067	14,373	16,103	23,057
PBT	32,993	42,891	58,187	75,132	98,724	122,800
Tax	10,543	13,404	18,923	23,461	31,345	38,682
Tax Rate (%)	32.0	31.3	32.5	31.2	31.8	31.5
PAT	22,449	29,487	39,264	51,671	67,379	84,118
Change (%)	41.2	31.3	33.2	31.6	30.4	24.8
Equity Dividend (Incl tax)	4,254	6,414	8,948	11,806	15,766	16,824
Core PPP*	47,964	60,847	77,780	91,463	113,076	142,857
Change (%)	36.1	26.9	27.8	17.6	23.6	26.3

*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	4,723	4,723
Reserves & Surplus	146,273	210,648	249,140	294,553	346,166	410,602
Net Worth	150,527	215,225	253,793	299,247	350,889	415,325
Deposits	1,428,116	1,674,044	2,085,864	2,467,064	2,960,477	3,670,992
Change (%)	41.7	17.2	24.6	18.3	20.0	24.0
of which CASA Dep	633,597	871,039	1,099,083	1,194,059	1,357,864	1,646,604
Change (%)	15.4	37.5	26.2	8.6	13.7	21.3
Borrowings	91,636	129,157	143,941	238,465	301,942	332,050
Other Liabilities & Prov.	162,428	206,159	289,929	374,319	412,716	515,669
Total Liabilities	1,832,708	2,224,586	2,773,526	3,379,095	4,026,024	4,934,035
Current Assets	175,066	299,424	296,688	209,377	271,500	325,518
Investments	588,175	586,076	709,294	974,829	1,023,571	1,146,399
Change (%)	19.1	-0.4	21.0	37.4	5.0	12.0
Loans	988,830	1,258,306	1,599,827	1,954,200	2,423,208	3,053,243
Change (%)	55.9	27.3	27.1	22.2	24.0	26.0
Fixed Assets	17,067	21,228	21,706	23,472	25,365	27,660
Other Assets	63,568	59,551	146,011	217,216	282,381	381,215
Total Assets	1,832,708	2,224,586	2,773,526	3,379,095	4,026,024	4,934,035

Asset Quality					(%)	
Y/E March	2009	2010	2011	2012	2013E	2014E
GNPA (INR m)	19,881	18,168	16,943	19,994	26,308	52,137
NNPA (INR m)	6,276	3,921	2,964	3,523	5,611	11,904
GNPA Ratio	2.0	1.4	1.0	1.0	1.1	1.7
NNPA Ratio	0.6	0.3	0.2	0.2	0.2	0.4
PCR (Excl Tech. write off)	68.4	78.4	82.5	82.4	78.7	77.2

E: MOSL Estimates

Financials and Valuation

Ratios						
Y/E March	2009	2010	2011	2012	2013E	2014E
Spreads Analysis (%)						
Avg. Yield-Earning Assets	11.8	9.0	9.2	10.2	10.5	10.4
Avg. Yield on loans	15.0	10.8	10.6	11.6	11.9	11.7
Avg. Yield on Invt	7.4	6.8	7.2	7.7	7.9	7.6
Avg. Cost-Int. Bear. Liab.	6.8	4.7	4.7	6.1	6.4	6.1
Avg. Cost of Deposits	6.6	4.5	4.3	5.6	5.9	5.6
Interest Spread	5.0	4.3	4.5	4.1	4.1	4.3
Net Interest Margin	5.4	4.7	4.9	4.6	4.6	4.7
Profitability Ratios (%)						
RoE	16.9	16.1	16.7	18.7	20.7	22.0
RoA	1.4	1.5	1.6	1.7	1.8	1.9
Int. Expense/Int.Income	54.6	48.1	47.1	54.9	55.9	54.7
Fee Income/Net Income	27.1	29.4	29.5	31.0	29.1	29.3
Non Int. Inc./Net Income	30.7	32.2	29.1	29.9	29.9	30.5
Efficiency Ratios (%)						
Cost/Income*	53.6	49.4	47.9	48.4	47.3	45.6
Empl. Cost/Op. Exps.	40.5	38.5	39.6	39.6	39.5	39.5
Busi. per Empl. (INR m)	41.1	51.2	61.5	66.5	71.5	82.1
NP per Empl. (INR lac)	0.5	0.6	0.7	0.8	1.0	1.1
* ex treasury						
Asset-Liability Profile (%)						
Loans/Deposit	69.2	75.2	76.7	79.2	81.9	83.2
CASA Ratio	44.4	52.0	52.7	48.4	45.9	44.9
Investment/Deposit	41.2	35.0	34.0	39.5	34.6	31.2
G-Sec/Investment	88.7	87.1	75.6	78.2	81.0	83.3
CAR	15.7	17.4	16.2	16.5	15.4	14.1
Tier 1	10.6	13.3	12.2	11.6	11.2	10.6
Valuation						
Book Value (INR)	70.8	94.0	109.1	127.4	148.5	175.8
Change (%)	9.1	32.9	16.0	16.8	16.5	18.4
Price-BV (x)				4.9	4.2	3.6
Adjusted BV (INR)	68.7	92.8	108.2	126.4	146.8	172.3
Price-ABV (x)				5.0	4.3	3.7
EPS (INR)	10.6	12.9	16.9	22.0	28.5	35.6
Change (%)	17.6	22.1	31.0	30.4	29.6	24.8
Price-Earnings (x)				28.6	22.1	17.7
Dividend Per Sh (INR)	2.0	2.4	3.3	4.3	5.7	7.1
Dividend Yield (%)				0.7	0.9	1.1
E: MOSL Estimates						

N O T E S

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