

## HDFC Bank

### Performance Highlights

Particulars (₹ cr)	2QFY13	1QFY13	% chg (qoq)	2QFY12	% chg (yoy)
<b>NII</b>	<b>3,732</b>	<b>3,484</b>	<b>7.1</b>	<b>2,945</b>	<b>26.7</b>
Pre-prov. profit	2,571	2,581	(0.4)	2,126	21.0
<b>PAT</b>	<b>1,560</b>	<b>1,417</b>	<b>10.1</b>	<b>1,199</b>	<b>30.1</b>

Source: Company, Angel Research

For 2QFY2013, HDFC Bank reported a healthy 30.1% yoy growth in its net profit to ₹1,560cr, in-line with our as well as the street's estimates. Strong balance sheet growth, stable asset quality were the key highlights of the result. **We recommend a Neutral rating on the stock**

**Another quarter of steady performance:** HDFC Bank's net advances growth was strong at 22.9% yoy, while deposit buildup was also healthy, growing by 18.8% yoy. On the CASA front, the current account (adjusted for one-offs) and savings account deposit accretion was moderate, growing at 16.4% and 14.7% yoy, respectively. The share of retail to overall loan book increased from 52.4% in 1QFY2013 to 53.2% for 2QFY2013, on back of lower wholesale lending (6.9% qoq compared to 10.1% qoq in retail loans). In spite of lower corporate lending, the bank's margins declined by 10bp qoq, primarily due to reduction in its base rate by 20bp to 9.8% (on 30<sup>th</sup> June 2012). Fee based income growth for the bank in 2QFY2013 was strong at 19.6% yoy, primarily due to a strong performance on the third party commission front, leading to a 22.4% yoy growth in commission and brokerage income. The forex income growth was however modest at 8.2% yoy, mostly due to lower exchange rate volatility during the quarter. The bank maintained its strong asset quality track record during 2QFY2013 as well. Gross and net NPA ratios remained stable at 0.9% and 0.2%, respectively. The bank made lower floating rate provisions (₹75cr in 2QFY2013 compared to ₹240cr in 2QFY2012) due to which the provisioning expenses were lower by 20.0% yoy. Hence, in spite of operating income growth of 22.2% yoy, the bank owing to lower provisioning cost (floating provisions) was able to achieve above 30% yoy growth at the bottom-line level. The total floating provisions for the bank now stand at ₹1,750cr.

**Outlook and valuation:** HDFC Bank is currently trading at one-year forward 3.8x P/ABV (3.6x FY2014 ABV), higher than its median of 3.5x (over FY2005-12). We believe the current valuations largely factor in the positives, leaving limited upside in the stock. **Hence we recommend a Neutral rating on the stock.**

#### Key financials

Y/E March (₹ cr)	FY2011	FY2012	FY2013E	FY2014E
<b>NII</b>	<b>10,543</b>	<b>12,297</b>	<b>15,340</b>	<b>18,923</b>
% chg	25.7	16.6	24.7	23.4
<b>Net profit</b>	<b>3,926</b>	<b>5,167</b>	<b>6,725</b>	<b>8,455</b>
% chg	33.2	31.6	30.2	25.7
NIM (%)	4.4	4.3	4.4	4.5
<b>EPS (₹)</b>	<b>16.9</b>	<b>22.0</b>	<b>28.7</b>	<b>36.0</b>
P/E (x)	36.6	28.1	21.6	17.2
P/ABV (x)	5.7	4.8	4.1	3.5
RoA (%)	1.6	1.7	1.8	1.9
RoE (%)	16.7	18.7	20.7	22.0

Source: Company, Angel Research

## NEUTRAL

CMP	₹630
Target Price	-

Stock Info	
Sector	Banking
Market Cap (₹ cr)	148,881
Beta	1.0
52 Week High / Low	639/400
Avg. Daily Volume	155,012
Face Value (₹)	2
BSE Sensex	18,675
Nifty	5,676
Reuters Code	HDBK.BO
Bloomberg Code	HDFCB@IN

Shareholding Pattern (%)	
Promoters	23.1
MF / Banks / Indian FIs	10.1
FII / NRIs / OCBs	32.6
Indian Public / Others	34.4

Abs. (%)	3m	1yr	3yr
Sensex	8.9	10.1	9.7
HDFC Bank	15.3	34.9	85.4

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**Exhibit 1: 2QFY2013 performance**

Particulars (₹ cr)	2QFY13	1QFY12	% chg (qoq)	2QFY12	% chg (yoy)
<b>Interest earned</b>	<b>8,525</b>	<b>8,007</b>	<b>6.5</b>	<b>6,718</b>	<b>26.9</b>
- on Advances / Bills	6,449	6,064	6.4	4,995	29.1
- on investments	1,953	1,879	3.9	1,618	20.7
- on balance with RBI & others	85	51	66.3	33	158.0
- on others	37	14	165.4	72	(47.8)
<b>Interest Expended</b>	<b>4,793</b>	<b>4,523</b>	<b>6.0</b>	<b>3,773</b>	<b>27.0</b>
<b>Net Interest Income</b>	<b>3,732</b>	<b>3,484</b>	<b>7.1</b>	<b>2,945</b>	<b>26.7</b>
<b>Other income</b>	<b>1,345</b>	<b>1,529</b>	<b>(12.1)</b>	<b>1,212</b>	<b>11.0</b>
Other income excl. treasury	1,451	1,463	(0.8)	1,213	19.6
- Fee & commission income	1,209	1,143	5.8	988	22.4
- Treasury income	(106)	67	-	(1)	-
- Forex & derivative income	236	315	(25.1)	218	8.2
<b>Operating income</b>	<b>5,077</b>	<b>5,014</b>	<b>1.3</b>	<b>4,156</b>	<b>22.2</b>
<b>Operating expenses</b>	<b>2,506</b>	<b>2,433</b>	<b>3.0</b>	<b>2,030</b>	<b>23.4</b>
- Employee expenses	963	993	(3.0)	823	17.0
- Other Opex	1,543	1,439	7.2	1,207	27.8
<b>Pre-provision Profit</b>	<b>2,571</b>	<b>2,581</b>	<b>(0.4)</b>	<b>2,126</b>	<b>21.0</b>
<b>Provisions &amp; Contingencies</b>	<b>293</b>	<b>487</b>	<b>(39.9)</b>	<b>366</b>	<b>(20.0)</b>
<b>PBT</b>	<b>2,278</b>	<b>2,094</b>	<b>8.8</b>	<b>1,760</b>	<b>29.5</b>
<b>Provision for Tax</b>	<b>718</b>	<b>676</b>	<b>6.2</b>	<b>560</b>	<b>28.2</b>
<b>PAT</b>	<b>1,560</b>	<b>1,417</b>	<b>10.1</b>	<b>1,199</b>	<b>30.1</b>
Effective Tax Rate (%)	31.5	32.3	(77)bp	31.8	(31)bp

Source: Company, Angel Research

**Exhibit 2: 2QFY2013 – Actual vs estimates**

Particulars (₹ cr)	Actual	Estimates	Var. (%)
Net interest income	3,732	3,654	2.1
Other income	1,345	1,489	(9.7)
<b>Operating income</b>	<b>5,077</b>	<b>5,144</b>	<b>(1.3)</b>
Operating expenses	2,506	2,528	(0.9)
<b>Pre-prov. profit</b>	<b>2,571</b>	<b>2,616</b>	<b>(1.7)</b>
Provisions & cont.	293	304	(3.8)
PBT	2,278	2,312	(1.4)
Prov. for taxes	718	750	(4.2)
<b>PAT</b>	<b>1,560</b>	<b>1,562</b>	<b>(0.1)</b>

Source: Company, Angel Research

**Exhibit 3: 2QFY2013 performance analysis**

Particulars	2QFY13	1QFY13	% chg (qoq)	2QFY12	% chg (yoy)
<b>Balance sheet</b>					
Advances (₹ cr)	231,649	213,338	8.6	188,502	22.9
Deposits (₹ cr)	274,130	257,531	6.4	230,676	18.8
Credit-to-Deposit Ratio (%)	84.5	82.8	166bp	81.7	279bp
Current deposits (₹ cr)	46,675	41,682	12.0	40,093	16.4
Saving deposits (₹ cr)	79,151	76,674	3.2	69,017	14.7
CASA deposits (₹ cr)	125,826	118,356	6.3	109,110	15.3
CASA ratio (%)	45.9	46.0	(6)bp	47.3	(140)bp
CAR (%)	17.0	15.5	150bp	16.5	50bp
Tier 1 CAR (%)	11.4	10.9	50bp	11.4	0bp
<b>Profitability Ratios (%)</b>					
Reported NIM	4.2	4.3	(10)bp	4.1	10bp
Cost-to-income ratio	49.4	48.5	83bp	48.9	50bp
<b>Asset quality</b>					
Gross NPAs (₹ cr)	2,133	2,086	2.3	1,895	12.6
Gross NPAs (%)	0.9	1.0	(6)bp	1.0	(9)bp
Net NPAs (₹ cr)	387	396	(2.3)	355	8.9
Net NPAs (%)	0.2	0.2	0bp	0.2	0bp
Provision Coverage Ratio (%)	81.9	81.0	85bp	81.3	61bp

Source: Company, Angel Research

**Balance sheet growth above industry;**

HDFC Bank's net advances growth was strong at 22.9% yoy, while deposit buildup was also healthy, growing by 18.8% yoy. On the CASA front, the current account (adjusted for one-offs) and saving account accretion was moderate, growing at 16.4% and 14.7% yoy, respectively. The CASA ratio of the bank as of 2QFY2013 stands at 45.9%. The wholesale deposits of the bank constitute ~25% of the fixed deposits (~14% of overall deposits).

The bank witnessed healthy traction in its retail loan portfolio (up 10.1% qoq), primarily due to increased demand for CVCE (commercial vehicle and construction equipment) loans (up 14.1% qoq), credit card loans (up 12.0% qoq), business banking (up 10.0% qoq) and personal loans (up 7.4% qoq). The bank has been able to gain market share in the vehicle loan segment over the last few quarters on account of expanding distribution and slowing competition from other players. The home loan portfolio of the bank increased by 14.3% qoq as the bank bought ₹2,500cr worth of home loans from its promoter HDFC during 2QFY2013 (there were no buyouts during 1QFY2013).

According to the management, the underlying demand for the bank's retail products remains strong and also the bank has been able to gain market share in the retail space due to its recent strong expansion in tier3-tier6 cities.

The share of retail to overall loan book increased from 52.4% in 1QFY2013 to 53.2% for 2QFY2013, on back of lower wholesale lending (6.9% qoq compared to 10.1% qoq in retail loans). In spite of lower corporate lending, the bank's margins declined by 10bp qoq, primarily due to reduction in its base rate by 20bp to 9.8% (on June 30, 2012).

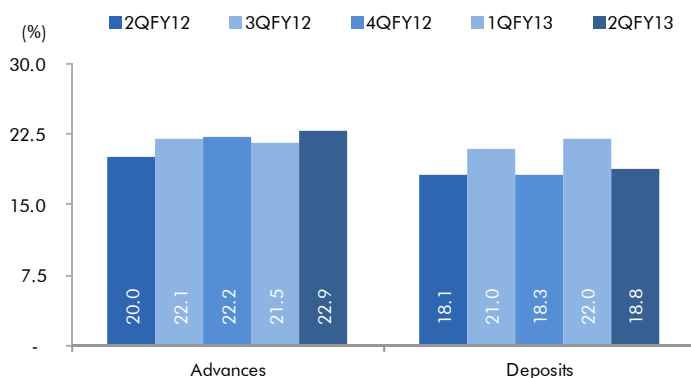
**Exhibit 4: Healthy growth in retail loans in spite of high interest rates**

Particulars (₹ cr)	2QFY13	1QFY13	% chg (qoq)	2QFY12	% chg (yoy)	% to total
Auto Loans	29,004	27,513	5.4	24,606	17.9	23.6
CVCE	16,469	14,440	14.1	11,348	45.1	13.4
Two Wheelers	2,749	2,653	3.6	2,173	26.5	2.2
Personal Loans	15,853	14,776	7.3	12,004	32.1	12.9
Business Banking	21,486	19,541	10.0	16,847	27.5	17.4
Loans Against Securities	968	965	0.3	980	(1.2)	0.8
Credit Cards	8,610	7,686	12.0	5,855	47.1	7.0
Home loans	15,546	13,604	14.3	12,344	25.9	12.6
Others	12,465	10,698	16.5	6,721	85.5	10.1
<b>Retail Advances</b>	<b>123,150</b>	<b>111,876</b>	<b>10.1</b>	<b>92,878</b>	<b>32.6</b>	<b>100.0</b>

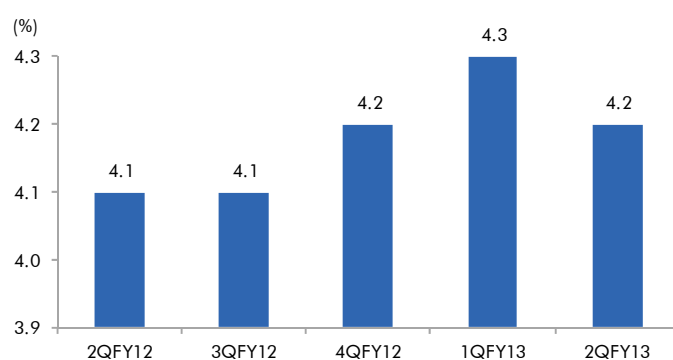
Source: Company, Angel Research

The bank had added 343 branches during 4QFY2012 (558 in FY2012) of which most of the additions were done during the month of March 2012. Since then the bank has been going slow in its branch expansion (20 branches opened in 1QFY2013 and 56 branches opened in 2QFY2013). Most of the expansion in the last 9 months has been in tier3-tier6 cities. The management has guided for an overall 250-300 branch additions in FY2013 which would be mostly back-ended.

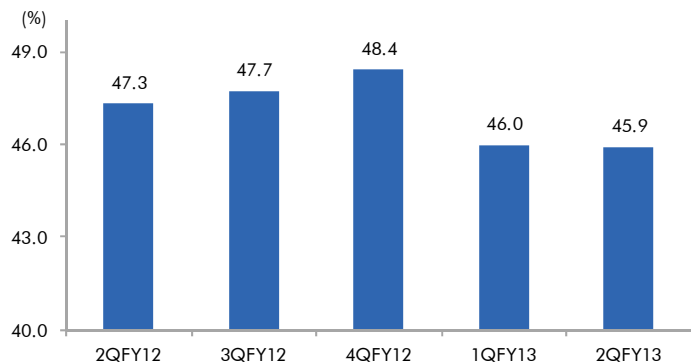
The bank's increased geographic presence along with healthy network expansion should aid in maintaining above system-average retail loan growth for the bank on the asset side and CASA accretion on the liability side.

**Exhibit 5: YoY advances growth trends**


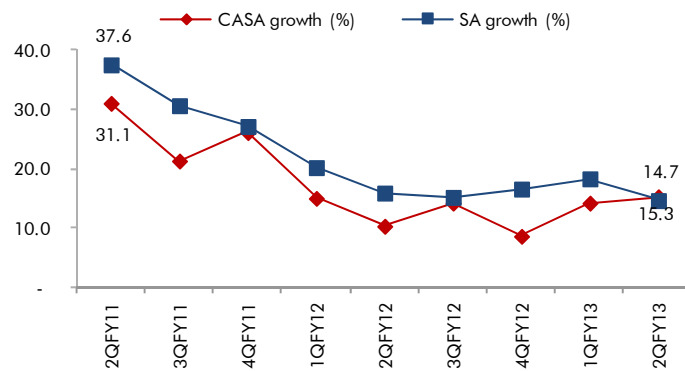
Source: Company, Angel Research

**Exhibit 6: Reported NIM above 4%**


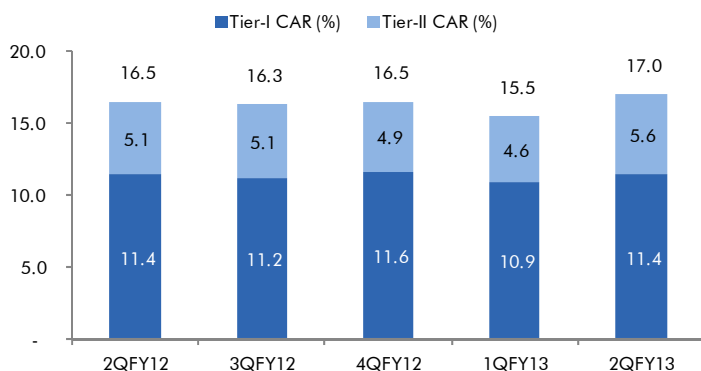
Source: Company, Angel Research

**Exhibit 7: CASA ratio stable**


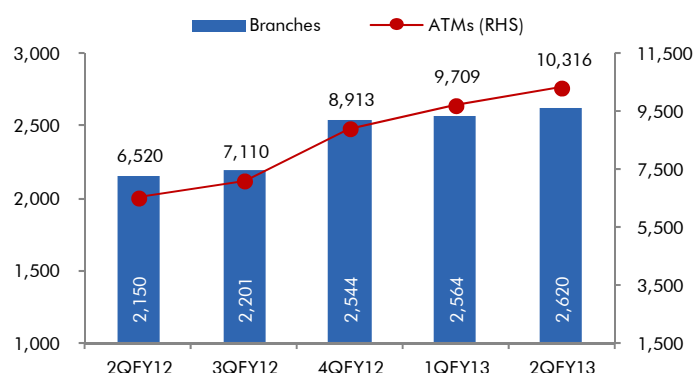
Source: Company, Angel Research

**Exhibit 8: CASA growth remains on a moderating path**


Source: Company, Angel Research

**Exhibit 9: Healthy capital adequacy**


Source: Company, Angel Research

**Exhibit 10: Strong branch network**


Source: Company, Angel Research

### Fee income healthy for 2QFY2013

Fee based income growth for the bank in 2QFY2013 was strong at 19.6% yoy, primarily due to strong performance on the third party commission front, leading to a 22.4% yoy growth in commission and brokerage income. The forex income growth was however modest at 8.2% yoy, mostly due to lower exchange rate volatility during the quarter.

The bank received ~₹100cr of dividend income from its Mutual fund investments which was recorded in the net interest income. Owing to the dividend payout, the NAV value of the MF was lower by a similar amount due to which the bank had to register MTM losses in the treasury line (₹106cr).

**Exhibit 11: Core fee income healthy for 2QFY2013**

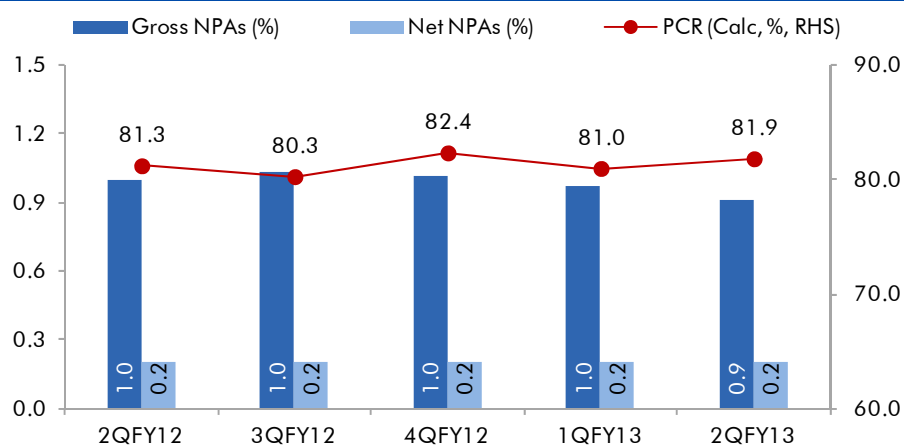
Particulars (₹ cr)	2QFY13	1QFY13	% chg (qoq)	2QFY12	% chg (yoy)
Fees & Commission	1,209	1,143	5.8	988	22.4
Treasury Income	(106)	67	-	(1)	-
Forex Income & Others	236	315	(25.1)	218	8.2
Other	6	5	23.1	7	(15.0)
<b>Other income</b>	<b>1,345</b>	<b>1,529</b>	<b>(12.1)</b>	<b>1,212</b>	<b>11.0</b>
<b>Other income excl. treasury</b>	<b>1,451</b>	<b>1,463</b>	<b>(0.8)</b>	<b>1,213</b>	<b>19.6</b>

Source: Company, Angel Research

**Asset quality remains largely stable**

The bank maintained its strong asset quality track record during 2QFY2013 as well. Gross and net NPA ratios remained stable at 0.9% and 0.2%, respectively. NPA provision coverage ratio remained at elevated levels at 81.9%, even without considering the floating provisions. Including floating provisions (70bp) and general provisions (40bp), the provisioning coverage stands strong at ~200% of the gross NPA book. Restructured advances for the bank remained stable at 0.3% of gross advances.

The bank made lower floating rate provisions (₹75cr in 2QFY2013 compared to ₹240cr in 2QFY2012) due to which the provisioning expenses were lower by 20.0% yoy. Hence, in spite of operating income growth of 22.2% yoy, the bank, owing to lower provisioning cost (floating provisions), was able to achieve above 30% yoy growth at the bottom line level. The total floating provisions for the bank now stand at ₹1,750cr.

**Exhibit 12: Stable asset quality**


Source: Company, Angel Research

## Investment arguments

### **Strong capital adequacy, expanding network to sustain traction in credit market share and CASA deposits, respectively**

For 2QFY2013 the bank's capital adequacy stood strong at 17.0%, with tier-1 ratio at a comfortable 11.4% (including 1HFY2013 profits). On the back of such strong CAR, we expect the bank to increase its credit market share over FY2013–14.

The bank's strong and profitable growth over FY2005–12 was supported by significant traction in CASA market share (from 3.3% in FY2005 to ~6.0% in FY2012). The dominant transaction banking business lies at the core of the bank's strength in CASA deposits. Moreover, aided by the merger of CBoP, the bank's branch network moved up at a 30% CAGR during FY2006–12. The bank increased its pace of network expansion in FY2012 with an addition of 558 new branches (average annual addition of 200-300 branches) and 3,442 ATMs (average annual addition of ~1,000 ATMs). The bank increased its presence in over 400 cities during FY2012 (currently operating in 1,399 cities as compared to 996 as of FY2011). The bank's increased geographic presence along with healthy network expansion should aid it in maintaining above system-average retail loan growth on the asset side and CASA accretion on the liability side.

### **Comprehensive product portfolio, effective cross-selling to sustain traction in fee income**

Apart from traditional CEB (commission and brokerage) and forex income, the bank earns substantial fee income from transaction banking, cards and third-party distribution, among others. Overall, the bank's core fee income posted a 27.8% CAGR over FY2008–12 and stands at 1.7% of average total assets (ATA) for FY2012, one of the best in the sector – offering another significant competitive advantage to the bank. The bank's major proportion of fee income (~80-90%) comes from the retail asset side. Strong growth in retail loan book over the past year (32.67% yoy) coupled with potential fee income revenue from new branch additions (though with a lag) should help the bank maintain its fee income to average assets at 1.7% over FY2013-14 as well.

### **Healthy asset quality**

The bank has been able to improve its asset quality consistently, as reflected in slippages, which declined from 5.2% in FY2009 to 1.0% during FY2012. Provisions to average assets also declined from 1.2% in FY2009 to 0.5% in FY2012. The bank has been actively making floating rate provisions (cumulative of ₹1,750cr) and going forward, even if specific credit costs increase to normalised levels, the overall provisioning burden is expected to be manageable due to the buffer created by these floating provisions.

### **Valuations leave limited upside**

We believe HDFC Bank is among the most competitive banks in the sector, with an A-list management at the helm of affairs, which has one of the best track records in the sector. We believe HDFC Bank is well positioned for high qualitative growth, with strong CAR, healthy 20%+ branch expansion and robust asset quality. On the

back of this, in our view, the bank is set to further gain credit and CASA market share.

However, HDFC Bank is currently trading at one-year forward 3.8x P/ABV (3.6x FY2014 ABV), higher than its median of 3.5x (over FY2005-12), and also at a substantially higher premium to peers than the historical average. Hence, we believe current valuations largely factor in the positives leaving limited upside in the stock. **Hence we recommend a Neutral rating on the stock.**

### Exhibit 13: Key assumptions

Particulars (%)	Earlier estimates		Revised estimates	
	FY2013	FY2014	FY2013	FY2014
Credit growth	21.0	22.0	21.0	22.0
Deposit growth	23.0	22.0	23.0	22.0
CASA ratio	46.3	45.8	46.3	45.8
NIMs	4.4	4.5	4.4	4.5
Other income growth	23.5	21.8	21.2	24.1
Growth in staff expenses	21.9	22.0	21.9	22.0
Growth in other expenses	21.9	22.0	21.9	22.0
Slippages	1.1	1.3	1.0	1.2
Coverage ratio	82.0	77.5	82.0	77.6

Source: Angel Research

### Exhibit 14: Change in estimates

Particulars (₹ cr)	FY2013			FY2014		
	Earlier estimates	Revised estimates	Var. (%)	Earlier estimates	Revised estimates	Var. (%)
NII	15,277	15,340	0.4	18,923	18,923	-
Non-interest income	6,476	6,356	(1.9)	7,888	7,888	-
<b>Operating income</b>	<b>21,753</b>	<b>21,696</b>	<b>(0.3)</b>	<b>26,811</b>	<b>26,811</b>	-
Operating expenses	10,467	10,467	-	12,770	12,770	-
<b>Pre-prov. profit</b>	<b>11,286</b>	<b>11,229</b>	<b>(0.5)</b>	<b>14,042</b>	<b>14,042</b>	-
Provisions & cont.	1,323	1,273	(3.8)	1,577	1,526	(3.3)
PBT	9,963	9,956	(0.1)	12,465	12,516	0.4
Prov. for taxes	3,233	3,230	(0.1)	4,044	4,061	0.4
<b>PAT</b>	<b>6,731</b>	<b>6,725</b>	<b>(0.1)</b>	<b>8,420</b>	<b>8,455</b>	<b>0.4</b>

Source: Angel Research

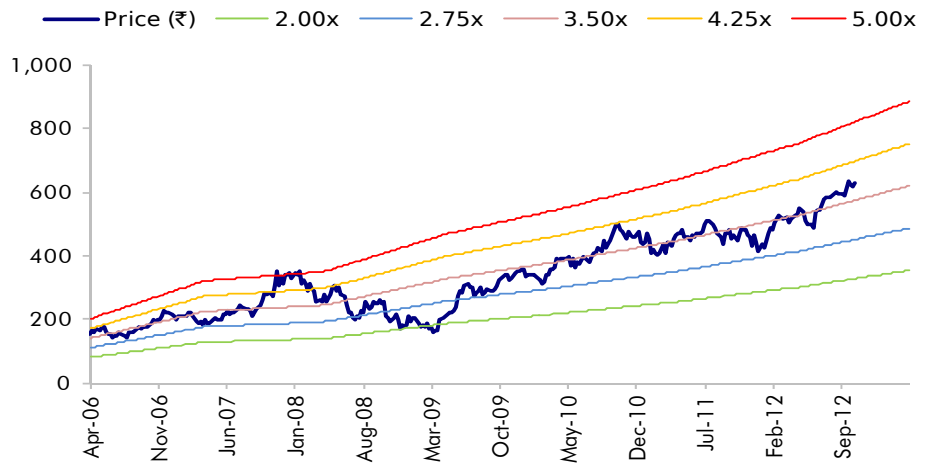
### Exhibit 15: Angel EPS forecast vs. consensus

Year (₹)	Angel forecast	Bloomberg consensus	Var. (%)
FY2013E	28.7	28.1	2.0
FY2014E	36.0	35.3	2.2

Source: Bloomberg, Angel Research

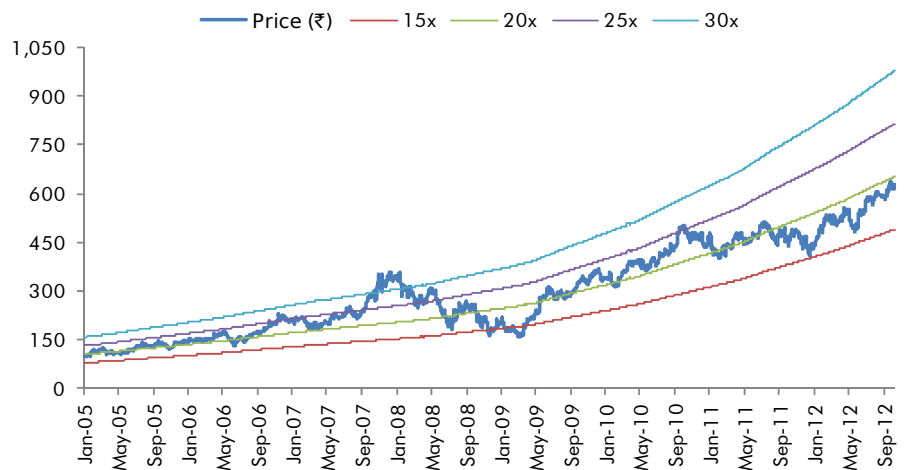


**Exhibit 16: P/ABV band**



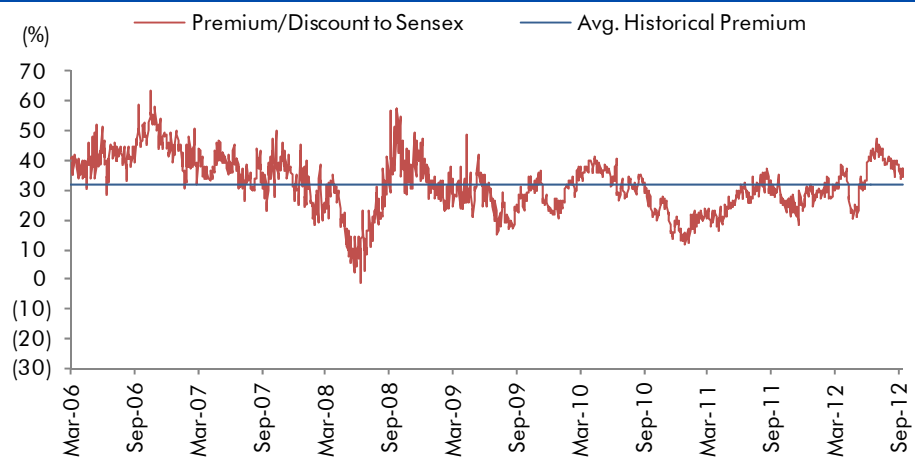
Source: Company, Angel Research

**Exhibit 17: P/E band**



Source: Company, Angel Research

**Exhibit 18: HDFC Bank – Premium/Discount to the Sensex (%)**



Source: Bloomberg, Angel Research

**Exhibit 19: Recommendation summary**

Company	Reco.	CMP (₹)	Tgt. price (₹)	Upside (%)	FY2014E P/ABV (x)	FY2014E Tgt P/ABV (x)	FY2014E P/E (x)	FY2012-14E EPS CAGR (%)	FY2014E RoA (%)	FY2014E RoE (%)
AxisBk	Buy	1,120	1,326	18	1.5	1.8	8.1	15.7	1.6	20.1
FedBk	Neutral	483	-	-	1.2	-	9.2	7.5	1.1	13.5
<b>HDFCBk</b>	<b>Neutral</b>	<b>630</b>	<b>-</b>	<b>-</b>	<b>3.6</b>	<b>-</b>	<b>17.5</b>	<b>27.9</b>	<b>1.9</b>	<b>22.0</b>
ICICIBk*	Buy	1,045	1,245	19	1.7	2.0	12.7	20.9	1.4	15.5
SIB	Accumulate	23	25	9	1.0	1.1	6.0	5.0	1.0	17.1
YesBk	Accumulate	394	452	15	2.0	2.3	9.3	23.5	1.5	23.6
AllBk	Reduce	140	131	(7)	0.6	0.5	3.8	(0.4)	0.9	15.7
AndhBk	Reduce	109	97	(11)	0.7	0.6	4.5	1.0	0.9	15.3
BOB	Accumulate	777	864	11	0.9	1.0	5.6	7.1	1.0	17.2
BOI	Accumulate	302	340	13	0.7	0.8	4.4	20.8	0.8	16.3
BOM	Neutral	50	-	-	0.6	-	4.4	35.5	0.7	15.5
CanBk	Neutral	428	-	-	0.8	-	5.0	7.2	0.9	15.3
CentBk	Neutral	76	-	-	0.7	-	3.6	100.1	0.6	14.7
CorpBk	Accumulate	406	447	10	0.7	0.7	4.0	(2.2)	0.8	15.1
DenaBk	Neutral	107	-	-	0.7	-	4.4	3.1	0.8	15.9
IDBI#	Accumulate	99	112	13	0.6	0.7	4.3	20.1	0.9	14.4
IndBk	Reduce	191	181	(5)	0.7	0.7	4.6	2.5	1.1	16.3
IOB	Accumulate	80	87	9	0.5	0.6	3.7	27.1	0.6	13.6
J&KBk	Neutral	1,134	-	-	1.0	-	6.0	6.5	1.3	17.7
OBC	Neutral	292	-	-	0.6	-	4.7	26.5	0.9	13.9
PNB	Buy	821	966	18	0.8	1.0	4.9	7.4	1.0	17.3
SBI*	Neutral	2,251	-	-	1.4	-	8.7	21.7	1.0	17.7
SynBk	Accumulate	115	121	5	0.7	0.7	4.2	11.7	0.7	16.8
UcoBk	Neutral	77	-	-	0.8	-	4.7	7.9	0.6	14.4
UnionBk	Accumulate	203	226	11	0.7	0.8	4.4	19.8	0.8	16.3
UtdBk	Buy	68	81	20	0.5	0.6	3.1	20.7	0.7	16.2
VijBk	Neutral	56	-	-	0.7	-	5.0	12.1	0.5	13.0

Source: Company, Angel Research; Note: \*Target multiples=SOTP Target Price/ABV (including subsidiaries), #Without adjusting for SASF

### Company Background

HDFC Bank is the second-largest private sector bank in India with a pan-India network of 2,500 branches and 9,700+ ATMs. The bank is promoted and 23% owned by HDFC, India's largest housing finance company. HDFC Bank has been at the forefront of modern retail banking in India. The bank has pioneered the transaction banking model in India, which has enabled it to garner substantial CASA deposits as well as fee income, while the focus on retail lending (which forms more than 50% of total loans as against 20% industry average) has further helped the bank in maintaining above-industry margins.

**Income statement**

Y/E March (₹ cr)	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E
<b>Net Interest Income</b>	<b>5,228</b>	<b>7,421</b>	<b>8,386</b>	<b>10,543</b>	<b>12,297</b>	<b>15,340</b>	<b>18,923</b>
- YoY Growth (%)	40.9	42.0	13.0	25.7	16.6	24.7	23.4
<b>Other Income</b>	<b>2,205</b>	<b>3,471</b>	<b>3,983</b>	<b>4,335</b>	<b>5,244</b>	<b>6,356</b>	<b>7,888</b>
- YoY Growth (%)	46.0	57.4	14.8	8.8	21.0	21.2	24.1
<b>Operating Income</b>	<b>7,433</b>	<b>10,892</b>	<b>12,370</b>	<b>14,878</b>	<b>17,540</b>	<b>21,696</b>	<b>26,811</b>
- YoY Growth (%)	42.4	46.5	13.6	20.3	17.9	23.7	23.6
<b>Operating Expenses</b>	<b>3,746</b>	<b>5,685</b>	<b>5,940</b>	<b>7,153</b>	<b>8,590</b>	<b>10,467</b>	<b>12,770</b>
- YoY Growth (%)	54.7	51.8	4.5	20.4	20.1	21.9	22.0
<b>Pre - Provision Profit</b>	<b>3,688</b>	<b>5,207</b>	<b>6,430</b>	<b>7,725</b>	<b>8,950</b>	<b>11,229</b>	<b>14,042</b>
- YoY Growth (%)	31.7	41.2	23.5	20.2	15.9	25.5	25.0
<b>Prov. &amp; Cont.</b>	<b>1,407</b>	<b>1,908</b>	<b>2,141</b>	<b>1,907</b>	<b>1,437</b>	<b>1,273</b>	<b>1,526</b>
- YoY Growth (%)	21.2	35.6	12.2	(10.9)	(24.6)	(11.4)	19.8
<b>Profit Before Tax</b>	<b>2,281</b>	<b>3,299</b>	<b>4,289</b>	<b>5,819</b>	<b>7,513</b>	<b>9,956</b>	<b>12,516</b>
- YoY Growth (%)	39.2	44.6	30.0	35.7	29.1	32.5	25.7
<b>Prov. for Taxation</b>	<b>691</b>	<b>1,054</b>	<b>1,340</b>	<b>1,892</b>	<b>2,346</b>	<b>3,230</b>	<b>4,061</b>
- as a % of PBT	30.3	32.0	31.3	32.5	31.2	32.4	32.4
<b>PAT</b>	<b>1,590</b>	<b>2,245</b>	<b>2,949</b>	<b>3,926</b>	<b>5,167</b>	<b>6,725</b>	<b>8,455</b>
- YoY Growth (%)	39.3	41.2	31.3	33.2	31.6	30.2	25.7

**Balance sheet**

Y/E March (₹ cr)	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E
Share Capital	354	425	458	465	469	469	469
Reserves & Surplus	11,143	14,627	21,065	24,914	29,455	34,653	41,172
Deposits	100,769	142,812	167,404	208,586	246,706	303,449	370,208
- Growth (%)	47.5	41.7	17.2	24.6	18.3	23.0	22.0
Borrowings	4,595	2,686	7,012	7,447	13,250	16,095	19,463
Tier 2 Capital	3,449	6,478	5,904	6,947	10,597	10,332	10,074
Other Liab. & Prov.	12,867	16,243	20,616	28,993	37,432	45,472	54,979
<b>Total Liabilities</b>	<b>133,177</b>	<b>183,271</b>	<b>222,459</b>	<b>277,353</b>	<b>337,910</b>	<b>410,470</b>	<b>496,364</b>
Cash Balances	12,553	13,527	15,483	25,101	14,991	16,690	14,808
Bank Balances	2,225	3,979	14,459	4,568	5,947	7,224	8,735
Investments	49,394	58,818	58,608	70,929	97,483	120,947	149,190
Advances	63,427	98,883	125,831	159,983	195,420	236,458	288,479
- Growth (%)	35.1	55.9	27.3	27.1	22.2	21.0	22.0
Fixed Assets	1,175	1,707	2,123	2,171	2,347	2,766	3,244
Other Assets	4,403	6,357	5,955	14,601	21,722	26,386	31,907
<b>Total Assets</b>	<b>133,177</b>	<b>183,271</b>	<b>222,459</b>	<b>277,353</b>	<b>337,910</b>	<b>410,470</b>	<b>496,364</b>
- Growth (%)	46.0	37.6	21.4	24.7	21.8	21.5	20.9

**Ratio analysis**

Y/E March	FY08	FY09	FY10	FY11	FY12	FY13E	FY14E
<b>Profitability ratios (%)</b>							
NIMs	4.9	4.9	4.3	4.4	4.3	4.4	4.5
Cost to Income Ratio	50.4	52.2	48.0	48.1	49.0	48.2	47.6
RoA	1.4	1.4	1.5	1.6	1.7	1.8	1.9
RoE	17.7	16.9	16.1	16.7	18.7	20.7	22.0
<b>B/S ratios (%)</b>							
CASA Ratio	54.5	44.4	52.0	52.7	48.4	46.3	45.8
Credit/Deposit Ratio	62.9	69.2	75.2	76.7	79.2	77.9	77.9
CAR	13.6	15.1	17.4	16.2	16.5	15.3	14.5
- Tier I	10.3	10.2	13.3	12.2	11.6	11.3	11.1
<b>Asset Quality (%)</b>							
Gross NPAs	1.4	2.0	1.4	1.0	1.0	0.8	0.8
Net NPAs	0.5	0.6	0.3	0.2	0.2	0.2	0.2
Slippages	2.5	5.3	2.6	1.1	1.0	1.0	1.2
Loan Loss Prov. /Avg. Assets	0.9	1.0	1.0	0.3	0.2	0.2	0.3
Provision Coverage	67.1	68.4	78.4	82.5	82.4	82.0	77.6
<b>Per Share Data (₹)</b>							
EPS	9.0	10.6	12.9	16.9	22.0	28.7	36.0
ABVPS (75% cover.)	64.5	70.2	94.0	109.1	127.5	149.7	177.4
DPS	1.7	1.7	2.4	3.3	4.3	5.6	7.1
<b>Valuation Ratios</b>							
PER (x)	68.9	58.6	48.0	36.6	28.1	21.6	17.2
P/ABVPS (x)	9.6	8.8	6.6	5.7	4.8	4.1	3.5
Dividend Yield	0.3	0.3	0.4	0.5	0.7	0.9	1.1
<b>DuPont Analysis</b>							
NII	4.7	4.7	4.1	4.2	4.0	4.1	4.2
(-) Prov. Exp.	1.3	1.2	1.1	0.8	0.5	0.3	0.3
Adj. NII	3.4	3.5	3.1	3.5	3.5	3.8	3.8
Treasury	0.1	0.3	0.2	(0.0)	(0.1)	(0.0)	0.0
Int. Sens. Inc.	3.6	3.7	3.3	3.4	3.5	3.7	3.9
Other Inc.	1.8	1.9	1.8	1.8	1.8	1.7	1.7
Op. Inc.	5.4	5.7	5.0	5.2	5.2	5.5	5.6
Opex	3.3	3.6	2.9	2.9	2.8	2.8	2.8
PBT	2.0	2.1	2.1	2.3	2.4	2.7	2.8
Taxes	0.6	0.7	0.7	0.8	0.8	0.9	0.9
<b>RoA</b>	<b>1.4</b>	<b>1.4</b>	<b>1.5</b>	<b>1.6</b>	<b>1.7</b>	<b>1.8</b>	<b>1.9</b>
Leverage	12.5	11.9	11.1	10.7	11.1	11.5	11.8
<b>RoE</b>	<b>17.7</b>	<b>16.9</b>	<b>16.1</b>	<b>16.7</b>	<b>18.7</b>	<b>20.7</b>	<b>22.0</b>

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<b>Disclosure of Interest Statement</b>	<b>HDFC Bank</b>
1. Analyst ownership of the stock	No
2. Angel and its Group companies ownership of the stock	No
3. Angel and its Group companies' Directors ownership of the stock	No
4. Broking relationship with company covered	No

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<b>Ratings (Returns):</b>	Buy (> 15%) Reduce (-5% to 15%)	Accumulate (5% to 15%) Sell (< -15%)	Neutral (-5 to 5%)
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