

May 18, 2007

### BUY

Price **Rs1,036.0** Target Price **Rs1,210.0**

Sensex **14,300**

### Price Performance

(%)	1M	3M	6M	12M
Absolute	6	2	(9)	22
Rel. to Sensex	1	(0)	(15)	4

Source: Capitaline

### Stock Details

Sector	Banks
Reuters	HDBK.BO
Bloomberg	HDFCB@IN
Equity Capital (Rs mn)	3194
Face Value	10
52 Week H/L	1,150/620
Market Cap	Rs331bn/USD8.1bn
Daily Avg Volume (No of shares)	898,810
Daily Avg Turnover (US\$)	21.6

### Shareholding Pattern (%)

(31st Mar.'07)	
Promoters	21.6
FII	51.5
Institutions	5.6
Private Corp.	7.9
Public	13.5

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# HDFC Bank

Company Update

## Raising price target to Rs1,210

### HDFC Bank approves capital raising – upgrading to BUY; TP Rs1,210

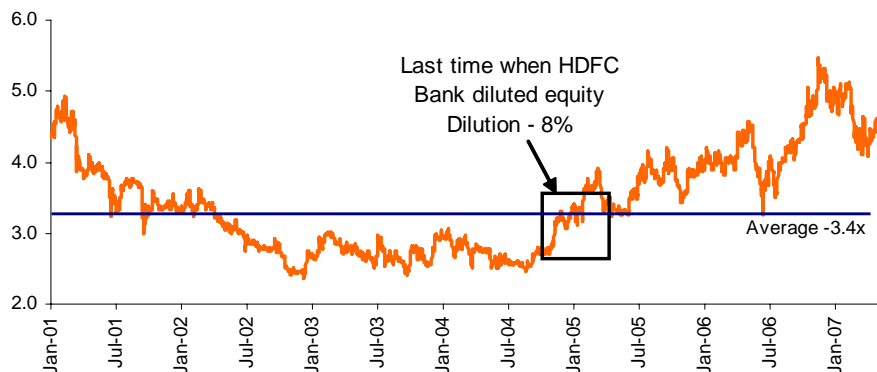
HDFC Bank has approved the capital raising to the tune of Rs42bn of which Rs14bn will be raised via a preferential allotment of 13.6mn shares to its parent company HDFC Ltd. We expect the equity raising to result in 12.6% dilution for the bank.

We see this as a positive for the shareholders as it will be book value accretive and would raise our estimated FY09E ABV of the stock by Rs85 per share (32%) to Rs348. We do not expect the move to be EPS dilutive.

The foreign holding in the bank is currently at 51.5% which leaves enough room for an ADR issue. However, over past few days, the premium of HDFC Bank's ADR to underlying domestic equity has narrowed down substantially to 1.5%. We believe that the bank would hence use a mix of domestic offering and ADR to raise money.

On the back of this move, we are raising our price target on the stock to Rs1,210 (from Rs1,110) earlier and raising the rating to BUY.

### HDFC Bank – 1-year forward P/BV



Source: BSE, Emkay Research

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