

# HDFC Bank

BSE SENSEX  
17,085

S&P CNX  
5,139

CMP: INR491

TP: INR515

Neutral

		YEAR END	NET INCOME (INR M)	PAT (INR M)	EPS (INR)	EPS GR. (₹)	P/E (X)	BY (INR)	P/BV (X)	P/ABV (X)	ROAA (%)	ROAE (%)
Bloomberg	HDFCB IN											
Equity Shares (m)	2326.1	3/10A	123,695	29,487	12.9	22.1	-	94.1	-	-	1.5	16.1
52-Week Range (INR)	520/396	3/11A	148,783	39,264	16.9	31.0	29.1	109.1	4.5	4.7	1.6	16.7
1,6,12 Rel.Perf.(%)	-1/15/18	3/12E	173,559	51,614	22.2	31.5	22.2	126.1	3.9	4.1	1.6	18.9
M.Cap. (INR b)	1,144.2	3/13E	211,734	64,512	27.7	25.0	17.7	147.3	3.3	3.5	1.7	20.3
M.Cap. (USD b)	23.1											

HDFC Bank (HDFCB) posted in-line PAT of INR12b for 2QFY12, up ~31% YoY. Reported margin declined 10bp QoQ to 4.1%, led by 140bp decline in CD ratio, 180bp decline in CASA ratio and full impact of deposit re-pricing. Strong growth in high yielding retail segment and improvement in yield on investment cushioned the margin decline.

- **Reported loans grew 20% YoY; adjusted loans up 26% YoY:** Incremental loans during the quarter were driven by the retail segment (up 11% QoQ and 34% YoY) across segments. HDFCB reported strong growth of 25% QoQ and 63% YoY (~40% YoY adjusted for sell down in 4QFY11) in CV and CE loans. It also bought back INR12b of home loans from HDFC to fulfill PSL requirements.
- **Strong deposit growth; CASA declines QoQ:** Deposit growth gathered momentum, with 9% QoQ and 18% YoY. CD ratio declined to 81.7% from 83.1% a quarter ago. Core CASA ratio declined to 47% from 49% a quarter ago.
- **Commendable performance on asset quality:** Gross slippages during 1HFY12 were INR7.5b (INR4b in 2Q), of which ~INR2.5b were towards the MFI segment. Annualized slippage ratio in 2QFY12 was ~1% (largely stable QoQ).
- **Core credit cost at 0.5%:** NPA provisions for 2QFY12 were INR1.1b. The bank utilized excess provisions worth INR1.3b made in earlier quarters, adjusted for which core credit cost would have been 0.5%. In 2QFY12 HDFCB made floating and general provisions of INR2.4b. Total floating provisions on the balance sheet stood at ~INR10b.

**Valuation and view:** We expect EPS to grow at a CAGR of ~28% over FY11-13 against 25% over FY05-10. While we remain positive on the bank's business, we believe valuations are rich. The stock trades at 3.3x FY13E BV and 17.7x FY13E EPS. Maintain **Neutral**.

## HDFC Bank: Quarterly Performance

	FY11				FY12				FY11	FY12E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Interest Income	44,202	48,100	52,300	54,686	59,780	67,177	71,268	75,330	199,282	273,555
Interest Expense	20,190	22,837	24,533	26,291	31,300	37,732	40,656	43,467	93,851	153,155
<b>Net Interest Income</b>	<b>24,011</b>	<b>25,263</b>	<b>27,767</b>	<b>28,395</b>	<b>28,480</b>	<b>29,445</b>	<b>30,612</b>	<b>31,863</b>	<b>105,431</b>	<b>120,399</b>
% Change (Y-o-Y)	29.4	29.2	24.9	20.8	18.6	16.6	10.2	12.2	25.7	14.2
Other Income	9,904	9,607	11,278	12,558	11,200	12,117	14,193	15,649	43,352	53,160
<b>Net 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>44,806</b>	<b>47,512</b>	<b>148,783</b>	<b>173,559</b>
Operating Expenses	16,429	16,799	18,318	19,984	19,346	20,304	21,424	22,284	71,529	83,358
<b>Operating Profit</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>23,382</b>	<b>25,227</b>	<b>77,254</b>	<b>90,201</b>
% Change (Y-o-Y)	15.1	13.4	27.7	23.8	16.3	17.6	12.8	20.3	20.2	16.8
Other Provisions	5,550	4,545	4,659	4,313	4,437	3,661	2,700	3,501	19,067	14,298
<b>Profit before Tax</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>20,682</b>	<b>21,726</b>	<b>58,187</b>	<b>75,903</b>
Tax Provisions	3,820	4,405	5,190	5,508	5,047	5,604	6,515	7,123	18,923	24,289
<b>Net Profit</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>14,167</b>	<b>14,603</b>	<b>39,264</b>	<b>51,614</b>
% Change (Y-o-Y)	33.9	32.7	32.9	33.2	33.7	31.5	30.2	31.0	33.2	31.5
Deposit Growth (%)	25.6	30.4	24.2	24.6	15.4	18.1	29.6	26.0	24.6	26.0
Loan Growth (%)	40.9	38.2	33.1	27.1	20.0	20.0	23.2	25.0	27.1	25.0
CD Ratio (%)	79.9	80.4	82.8	76.7	83.1	81.7	78.7	76.1	76.7	76.1
Net Interest Margin (Reported, %)*	4.3	4.2	4.2	4.2	4.2	4.1	-	-	4.2	-
Net Interest Margin (Cal, %)#	4.7	4.6	4.9	4.9	4.7	4.5	4.5	4.5	4.9	4.6
Tax Rate (%)	32.0	32.6	32.3	33.1	31.7	31.8	31.5	32.8	32.5	32.0
Gross NPA (%)	1.2	1.2	1.1	1.1	1.0	1.0	1.0	1.0	1.1	1.0

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

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**Quarterly performance: In line with estimates (INR m)**

Y/E March	2QFY12A	2QFY12E	V/S our Est	Comments
<b>Net Interest Income</b>	<b>29,445</b>	<b>29,588</b>	<b>0</b>	<b>Reported Margins decline 10bp QoQ; in-line with est</b>
% Change (YoY)	17	17		
Other Income	12,117	12,921	-6	Fee income growth picks up QoQ
<b>Net Income</b>	<b>41,562</b>	<b>42,509</b>	<b>-2</b>	
Operating Expenses	20,304	20,174	1	Strong control over opex
<b>Operating Profit</b>	<b>21,258</b>	<b>22,335</b>	<b>-5</b>	
% Change (YoY)	18	24		
Other Provisions	3,661	4,500	-19	Strong asset quality leading to lower provisions
<b>Profit Before Tax</b>	<b>17,598</b>	<b>17,835</b>	<b>-1</b>	
Tax Provisions	5,604	5,885	-5	
<b>Net Profit</b>	<b>11,994</b>	<b>11,949</b>	<b>0</b>	<b>Lower non-interest income off-set by lower provisions leading to in-line PAT</b>
% Change (YoY)	31	31		

Source: Company/MOSL

**Margin declines 10bp QoQ, in line with our estimate:** Reported margin declined 10bp QoQ to 4.1% (on total assets), led by 140bp decline in CD ratio, 180bp decline in CASA ratio and full impact of deposit re-pricing. While cost of funds (calculated) increased 72bp QoQ, strong growth in high yielding retail segment and improvement in yield on investment cushioned the margin decline. The management expects to maintain NIM at 3.9-4.2% for FY12.

**Fee income growth improves QoQ, but remains sluggish on a YoY basis:** Fee income grew ~7% QoQ (~16% YoY) to ~INR10b. Forex income grew 43% YoY (but declined 5% QoQ) to INR2.2b. The management mentioned that fee income growth is likely to remain lower than balance sheet growth due to pressure on third-party distribution income. HDFCB booked MTM loss of ~INR13m during the quarter as against a loss of INR413m in 1QFY12 and INR521m in 2QFY11 on investments. Opex grew 21% YoY and 5% QoQ to INR20.3b (in line with our estimate).

**Opex in-line with estimates:** During the quarter, HDFCB added 39 branches and 522 ATMs, taking the cumulative addition in the past one year to 385 branches and ~1,800 ATMs. Despite sharp increase in branch network, the bank has been able to maintain its core cost to income ratio at ~51% (stable QoQ).

**Adjusted loan growth at ~26% YoY, led by strong traction in retail loans:** Reported loans grew 20% YoY and ~7% QoQ to INR1.9t. However, adjusted for one-off short-term wholesale loans given in 1HFY11, loan growth was strong at 26% YoY. Incremental loan growth was driven by the retail segment (up 11% QoQ and 34% YoY). HDFCB reported strong growth in high the yielding CV and CE segment (up 25% QoQ and 63% YoY) and home loans (up ~12% QoQ and 34% YoY). It bought home loans of INR12b to build its PSL book. Wholesale loan book grew 4% QoQ (9% YoY on a higher base). Overall portfolio mix shifted in favor of the retail segment to ~49.3% v/s 47.8% in 1QFY12.

**CD ratio moderates; CASA declines QoQ:** Deposit growth gathered momentum, with 9% QoQ and 18% YoY to INR2.3t. CD ratio declined to 81.7% from 83.1% a quarter ago. While CD ratio looks fairly stretched, higher capitalization and tier-II bonds will keep it at an elevated level. CASA deposit growth moderated further to 10% YoY (up 5% QoQ) as against 15% in 1QFY12 and 26% in FY11. SA deposit growth remains

healthy at 7% QoQ and 16% YoY. Growth in CA deposits moderated sharply to 3% QoQ and 2% YoY (however, adjusted for one-off flows in 2QFY11, CA deposits grew 10% YoY). CASA ratio stood at ~47% as against 49% a quarter ago.

**Commendable performance on asset quality:** Gross slippages during 1HFY12 were INR7.5b (INR4b in 2Q), of which ~INR2.5b were towards the MFI segment. Annualized slippage ratio in 2QFY12 was ~1% (largely stable QoQ), which is at historical lows. NNPA ratio remained stable QoQ at 20bp; whereas PCR was healthy at 81%. Restructured loans were at 40bp, with standard restructured loans at a mere 10bp - one of the best in the industry. NPA provisions were INR1.1b. However, the bank utilized excess provisions worth INR1.3b made in earlier quarters, adjusted for which core credit cost would have been 0.5%. During the quarter, HDFCB made floating and general provisions of INR2.4b.

### Valuation and view

HDFCB is best placed in the current environment, with (1) CASA ratio of ~47%, (2) growth outlook of ~25%, (3) improving operating efficiency, and (4) lower credit cost, led by strong asset quality. The bank has effectively utilized excess profits for creating buffer. Pricing power in retail loans remains strong, which will help the bank to maintain margins despite increase in cost of funds.

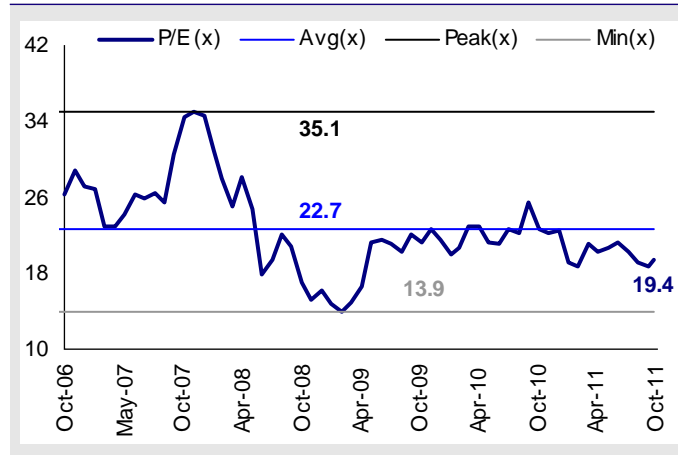
In FY13, slippages might get normalized to average levels in the retail segment. Though credit cost is likely to increase, buffer on account of higher base due to floating provisions and higher proportion of fixed rate loans at high interest rates would help achieve earnings growth of 25%+. We expect EPS to grow at a CAGR of ~28% over FY11-13 against 25% over FY05-10. While we remain positive on the bank's business, we believe valuations are rich. Over FY06-11, peak one-year forward P/BV was 5x and average one-year forward P/BV was 3.4x. The stock trades at 3.3x FY13E BV and 17.7x FY13E EPS. We maintain our **Neutral** rating, with a target price of INR515 (3.5x FY13E BV).

### We maintain our earnings estimates (INR b)

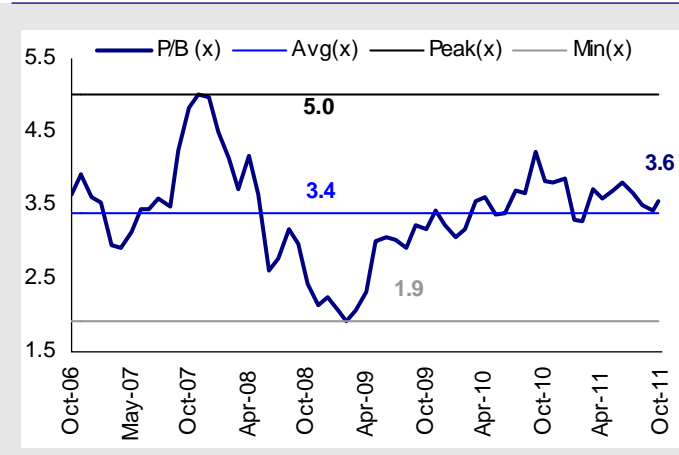
	Old Estimates		Rev. Estimates		Change (%)	
	FY12	FY13	FY12	FY13	FY12	FY13
Net Interest Income	122.4	149.5	120.4	147.0	-1.6	-1.7
Other Income	54.2	67.0	53.2	64.7	-2.0	-3.4
<b>Total Income</b>	<b>176.6</b>	<b>216.5</b>	<b>173.6</b>	<b>211.7</b>	<b>-1.7</b>	<b>-2.2</b>
Operating Expenses	83.7	97.9	83.4	96.9	-0.4	-1.1
<b>Operating Profits</b>	<b>93.0</b>	<b>118.6</b>	<b>90.2</b>	<b>114.9</b>	<b>-3.0</b>	<b>-3.1</b>
Provisions	16.5	23.4	14.3	20.0	-13.3	-14.4
<b>PBT</b>	<b>76.5</b>	<b>95.2</b>	<b>75.9</b>	<b>94.9</b>	<b>-0.7</b>	<b>-0.3</b>
Tax	24.9	30.9	24.3	30.4	-2.3	-1.9
<b>PAT</b>	<b>51.6</b>	<b>64.3</b>	<b>51.6</b>	<b>64.5</b>	<b>0.0</b>	<b>0.4</b>
Margins (%)	4.6	4.6	4.6	4.5		
Credit Cost (%)	0.9	1.0	0.8	0.8		
<b>RoA (%)</b>	<b>1.7</b>	<b>1.7</b>	<b>1.6</b>	<b>1.7</b>		
<b>RoE (%)</b>	<b>18.9</b>	<b>20.2</b>	<b>18.9</b>	<b>20.3</b>		

Source: MOSL

HDFC Bank one year forward P/E

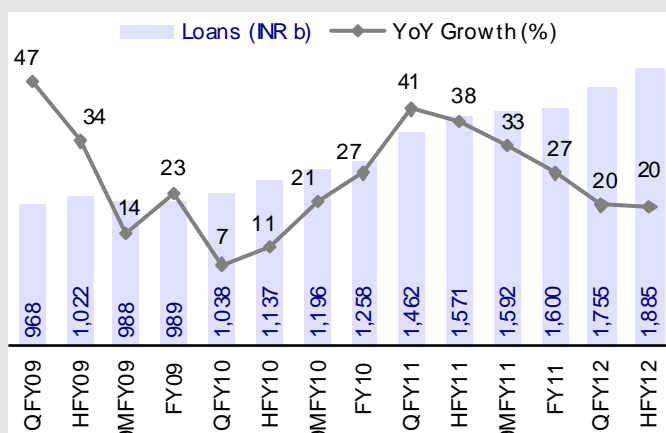


HDFC Bank one year forward P/BV



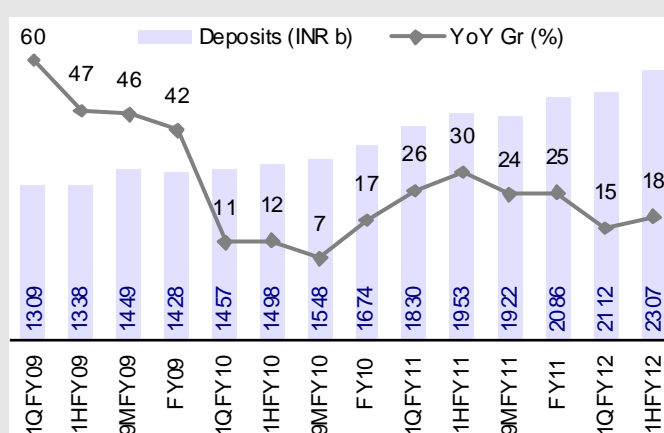
## Quarterly trends

### Loan grew 20% YoY; however, adjusted loan grew 26% YoY



■ Strong traction in retail loans (up 11% QoQ and 34% YoY) driving loan growth

### Deposit growth improves QoQ



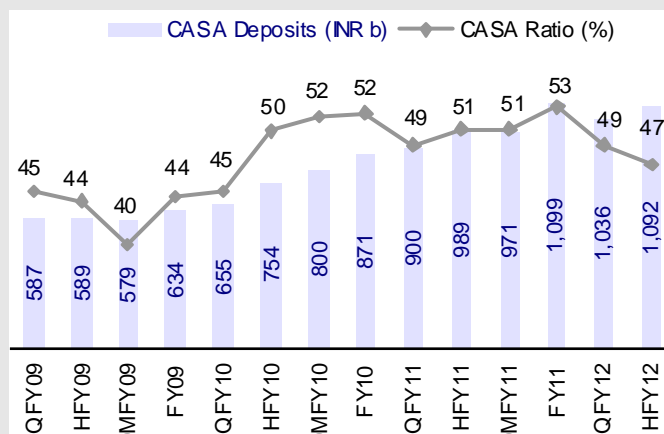
■ Deposit growth gathered momentum - 9% QoQ and 18% YoY

### Incremental loan growth driven by retail loan segment

	2Q FY12	2Q FY11	YoY Gr (%)	1Q FY12	QoQ Gr (%)
Auto Loans	246	208	18.5	232	6.0
Personal Loans	120	93	28.7	103	16.8
Loan against securities	10	10	-4.2	11	-8.2
Two wheeler	22	18	22.1	21	5.1
CV & Const Equipment	113	70	63.1	91	25.3
Credit Cards	59	41	41.6	54	8.3
Business Banking	168	115	46.6	154	9.5
Home Loans	123	92	34.5	110	11.8
Others	67	46	47.4	56	19.2
<b>Retail Loans</b>	<b>929</b>	<b>692</b>	<b>34.2</b>	<b>832</b>	<b>11.7</b>
Corporate Loans	956	879	8.8	924	3.5
<b>Total Loans</b>	<b>1,885</b>	<b>1,571</b>	<b>20.0</b>	<b>1,755</b>	<b>7.4</b>

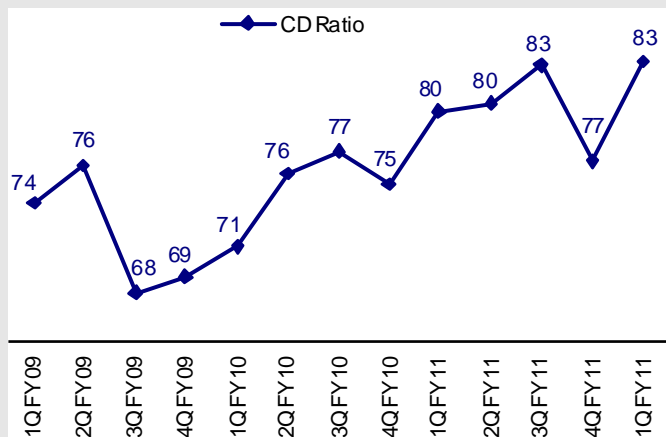
■ CV & CE loans, home loans and personal loans were the key drivers of retail loan growth during the quarter

### CASA growth moderates



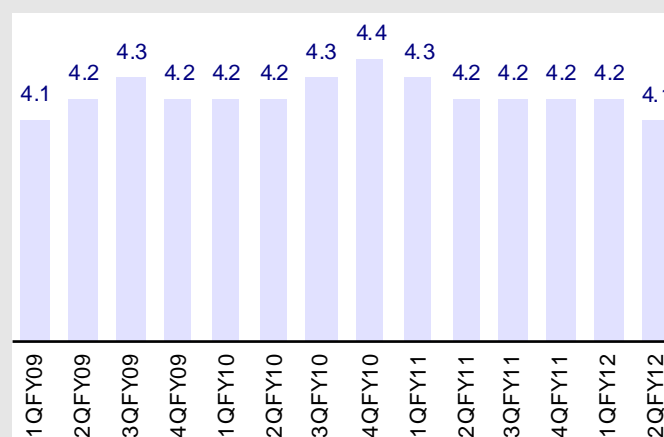
■ CASA deposit growth moderated further to 10% YoY (up 5% QoQ) as against 15% in 1QFY12 and 26% in FY11

### CD ratio moderates, but remains at elevated level (%)



■ While CD ratio looks fairly stretched, higher capitalization and tier-II bonds will keep it at an elevated level

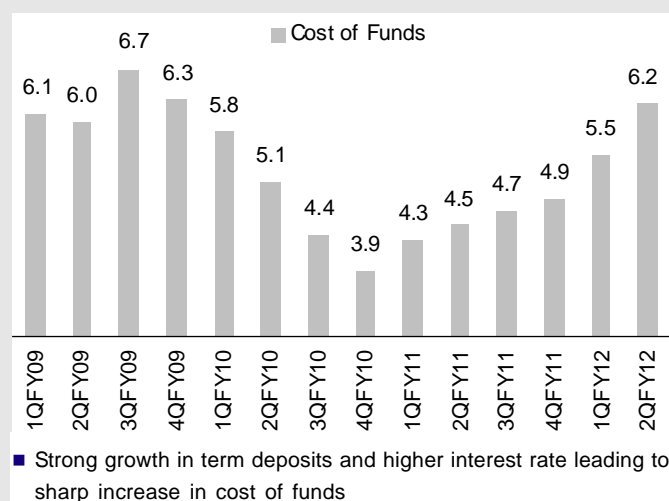
### Reported margin declines 10bp QoQ (on total assets, %)



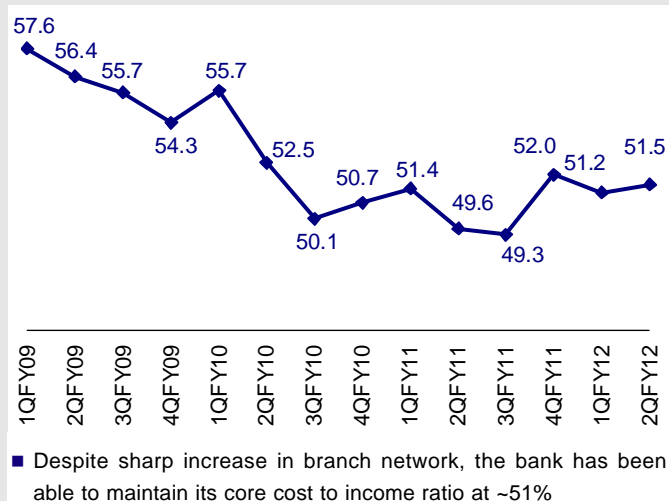
■ Decline in CD ratio, 180bp decline in CASA ratio and full impact of deposit re-pricing led to decline in margin

## Quarterly trends (continued)

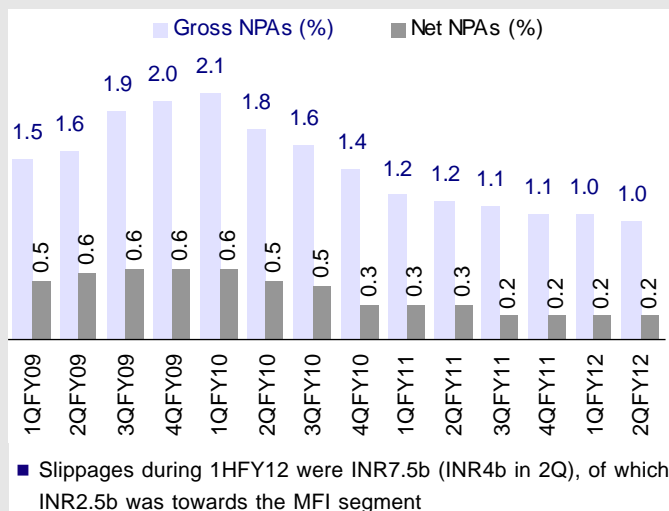
## Cost of funds (calculated) up ~70bp (%)



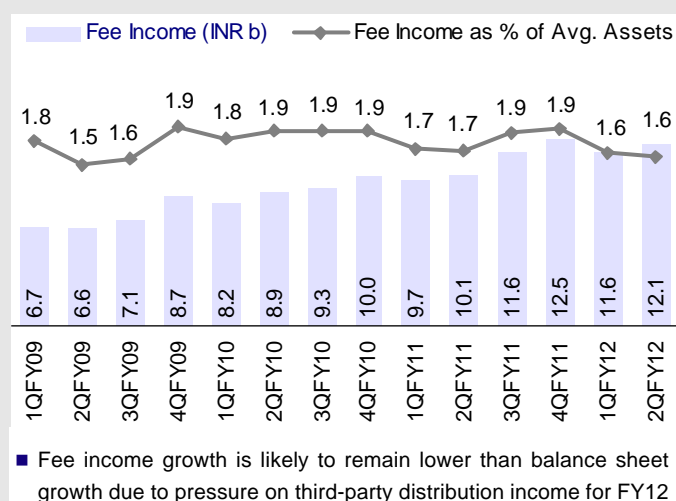
## Core cost to income ratio remains stable (%)



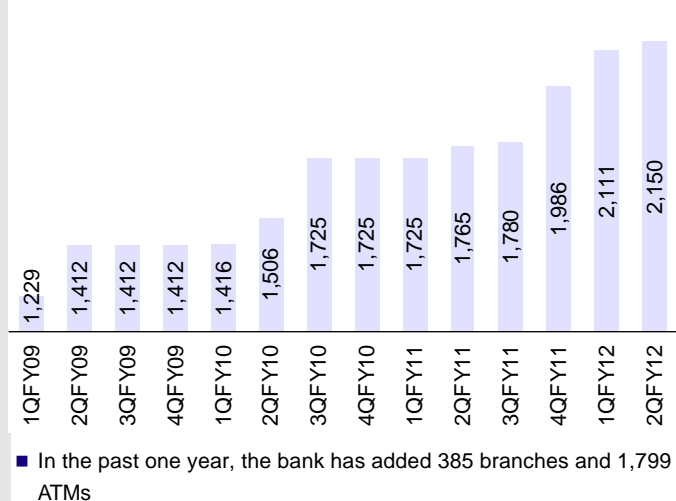
## Asset quality remains best among peers



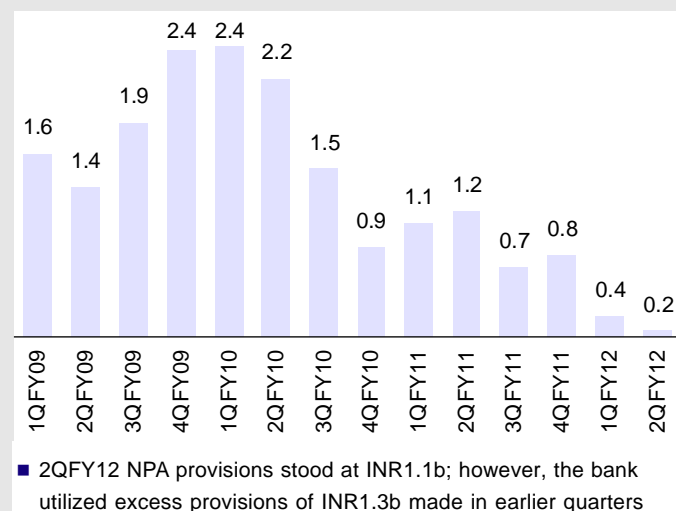
## Fee income growth picks up QoQ



## Branch expansion continues



## Credit cost at 0.2%; adjusted credit cost at 0.5%



## Quarterly Snapshot

	FY11				FY12		Variation (%)		Cumulative Numbers		
	1Q	2Q	3Q	4Q	1Q	2Q	QoQ	YoY	1HFY11	1HFY12	YoY Gr (%)
<b>Profit and Loss (INR m)</b>											
<b>Net Interest Income</b>	<b>24,011</b>	<b>25,263</b>	<b>27,767</b>	<b>28,395</b>	<b>28,480</b>	<b>29,445</b>	<b>3</b>	<b>17</b>	<b>49,274</b>	<b>57,925</b>	<b>18</b>
<b>Other Income</b>	<b>9,904</b>	<b>9,607</b>	<b>11,278</b>	<b>12,558</b>	<b>11,200</b>	<b>12,117</b>	<b>8</b>	<b>26</b>	<b>19,511</b>	<b>23,317</b>	<b>20</b>
Trading profits	215	-521	-307	86	-413	-13	N.A.	N.A.	-306	-426	39
Exchange Profits	1,718	1,523	2,168	2,454	2,301	2,180	-5	43	3,241	4,481	38
Others (Ex non core)	7,971	8,605	9,417	10,018	9,312	9,950	7	16	16,576	19,262	16
<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>5</b>	<b>19</b>	<b>68,785</b>	<b>81,242</b>	<b>18</b>
<b>Operating Expenses</b>	<b>16,429</b>	<b>16,799</b>	<b>18,318</b>	<b>19,984</b>	<b>19,346</b>	<b>20,304</b>	<b>5</b>	<b>21</b>	<b>33,227</b>	<b>39,650</b>	<b>19</b>
Employee	6,671	7,106	7,251	7,334	7,810	8,231	5	16	13,776	16,041	16
Others	9,758	9,693	11,068	12,650	11,536	12,073	5	25	19,451	23,609	21
<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>5</b>	<b>18</b>	<b>35,558</b>	<b>41,592</b>	<b>17</b>
<b>Provisions</b>	<b>5,550</b>	<b>4,545</b>	<b>4,659</b>	<b>4,313</b>	<b>4,437</b>	<b>3,661</b>	<b>-17</b>	<b>-19</b>	<b>10,095</b>	<b>8,097</b>	<b>-20</b>
<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>11</b>	<b>30</b>	<b>25,463</b>	<b>33,495</b>	<b>32</b>
Taxes	3,820	4,405	5,190	5,508	5,047	5,604	11	27	8,225	10,651	30
<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>11</b>	<b>31</b>	<b>17,239</b>	<b>22,843</b>	<b>33</b>
<b>Asset Quality</b>											
GNPA	17,912	18,412	17,818	16,943	18,331	18,949	3	3	18,412	18,949	3
NNPA	4,125	4,085	3,307	2,964	3,185	3,553	12	-13	4,085	3,553	-13
GNPA (%)	1.2	1.2	1.1	1.1	1.0	1.0	-4	-16	1.2	1.0	-16
NNPA (%)	0.3	0.3	0.2	0.2	0.2	0.2	0	-10	0.3	0.2	-10
PCR (Calculated, %)	77	78	81	83	83	81	-137	344	78	81	344
<b>Ratios (%)</b>											
Fees to Total Income	23.5	24.7	24.1	24.5	23.5	23.9			24.1	23.7	
Cost to Core Income	51.4	49.6	49.3	52.0	51.2	51.5			50.5	51.4	
Tax Rate	32.0	32.6	32.3	33.1	31.7	31.8			32.3	31.8	
CASA (Reported)	49.2	50.6	50.5	51.0	49.1	47.3	-180	-333	50.6	47.3	-333
Loan/Deposit	79.9	80.4	82.8	76.7	83.1	81.7	-141	129	80.4	81.7	129
CAR	16.3	17.0	16.3	16.2	16.9	16.5			17.0	16.5	
Tier I	12.4	12.7	12.1	12.2	11.4	11.4			12.7	11.4	
RoA	1.42	1.51	1.74	1.69	1.54	1.59					
RoE	14.7	15.8	17.8	17.7	16.7	17.6					
<b>Margins (%) - Calculated</b>											
Yield on loans	9.7	9.7	10.0	10.4	10.8	11.0	21	129	9.7	10.9	116
Yield On Investments	7.1	7.1	7.7	7.7	7.8	8.5	68	146	7.1	8.2	112
Yield on funds	8.6	8.8	9.3	9.5	9.8	10.3	50	147	8.7	10.1	132
Cost of funds	4.3	4.5	4.7	4.9	5.5	6.2	72	168	4.4	5.9	143
Spreads	4.3	4.3	4.6	4.6	4.3	4.1	-22	-20	4.3	4.2	-11
Margins	4.7	4.6	4.9	4.9	4.7	4.5	-16	-12	4.7	4.6	-7
Margins (%) - Reported	4.3	4.2	4.2	4.2	4.2	4.1	-10	-10			
<b>Balance Sheet (INR B)</b>											
Loans	1,462	1,571	1,592	1,600	1,755	1,885	7	20	1,571	1,885	20
Investments	608	637	630	709	729	788	8	24	637	788	24
Deposits	1,830	1,953	1,922	2,086	2,112	2,307	9	18	1,953	2,307	18
CASA Deposits	900	989	971	1,099	1,036	1,092	5	10	989	1,092	10
of which Savings	539	595	610	634	648	690	7	16	595	690	16
Current	362	394	360	465	388	402	3	2	394	402	2
Borrowings	115	133	134	144	220	223	2	67	133	223	67
Total Assets	2,333	2,500	2,498	2,774	2,859	3,157	10	26	2,500	3,157	26
<b>Franchise</b>											
Branches	1,725	1,765	1,780	1,986	2,111	2,150	39	385	1,765	2,150	385
ATM	4,393	4,721	5,121	5,471	5,998	6,520	522	1,799	4,721	6,520	1,799

For %age change QoQ and YoY is bp

Source: Company/MOSL



## Stock Info

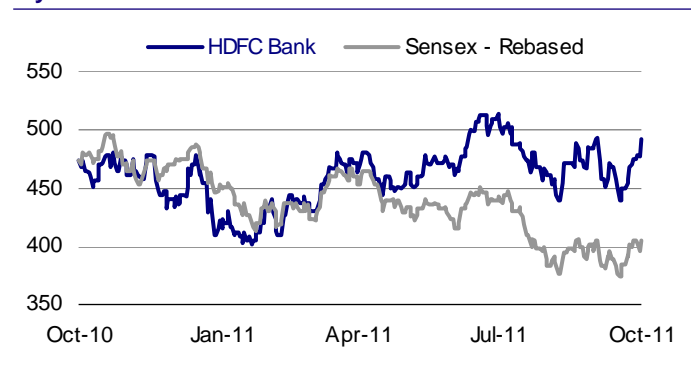
### EPS: MOSL forecast v/s Consensus (INR)

	MOSL Forecast	Consensus Forecast	Variation (%)
FY12	22.2	21.9	1.5
FY13	27.7	27.2	1.9

### Shareholding Pattern (%)

	Sep-11	Jun-11	Sep-10
Promoter	23.2	23.3	23.5
Domestic Inst	11.0	11.1	10.2
Foreign	47.7	47.7	48.5
Others	18.1	17.9	17.8

### 1-year Sensex Rebased



### Banking: Valuation Matrix

	Rating	CMP (INR)	Mkt. Cap (USDb)	EPS (INR)		P/E (x)		P/BV (x)		RoA (%)		RoE (%)	
				FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13
ICICI*	Buy	905	21.0	56	66	12.3	10.1	1.7	1.5	1.5	1.5	14.1	15.1
HDFCB	Neutral	491	23.1	22	28	22.1	17.7	3.9	3.3	1.6	1.7	18.9	20.3
Axis	Buy	1,131	9.4	99	115	11.4	9.8	2.1	1.8	1.5	1.5	19.7	19.5
Kotak	Neutral	475	3.5	23	27	19.5	16.5	2.6	2.2	2.2	2.1	15.5	15.7
Yes	Buy	290	2.0	27	33	10.8	8.8	2.2	1.8	1.4	1.3	22.2	22.6
Indusind	Buy	271	2.6	17	21	16.4	13.1	2.8	2.4	1.5	1.5	18.6	19.9
ING Vysya	Buy	324	0.8	29	34	11.3	9.6	1.3	1.1	1.0	1.0	13.5	12.4
Federal	Buy	390	1.3	41	46	9.5	8.5	1.2	1.1	1.3	1.2	13.2	13.4
J&K Bk	Buy	828	0.8	156	179	5.3	4.6	1.0	0.8	1.4	1.3	20.0	19.8
SIB	Buy	24	0.5	3	4	7.2	6.1	1.3	1.1	1.0	0.9	20.0	20.2
<b>Private Aggregate</b>			<b>65</b>			<b>15.3</b>	<b>12.8</b>	<b>2.2</b>	<b>2.0</b>				
SBI (cons)*	Buy	1,919	24.6	220	269	8.3	6.8	1.3	1.1	0.8	0.9	15.7	17.1
PNB	Buy	980	6.3	168	200	5.8	4.9	1.3	1.1	1.3	1.3	24.0	23.5
BOI	Neutral	342	3.8	52	65	6.6	5.3	1.0	0.9	0.7	0.8	16.6	18.2
BoB	Neutral	750	6.0	112	130	6.7	5.8	1.3	1.1	1.1	1.1	20.2	20.0
Canara	Buy	454	4.1	80	95	5.7	4.8	1.0	0.8	1.0	1.0	18.2	18.5
Union	Buy	249	2.6	51	61	4.9	4.1	1.0	0.8	1.1	1.1	22.2	22.3
IOB	UR	99	1.2	22	25	4.5	4.0	0.7	0.6	0.7	0.7	15.8	16.1
OBC	Buy	306	1.8	53	69	5.7	4.5	0.8	0.7	0.9	1.0	14.4	16.4
Indian Bk	Buy	209	1.8	44	52	4.7	4.0	1.0	0.8	1.4	1.4	21.5	21.4
Corporation	Neutral	415	1.2	102	116	4.1	3.6	0.7	0.6	0.9	0.9	19.5	19.3
Andhra Bk	Buy	122	1.4	26	28	4.6	4.3	0.9	0.8	1.2	1.1	21.1	19.5
IDBI *	Neutral	107	2.1	19	21	4.4	3.9	0.6	0.5	0.7	0.7	13.7	14.0
Dena Bank	Buy	76	0.5	20	24	4.3	3.5	0.6	0.5	0.9	0.9	17.9	18.4
<b>Public Aggregate</b>			<b>57</b>			<b>7.1</b>	<b>6.0</b>	<b>1.1</b>	<b>1.0</b>				
HDFC*	Neutral	674	20.0	28	32	17.2	14.4	4.8	4.4	2.8	2.8	27.1	29.4
LICHF	Buy	232	2.2	23	28	9.9	8.2	2.2	1.8	2.0	1.9	24.2	24.3
DHFL	Buy	224	0.5	36	43	6.3	5.2	1.2	1.0	1.6	1.5	22.0	20.6
IDFC	Neutral	127	3.7	9.7	11.7	13.0	10.8	1.5	1.3	2.8	2.8	12.9	13.7
REC	Buy	176	3.5	29	35	6.0	5.0	1.2	1.0	3.1	3.1	20.9	22.0
PFC	Buy	150	3.5	22	27	6.8	5.5	1.0	0.9	2.6	2.6	16.2	16.6
STF	Buy	599	2.7	61	71	9.8	8.5	2.2	1.8	3.1	3.0	25.3	23.5
MMFSL	Neutral	630	1.3	58	70	10.8	9.0	2.2	1.8	4.4	4.3	22.0	22.3
<b>IBFC Aggregate</b>			<b>37</b>			<b>12.5</b>	<b>10.3</b>	<b>3.0</b>	<b>2.5</b>				

\* Multiples adjusted for value of key ventures/investments; For ICICI Bank, HDFC Ltd BV is adjusted for investments in subsidiaries



## Financials and Valuation

Income Statement					(INR Million)
Y/E March	2009	2010	2011	2012E	2013E
Interest Income	163,323	161,727	199,282	273,555	346,708
Interest Expense	89,111	77,863	93,851	153,155	199,665
<b>Net Interest Income</b>	<b>74,212</b>	<b>83,864</b>	<b>105,431</b>	<b>120,399</b>	<b>147,042</b>
Change (%)	42.0	13.0	25.7	14.2	22.1
Non Interest Income	32,906	39,831	43,352	53,160	64,692
<b>Net Income</b>	<b>107,118</b>	<b>123,695</b>	<b>148,783</b>	<b>173,559</b>	<b>211,734</b>
Change (%)	42.6	15.5	20.3	16.7	22.0
Operating Expenses	55,328	59,398	71,529	83,358	96,866
<b>Pre Provision Profits</b>	<b>51,790</b>	<b>64,297</b>	<b>77,254</b>	<b>90,201</b>	<b>114,868</b>
Change (%)	37.5	24.2	20.2	16.8	27.3
Provisions (excl tax)	18,791	21,400	19,067	14,298	19,998
<b>PBT</b>	<b>32,999</b>	<b>42,897</b>	<b>58,187</b>	<b>75,903</b>	<b>94,870</b>
Tax	10,549	13,410	18,923	24,289	30,359
Tax Rate (%)	32.0	31.3	32.5	32.0	32.0
<b>PAT</b>	<b>22,449</b>	<b>29,487</b>	<b>39,264</b>	<b>51,614</b>	<b>64,512</b>
Change (%)	41.2	31.3	33.2	31.5	25.0
<b>Equity Dividend (Incl tax)</b>	<b>4,254</b>	<b>6,414</b>	<b>8,948</b>	<b>12,077</b>	<b>15,095</b>
<b>Core PPP*</b>	<b>47,964</b>	<b>60,847</b>	<b>77,780</b>	<b>88,951</b>	<b>113,368</b>
Change (%)	36.1	26.9	27.8	14.4	27.5

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

Balance Sheet					(INR Million)
Y/E March	2009	2010	2011	2012E	2013E
Equity Share Capital	4,254	4,577	4,652	4,652	4,652
Reserves & Surplus	146,328	210,677	249,170	288,677	338,094
<b>Net Worth</b>	<b>150,582</b>	<b>215,254</b>	<b>253,822</b>	<b>293,329</b>	<b>342,746</b>
<b>Deposits</b>	<b>1,428,116</b>	<b>1,674,044</b>	<b>2,085,864</b>	<b>2,628,189</b>	<b>3,285,236</b>
Change (%)	41.7	17.2	24.6	26.0	25.0
<b>of which CASA Dep</b>	<b>633,597</b>	<b>871,039</b>	<b>1,099,083</b>	<b>1,295,669</b>	<b>1,554,803</b>
Change (%)	15.4	37.5	26.2	17.9	20.0
Borrowings	154,414	190,688	215,871	347,372	362,523
Other Liabilities & Prov.	162,428	206,159	289,929	347,194	416,952
<b>Total Liabilities</b>	<b>1,832,708</b>	<b>2,224,586</b>	<b>2,773,526</b>	<b>3,494,153</b>	<b>4,283,026</b>
Current Assets	175,066	299,424	296,688	366,461	388,587
<b>Investments</b>	<b>588,175</b>	<b>586,076</b>	<b>709,294</b>	<b>851,152</b>	<b>1,042,662</b>
Change (%)	19.1	-0.4	21.0	20.0	22.5
<b>Loans</b>	<b>988,830</b>	<b>1,258,306</b>	<b>1,599,827</b>	<b>1,999,783</b>	<b>2,499,729</b>
Change (%)	55.9	27.3	27.1	25.0	25.0
Fixed Assets	17,067	21,228	21,706	21,238	19,873
Other Assets	63,568	59,551	146,011	255,519	332,175
<b>Total Assets</b>	<b>1,832,708</b>	<b>2,224,586</b>	<b>2,773,526</b>	<b>3,494,153</b>	<b>4,283,026</b>

Asset Quality					(%)
GNPA (INR m)	19,881	18,168	16,943	20,223	27,098
NNPA (INR m)	6,276	3,921	2,964	4,045	5,420
GNPA Ratio	1.98	1.43	1.05	1.00	1.07
NNPA Ratio	0.63	0.31	0.19	0.20	0.22
PCR (Excl Tech. write off)	68.4	78.4	82.5	80.0	80.0

E: MOSL Estimates

## Financials and Valuation

## Ratios

Y/E March	2009	2010	2011	2012E	2013E
<b>Spreads Analysis (%)</b>					
<b>Avg. Yield-Earning Assets</b>	<b>11.8</b>	<b>9.0</b>	<b>9.2</b>	<b>10.4</b>	<b>10.7</b>
Avg. Yield on loans	15.0	10.8	10.6	11.5	11.9
Avg. Yield on Investments	7.4	6.8	7.2	8.1	8.1
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>6.8</b>	<b>4.7</b>	<b>4.7</b>	<b>6.0</b>	<b>6.3</b>
Avg. Cost of Deposits	6.6	4.5	4.3	5.5	5.8
<b>Interest Spread</b>	<b>5.0</b>	<b>4.3</b>	<b>4.5</b>	<b>4.4</b>	<b>4.4</b>
<b>Net Interest Margin</b>	<b>5.4</b>	<b>4.7</b>	<b>4.9</b>	<b>4.6</b>	<b>4.5</b>

## Profitability Ratios (%)

RoE	16.9	16.1	16.7	18.9	20.3
RoA	1.4	1.5	1.6	1.6	1.7
Int. Expense/Int. Income	54.6	48.1	47.1	56.0	57.6
Fee Income/Net Income	27.1	29.4	29.5	29.9	29.8
Non Int. Inc./Net Income	30.7	32.2	29.1	30.6	30.6

## Efficiency Ratios (%)

Cost/Income*	56.9	52.0	51.1	51.5	49.0
Empl. Cost/Op. Exps.	40.5	38.5	39.6	40.1	40.8
Busi. per Empl. (INR m)	41.1	51.2	61.5	70.3	78.7
NP per Empl. (INR lac)	0.5	0.6	0.7	0.9	1.0

\* ex treasury

## Asset-Liability Profile (%)

Loans/Deposit Ratio	69.2	75.2	76.7	76.1	76.1
CASA Ratio	44.4	52.0	52.7	49.3	47.3
Investment/Deposit Ratio	41.2	35.0	34.0	32.4	31.7
G-Sec/Investment Ratio	88.7	87.1	75.6	80.3	78.8
CAR	15.8	17.4	16.2	16.1	14.4
Tier 1	10.6	13.3	12.2	11.0	10.3

## Valuation

Book Value (INR)	70.8	94.1	109.1	126.1	147.3
Change (%)	9.1	32.8	16.0	15.6	16.8
Price-BV (x)	6.9	5.2	4.5	3.9	3.3
Adjusted BV (INR)	61.2	88.5	105.0	120.5	139.8
Price-ABV (x)	8.0	5.6	4.7	4.1	3.5
EPS (INR)	10.6	12.9	16.9	22.2	27.7
Change (%)	17.6	22.1	31.0	31.5	25.0
Price-Earnings (x)	46.6	38.2	29.1	22.2	17.7
Dividend Per Share (INR)	2.0	2.4	3.3	4.4	5.5
Dividend Yield (%)	0.4	0.5	0.7	0.9	1.1

E: MOSL Estimates

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