

Housing Development Finance Corp Ltd.

Robust retail business; outlook maintained

Outlook

Regardless of intensifying competition, HDFC has been clocking strong growth in its loan book, with retail business driving the growth. Continued buoyancy in loan growth, strong operating efficiency and pristine asset quality were the key positives that emerged from the results. NIMs and the RoA too continue to remain impressive. We maintain our positive outlook on the stock. At the CMP of 880, the stock is currently trading at 4.9x P/Adj BV and 4.4x P/Adj BV for FY14E and FY15E and recommend a HOLD on the stock.

Key Takeaways

- Housing Development Financial Corporation's (HDFC) revenues were higher by 16.1% YoY and 7.4% QoQ at Rs 4947.6 crore aided by the strong loan book and stable NIM's (4.2%). Net profit for the quarter increased by 17.2% YoY to Rs 2083.1 crore. Net Interest Income grew by 17% yoy to Rs 2121.37 crore.
- In Q4FY13, the loan book stood at Rs 1,70,046 crores as against Rs 1,40,875 crores in Q4FY12. Loans sold during the preceding 12 months amounted to Rs 5,175 crores. The growth in the individual loan book, after adding back loans sold is 31% (25% net of loans sold), while Non-individual loans grew by 13% over the same period. The retail-corporate loan mix currently stands at 65:34. We believe, the additional deduction of Rs 1 lakh provided by the budget to home owners for loans up to Rs 25 lakh on a property value of Rs 40 lakh will benefit HDFC since the average ticket size of its individual home loans as on FY13 was Rs 21.6 lakh.
- HDFC continues to report a stellar performance in asset quality. The company's GNPA ratio on a 90-day recognition basis stands at 0.70% as of Q4FY13.
- HDFC's fee income in Q4FY13 was higher at Rs 87.9 crore, up 47% YoY (125% QoQ) led by the higher sequential disbursement on high yielding corporate loans. This, coupled with higher dividend income of Rs 81.4 (up 80% QoQ, 32% YoY), led to 20% growth in other income. Profit on sale of investments at Rs 100 crore grew 9% QoQ and 33% YoY.
- HDFC's non-performing loans amounted to Rs 1999 crore, equivalent to 0.70% of the portfolio (as against 0.74% in the previous year). This is the 33rd consecutive quarter end at which the percentage of non-performing loans has been lower than the corresponding quarter in the previous year.

Recommendation (Rs)

CMP	880
Rating	HOLD

Index Details

Sensex	19,939
Nifty	6,050
Industry	Banks

Scrip Details

Mkt Cap (Rs cr)	1,35,742
Eq Shares O/s (Cr)	154.7
Avg Vol (Lakhs)	1.3
52 Week H/L	900/611
Dividend Yield (%)	1.3
Face Value (Rs)	2.0

Latest shareholding pattern (%)

Promoters	-
Indian Institutions	13.2
FII's	73.7
Public	13.1
Total	100.0

Stock performance (%)

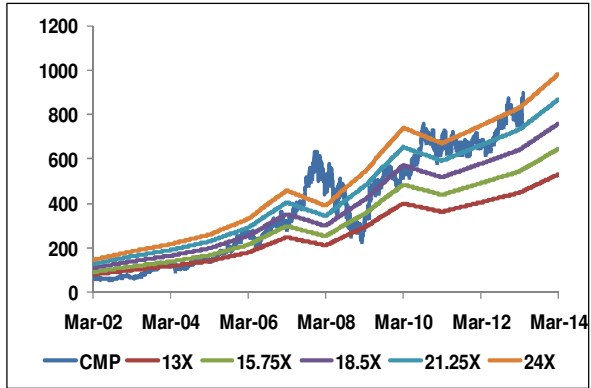
	1m	3m	6m
HDFC	16.8	9.6	11.7
Nifty	9.5	2.8	5.8
BSE -Bank	14.3	2.5	8.3

Quarterly Result Update

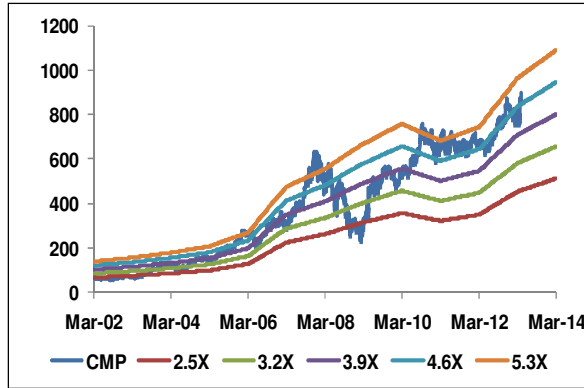
Description	Q4FY13	Q4FY12	% Chg.	Q4FY13	Q3FY13	% Chg.	FY201303	FY201203	% Chg.
Net Sales	5947.6	5124.0	16.1	5947.6	5538.4	7.4	22032.5	18223.9	20.9
Other operational Income	5087.6	4149.7	22.6	5087.6	4590.2	10.8	13915.7	12051.9	15.5
Total Oper. Income(TOI)	11035.2	9273.7	19.0	11035.2	10128.6	9.0	35948.2	30275.8	18.7
Raw Materials Cons.-	-	-	-	-	-	-	-	-	-
<i>% to TOI</i>	-	-	-	-	-	-	-	-	-
Stock adj. (-)Inc / (+)Dec-	-	-	-	-	-	-	-	-	-
<i>% to TOI</i>	-	-	-	-	-	-	-	-	-
Net Raw Mat adj. for stock	-	-	-	-	-	-	-	-	-
<i>% to TOI</i>	-	-	-	-	-	-	-	-	-
Other expenses	4895.6	4021.1	21.7	4895.6	4539.6	7.8	13641.8	12038.1	13.3
<i>% to TOI</i>	<i>44.4</i>	<i>43.4</i>	-	<i>44.4</i>	<i>44.8</i>	-	<i>37.9</i>	<i>39.8</i>	-
Contribution Net_Sales	6139.6	5252.6	16.9	6139.6	5589.0	9.9	22306.4	18237.7	22.3
Personnel	133.2	113.0	17.9	133.2	135.6	-1.8	528.1	445.5	18.6
<i>% to TOI</i>	<i>1.2</i>	<i>1.2</i>	-	<i>1.2</i>	<i>1.3</i>	-	<i>1.5</i>	<i>1.5</i>	-
Total expenditure	5028.7	4134.1	21.6	5028.7	4675.3	7.6	14169.9	12483.6	13.5
Operating Profit	6006.5	5139.6	16.9	6006.5	5453.3	10.1	21778.3	17792.2	22.4
<i>% to TOI</i>	<i>54.4</i>	<i>55.4</i>	-	<i>54.4</i>	<i>53.8</i>	-	<i>60.6</i>	<i>58.8</i>	-
Non-Operating Income	7.7	4.4	74.4	7.7	10.8	-28.7	38.8	27.1	43.1
Interest	3548.9	3029.6	17.1	3548.9	3627.2	-2.2	14295.5	11551.9	23.8
Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Profit	2465.2	2114.5	16.6	2465.2	1837.0	34.2	7521.5	6267.4	20.0
Depreciation	14.7	19.5	-24.8	14.7	13.5	8.9	54.2	50.6	7.0
PBT before Extra-ord	2450.6	2094.9	17.0	2450.6	1823.5	34.4	7467.3	6216.7	20.1
<i>% to TOI</i>	<i>22.2</i>	<i>22.6</i>	-	<i>22.2</i>	<i>18.0</i>	-	<i>20.8</i>	<i>20.5</i>	-
Extraordinary Items	-	0.0	-	-	-	-	0.0	-	0.0
PBT	2450.6	2094.9	17.0	2450.6	1823.5	34.4	7467.3	6216.7	20.1
Tax Rate	26.2	26.1	0.5	26.2	25.7	1.9	26.8	27.8	-3.5
Prov. for Tax	643.2	547.4	17.5	643.2	469.3	37.1	2002.0	1727.0	15.9
<i>% to TOI</i>	<i>5.8</i>	<i>5.9</i>	-	<i>5.8</i>	<i>4.6</i>	-	<i>5.6</i>	<i>5.7</i>	-
Profit after Tax	1807.4	1547.6	16.8	1807.4	1354.2	33.5	5465.3	4489.8	21.7
<i>% to TOI</i>	<i>16.4</i>	<i>16.7</i>	-	<i>16.4</i>	<i>13.4</i>	-	<i>15.2</i>	<i>14.8</i>	-
Minority Interest	-112.1	-82.1	36.6	-112.1	-81.3	-37.9	-341.8	-207.8	64.5
PAT (adj. For MI)	2083.1	1776.7	17.2	2083.1	1705.8	22.1	6639.7	5462.5	21.6
Face Value	2.0	2.0	-	2.0	2.0	-	2.0	2.0	-
Equity Share capital	309.3	295.4	-	309.3	308.2	-	309.3	295.4	-
EPS (Rs.)	11.7	10.5	11.5	11.7	8.8	33.0	35.3	30.4	16.3
CEPS (Rs.)	11.8	10.6	11.1	11.8	8.9	32.6	35.7	30.7	16.1

Quarterly Result Update

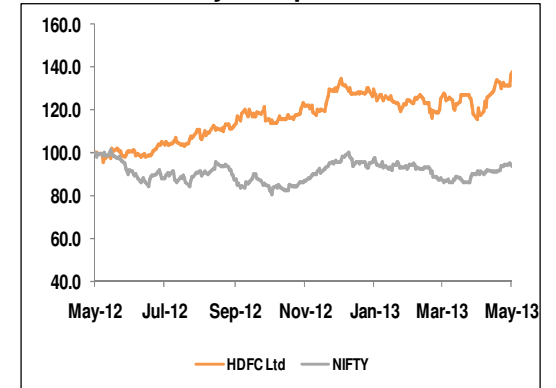
P/E Bands



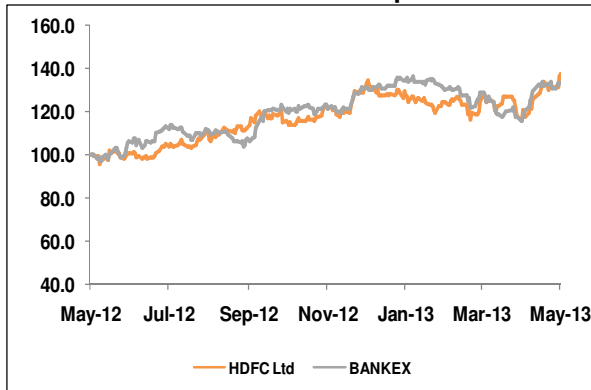
P/B Bands



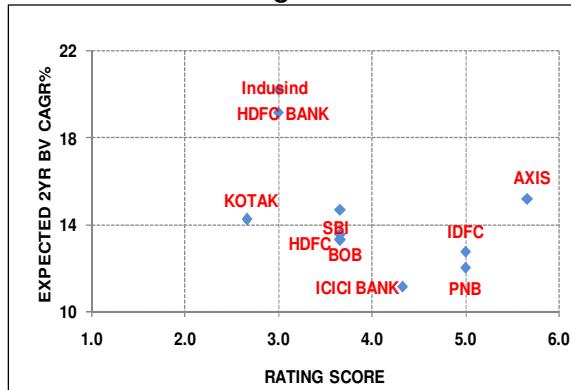
Nifty Comparison



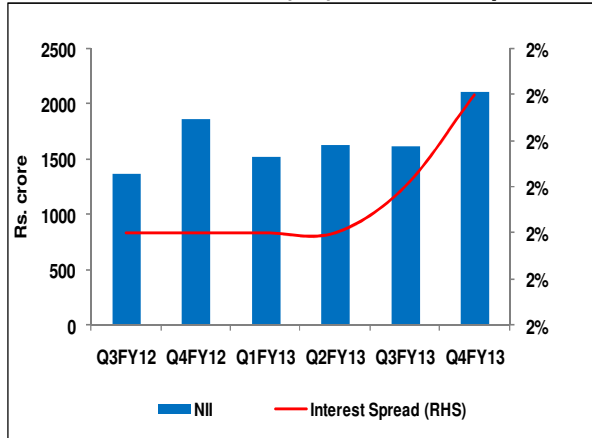
BSE-Bankex Comparison



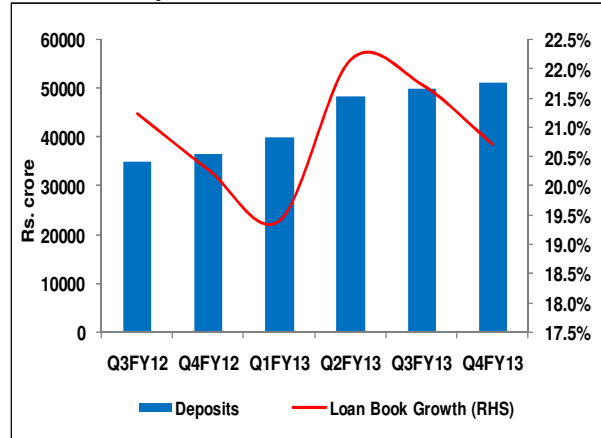
Rating



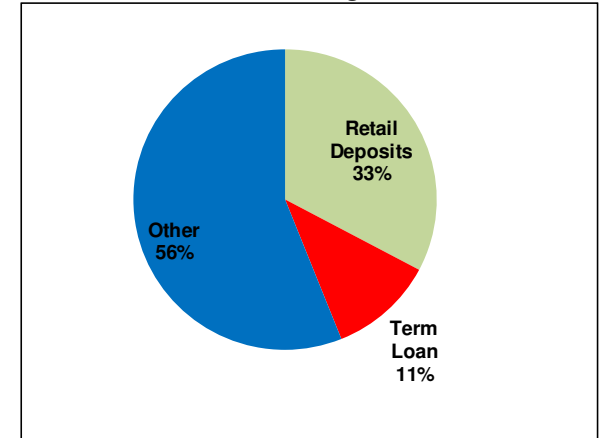
Net Interest Income (NII) & Interest Spread



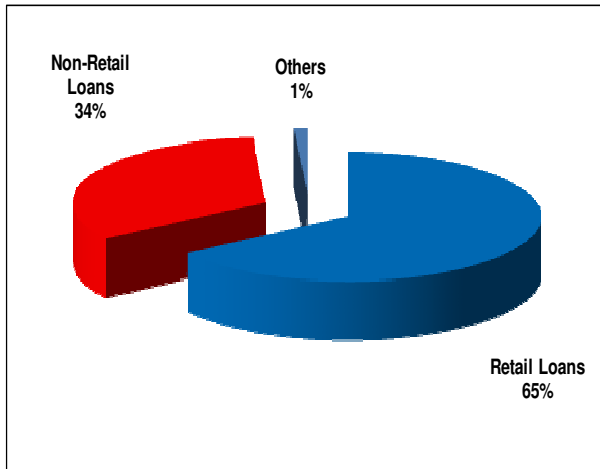
Deposits & Loan Book Growth



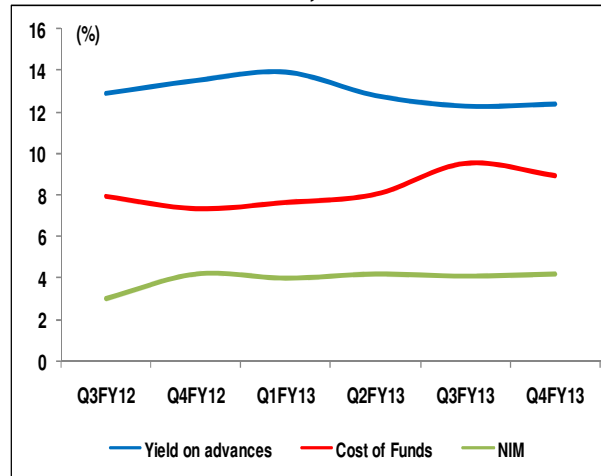
Borrowing Mix



Loan-Portfolio



Yield on advances , Cost of Funds & NIM



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