

Housing Development Finance Corp Ltd.

Results in line; outlook maintained

Outlook

HDFC came out with numbers which were in line with expectations alleviating fears of competition intensifying in the housing finance market. While the corporate segment did show a slight dip, it was more than made up for by the individual loan portfolio growing at 22.5% yoy. Asset quality NIMs and the RoA continue to remain impressive. We continue to maintain a positive outlook on the stock and given the strong 20% growth in disbursements, we believe that the company can easily achieve a loan growth of 18-20% over the next couple of years. The stock is currently trading at 3.8x P/Adj BV and 3.3x P/Adj BV for FY13 and FY14 and recommend an accumulate on dips strategy.

Key Takeaways

- Housing Development Financial Corporation's (HDFC) revenues were higher by 29.3% yoy at Rs. 4914 crore aided by a 19.4% yoy growth in loan book to Rs 1,48,262.3 crore and stable NIM's (2.9%, +17 bps yoy). Spreads on the loans remained flat at 2.3 (-3 bps). Net profit for the quarter increased by 18.6% yoy to Rs 1001 crore. Net Interest Income grew by 26% yoy to Rs.1258.2 crore.
- Loan growth at 19% yoy was commendable given that it sold loans to HDFC Bank. Adjusted for this sell down the loan growth would have been far higher at 23%. Although the corporate loan book did slow down to 14% yoy, this was more than made up by the 23% growth in retail lending. The strong growth in sanctions (+17% yoy) and disbursements (+20%) gives us adequate comfort and we believe that HDFC will easily achieve its guidance of 18-20% loan growth over the next couple of years.
- Asset Quality continues to remain exemplary with GNPLs improving to 0.9%. However the provisioning expenses for the company have increased as it has changed its policy of charging the provisioning on standard assets to the P&L (instead of routing through the reserve and surplus account)

Recommendation (Rs)	
CMP	678
Rating	Accumulate

Index Details	
Sensex	17,489
Nifty	5,306
Industry	Banks

Scrip Details	
Mkt Cap (Rs cr)	1,00,974
Eq Shares O/s (Cr)	148.9
Avg Vol (Lakhs)	2.7
52 Week H/L	726/601
Dividend Yield (%)	1.6
Face Value (Rs)	2.0

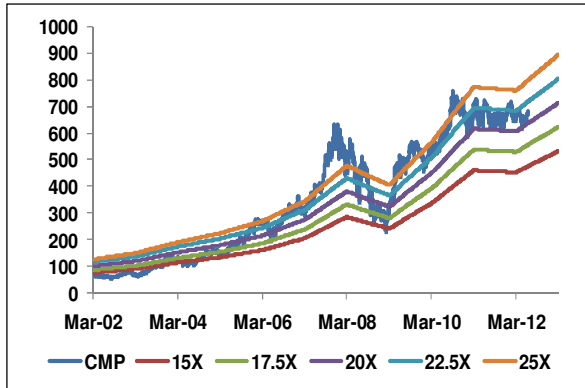
Latest shareholding pattern (%)	
Promoters	-
Indian Institutions	19.5
FII's	66.7
Public	13.8
Total	100.0

Stock performance (%)			
	1m	3m	6m
HDFC	3.1	1.0	1.9
Nifty	4.1	0.8	11.2
BSE -Bank	5.7	4.0	25.3

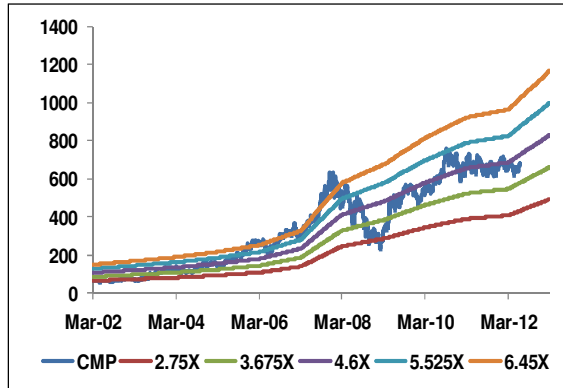
Quarterly Result Update

Description	Q1FY13	Q1FY12	% Chg.	Q1FY13	Q4FY12	% Chg.	FY201203	FY201103	% Chg.
Net Sales	4914.7	3800.7	29.3	4914.7	4805.7	2.3	17062.8	12493.2	36.6
Other operational Income	20.2	16.3	24.5	20.2	79.1	-74.5	270.2	359.7	-24.9
Total Oper. Income(TOI)	4935.0	3816.9	29.3	4935.0	4884.8	1.0	17332.9	12852.9	34.9
Raw Materials Cons.-	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0	-
<i>% to TOI</i>	<i>0.0</i>	<i>0.0</i>	<i>-</i>	<i>0.0</i>	<i>0.0</i>	<i>-</i>	<i>0.0</i>	<i>0.0</i>	<i>-</i>
Stock adj. (-)Inc / (+)Dec-	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0	-
<i>% to TOI</i>	<i>0.0</i>	<i>0.0</i>	<i>-</i>	<i>0.0</i>	<i>0.0</i>	<i>-</i>	<i>0.0</i>	<i>0.0</i>	<i>-</i>
Net Raw Mat adj. for stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>% to TOI</i>	<i>0.0</i>	<i>0.0</i>	<i>-</i>	<i>0.0</i>	<i>0.0</i>	<i>-</i>	<i>0.0</i>	<i>0.0</i>	<i>-</i>
Other expenses	108.5	73.9	46.8	108.5	72.4	49.9	305.6	256.4	19.2
<i>% to TOI</i>	<i>2.2</i>	<i>1.9</i>	<i>-</i>	<i>2.2</i>	<i>1.5</i>	<i>-</i>	<i>1.8</i>	<i>2.0</i>	<i>-</i>
Contribution Net_Sales	4826.4	3743.0	28.9	4826.4	4812.3	0.3	17027.4	12596.5	35.2
Personnel	60.9	52.8	15.4	60.9	49.7	22.5	205.8	175.5	17.2
<i>% to TOI</i>	<i>1.2</i>	<i>1.4</i>	<i>-</i>	<i>1.2</i>	<i>1.0</i>	<i>-</i>	<i>1.2</i>	<i>1.4</i>	<i>-</i>
Total expenditure	169.4	126.7	33.7	169.4	122.1	38.7	511.3	432.0	18.4
Operating Profit	4765.6	3690.3	29.1	4765.6	4762.7	0.1	16821.6	12421.0	35.4
<i>% to TOI</i>	<i>96.6</i>	<i>96.7</i>	<i>-</i>	<i>96.6</i>	<i>97.5</i>	<i>-</i>	<i>97.0</i>	<i>96.6</i>	<i>-</i>
Non-Operating Income	7.4	4.7	57.6	7.4	6.3	17.5	21.3	25.1	-15.1
Interest	3388.2	2514.9	34.7	3388.2	2938.9	15.3	11156.8	7559.9	47.6
Exceptional Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross Profit	1384.7	1180.0	17.3	1384.7	1830.0	-24.3	5686.2	4886.2	16.4
Depreciation	4.8	4.5	7.4	4.8	5.9	-18.6	20.5	19.2	7.0
PBT before Extra-ord	1379.9	1175.5	17.4	1379.9	1824.1	-24.4	5665.6	4867.0	16.4
<i>% to TOI</i>	<i>28.0</i>	<i>30.8</i>	<i>-</i>	<i>28.0</i>	<i>37.3</i>	<i>-</i>	<i>32.7</i>	<i>37.9</i>	<i>-</i>
Extraordinary Items	-	-	-	-	0.0	0.0	0.0	0.0	-
PBT	1379.9	1175.5	17.4	1379.9	1824.1	-24.4	5665.6	4867.0	16.4
Tax Rate	27.4	28.2	-2.7	27.4	27.3	0.4	27.2	27.4	-0.5
Prov. for Tax	378.0	331.0	14.2	378.0	498.0	-24.1	1543.0	1332.0	15.8
<i>% to TOI</i>	<i>7.7</i>	<i>8.7</i>	<i>-</i>	<i>7.7</i>	<i>10.2</i>	<i>-</i>	<i>8.9</i>	<i>10.4</i>	<i>-</i>
Profit after Tax	1001.9	844.5	18.6	1001.9	1326.1	-24.4	4122.6	3535.0	16.6
<i>% to TOI</i>	<i>20.3</i>	<i>22.1</i>	<i>-</i>	<i>20.3</i>	<i>27.1</i>	<i>-</i>	<i>23.8</i>	<i>27.5</i>	<i>-</i>
Face Value	2.0	2.0	-	2.0	2.0	-	2.0	2.0	-
Equity Share capital	297.7	294.0	-	297.7	295.4	-	295.4	293.4	-
EPS (Rs.)	6.7	5.7	17.1	6.7	9.0	-25.6	27.9	24.1	15.8
CEPS (Rs.)	6.8	5.8	17.1	6.8	9.0	-24.4	28.1	24.2	15.8

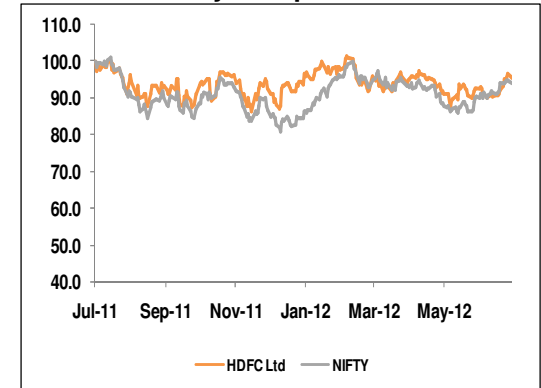
P/E Bands



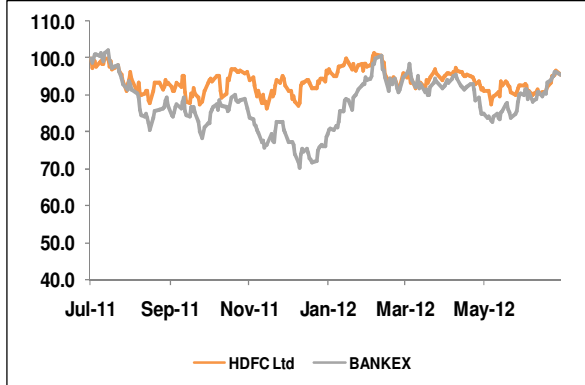
P/B Bands



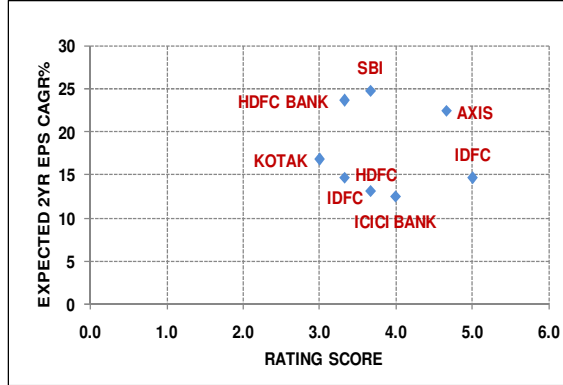
Nifty Comparison



BSE-Bankex Comparison

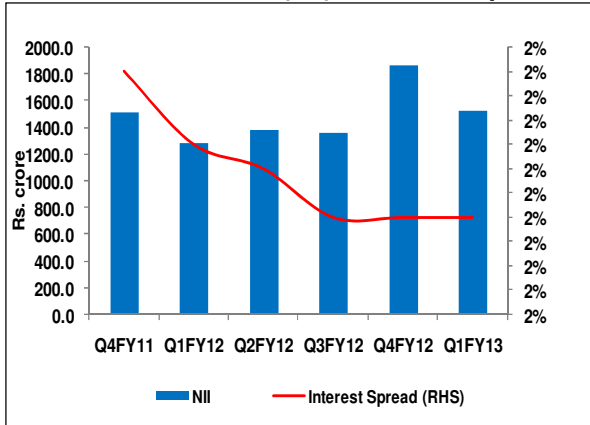


Rating

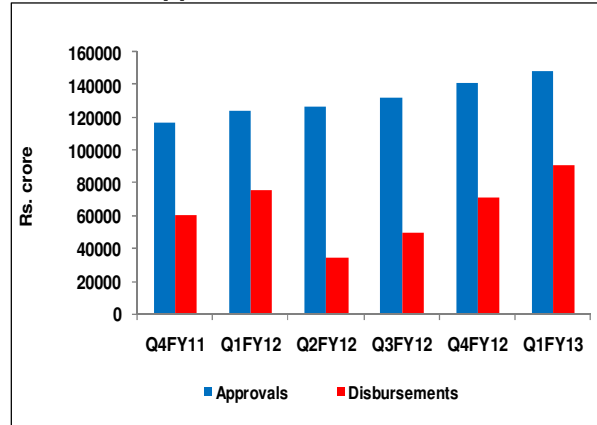


Quarterly Result Update

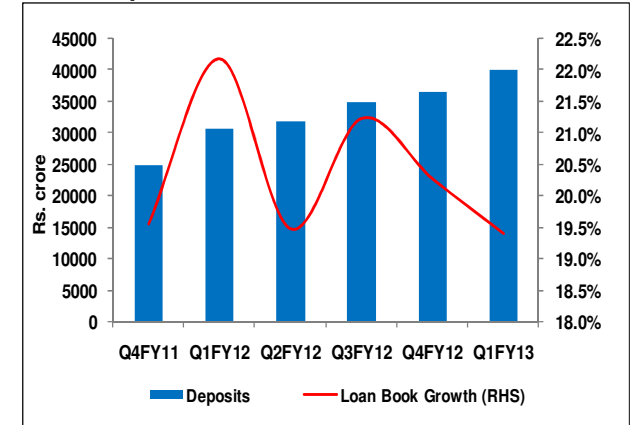
Net Interest Income (NII) & Interest Spread



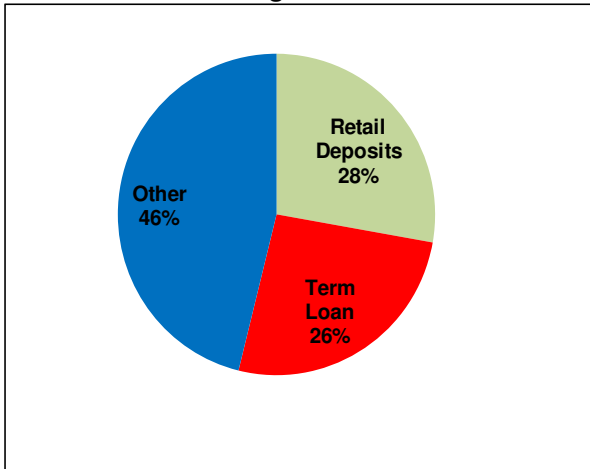
Approvals and Disbursals



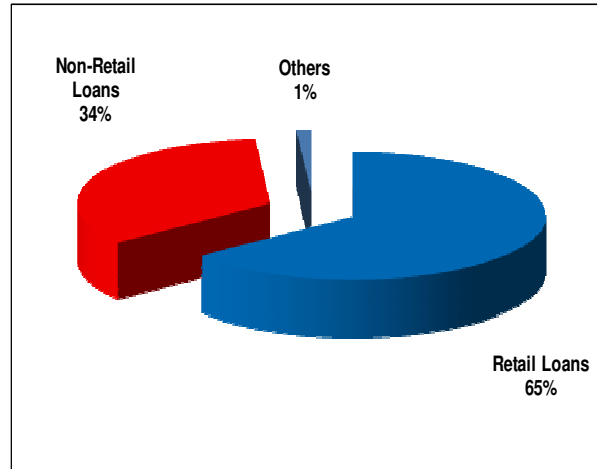
Deposits & Loan Book Growth



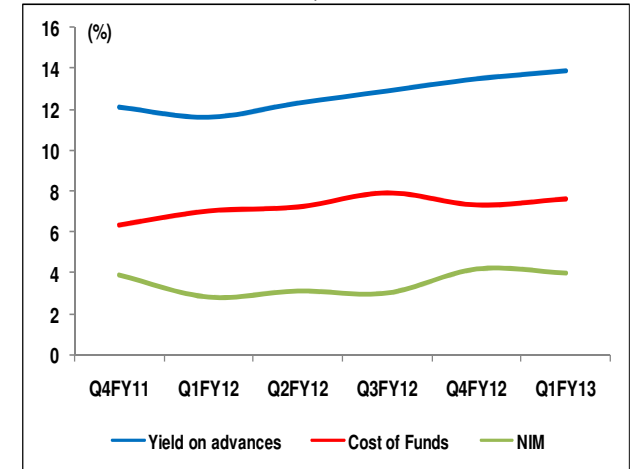
Borrowing Mix



Loan Portfolio



Yield on advances , Cost of Funds & NIM



Ventura Securities Limited

Corporate Office: C-112/116, Bldg No. 1, Kailash Industrial Complex, Park Site, Vikhroli (W), Mumbai – 400079

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