



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Analyst: Avinash Tanawade (022) 67141449

Result update@ Dalal & Broacha

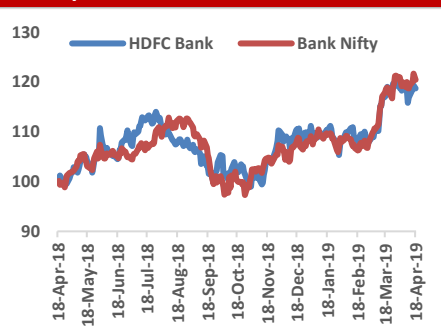
#### ACCUMULATE

Current Price	2290
52 Week Range	2,332/1,884
Target Price	2683
Upside (%)	17

#### Key Share Data

Market Cap (Rs.bn)	6237
Market Cap (US\$ mn)	89327
No of o/s shares (mn)	2723
Face Value	2
Monthly Avg. vol (BSE+NSE) Nos'000	2286
BSE Code	500180
NSE Code	HDFCBANK
Bloomberg	HDFCB:IN

#### Price performance



% Shareholding	Mar-19	Dec-18
Promoter	26.5	26.5
FII	38.7	38.7
DII	16.4	16.2
Others	18.4	18.6
<b>Total</b>	<b>100</b>	<b>100</b>

**Supported by strong growth in NII and better asset quality, HDFC Bank (HDFCB) has reported a robust net profit growth of 23% YoY at Rs 58.9 Bn for the quarter ended March 31, 2019. Bank's NII came at Rs 130.9 Bn (up 23% YoY/ 4% QoQ) led by higher credit growth at 24% YoY (5% QoQ). Net interest margin (NIM) stood at a healthy 4.4%, up from 4.3% in Q3FY19. Bank's productivity was also improved, with cost-to-income falling 102 bps YoY to 39.6% backed by lower opex growth of 18% vs. 21% Net revenue (NII + other income) growth. Operating profit grew by 23% YoY/1% QoQ to Rs 108.4 Bn in Q4FY19.**

For the full year FY19, bank's NII grew by 20%, while operating profit & net profit grew at an even stronger pace of 22% and 21%, respectively, thanks to better control operational expenses. With 17.1% capital adequacy (tier-I 15.8%), Bank is well capitalized for immense opportunity in the marketplace (looking at 19% loan growth over FY19-21E).

**Stable asset quality (GNPA at 1.36%):** Bank's asset quality remained stable, with gross NPAs stood at 1.36% (down by 2 bps QoQ), while net NPAs improved by 3bps QoQ at 0.39%. In absolute terms, GNPA's increased by 3% QoQ to Rs 112.2 Bn and NNPA's declined by 3% QoQ to Rs 32.15 Bn in the fourth quarter of current fiscal. Provisions for bad loans stood at Rs 18.9 Bn, which grew by 23% from Rs 15.4 Bn in Q4FY18. With this, HDFCB's PCR improved by 164 bps QoQ to 71%. **Bank saw slippages of Rs 35.8 Bn during the quarter (lower than Rs 40.0 Bn in Q3FY19)**, while upgrades, write-offs and recoveries stood at Rs 10.0 Bn, 11.0 Bn and Rs 12.0 Bn respectively. We don't expect substantial deterioration in asset quality in near term, as the bank cautiously increasing cooperate loan book, focusing on quality over quantity. However, **Bank had made contingent provisions in Q3FY19 on account of an expected rise in Agri delinquencies & added more provisions in Q4FY19.**

**Robust credit growth at 24% YoY:** HDFCB has shown strong credit growth of 24% YoY/5% QoQ in Q4FY19. The healthy loan growth was contributed by both retail and wholesale segments, with retail loans growing by 19% and wholesale loans by 32% resulting in a domestic loan mix between retail: wholesale of 54:46. According to the management, sizeable part of the incremental corporate growth was short term in nature and would unwind in the coming quarters. Bank has seen few opportunities in NCLT refinancing cases and has seen higher utilization of working capital limits. Within retail loans, **Personal Loans and Credit Cards rose 29% each YoY, forming 32% of the retail portfolio**, while auto loan growth remained subdued at 6% YoY due to the slower industry growth. **We expect advances growth to stay well above the system at 19% CAGR over FY19-21E, as corporate growth to benefit from expected recovery in capex cycle and vehicle portfolio gets a boost from BS VI implementation in FY20E.**

**Valuation & Outlook:** We believe that bank's best in class asset quality, strong liability franchisee, robust fee income growth would enable bank to deliver strong sustainable performance and capitalize on emerging opportunities. At CMP the stock trades at 3.8x its FY20E ABV and 3.3x its FY21E ABV. **We value HDFCB at FY19E P/ABV multiple of 3.9x to arrive at target price of Rs 2,683/ share and maintain BUY rating on the stock.**

#### Key Financials

Year	NII	Growth (%)	PPOP	Growth (%)	PAT	Growth (%)	BVPS	PB (X)	ROA
FY19	482	20	397	22	211	21	548	4.2	1.8
FY20E	574	19	475	20	254	20	620	3.7	1.9
FY21E	689	20	574	21	307	21	708	3.2	1.9



## Quarterly performance

Financials (Rs Bn)	Q4FY19	YOY (%)	QOQ (%)	Q3FY19	Q2FY19	Q1FY19	Q4FY18	Q3FY18
Interest Earned	263	24	2	259	242	225	213	206
Interest Expended	132	24	-1	133	124	117	107	103
<b>NII</b>	<b>131</b>	<b>23</b>	<b>4</b>	<b>126</b>	<b>118</b>	<b>108</b>	<b>107</b>	<b>103</b>
Other Income	49	15	-1	49	40	38	42	39
<b>Net Income</b>	<b>180</b>	<b>21</b>	<b>3</b>	<b>175</b>	<b>158</b>	<b>146</b>	<b>149</b>	<b>142</b>
Operating expenses	71	18	6	67	63	60	61	57
<b>PPoP</b>	<b>108</b>	<b>23</b>	<b>1</b>	<b>108</b>	<b>95</b>	<b>86</b>	<b>88</b>	<b>85</b>
Provisions & Contingencies	19	23	-15	22	18	16	15	14
Profit Before Tax	90	23	5	86	77	70	73	71
Tax	31	23	3	30	27	24	25	25
<b>Net Profit</b>	<b>59</b>	<b>23</b>	<b>5</b>	<b>56</b>	<b>50</b>	<b>46</b>	<b>48</b>	<b>46</b>
<b>Balance sheet</b>								
<b>Net-worth</b>	<b>1492</b>	<b>40</b>	<b>4</b>	<b>1430</b>	<b>1372</b>	<b>1077</b>	<b>1063</b>	<b>1011</b>
Deposits	9231	17	8	8525	8334	8058	7888	6990
Advances	8194	24	5	7810	7508	7086	6583	6312
<b>Total Assets</b>	<b>12445</b>	<b>17</b>	<b>7</b>	<b>11686</b>	<b>11699</b>	<b>10804</b>	<b>10639</b>	<b>9491</b>
<b>Retail Advances</b>								
Auto	807	6	-3	830	803	777	764	731
Personal Loans	930	29	5	888	834	779	719	668
Home Loans	514	42	-1	518	479	440	363	381
Business Banking	570	5	2	557	542	521	541	470
Kisan Gold Card	387	12	10	351	361	331	347	311
Credit Cards	466	29	4	448	405	385	361	336
CV/CE	287	23	6	272	255	249	234	214
Others	181	29	4	174	169	163	141	139
Two Wheelers	100	16	0	101	97	92	87	77
Gold Loans	52	2	1	52	52	51	51	51
Loans against securities	19	4	5	18	18	17	18	17
<b>Asset Quality</b>								
GNPA (%)	1.36	6 bps	(2 bps)	1.38	1.33	1.33	1.30	1.29
NNPA (%)	0.39	(1 bps)	(3 bps)	0.42	0.40	0.41	0.40	0.44
PCR (%)	71	158 bps	164 bps	70	70	70	70	66



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

Result update@ Dalal & Broacha

P&L (Rs Bn)	FY18	FY19	FY20E	FY21E
Interest Earned	802	990	1188	1427
Interest Expended	401	507	613	744
<b>NII</b>	<b>401</b>	<b>482</b>	<b>574</b>	<b>684</b>
Other Income	152	176	203	235
<b>Net Income</b>	<b>553</b>	<b>659</b>	<b>777</b>	<b>919</b>
Operating expenses	227	261	302	350
<b>PPoP</b>	<b>326</b>	<b>397</b>	<b>475</b>	<b>769</b>
Provisions	59	76	88	104
<b>Profit Before Tax</b>	<b>267</b>	<b>322</b>	<b>387</b>	<b>464</b>
Tax	92	111	134	160
<b>Net Profit</b>	<b>175</b>	<b>211</b>	<b>254</b>	<b>304</b>

Balance sheet (Rs Bn)	FY18	FY19	FY20E	FY21E
<b>Capital &amp; Liabilities</b>				
Capital	5	5	5	5
Reserves & Surplus	1058	1487	1684	1920
Deposits	7888	9231	10926	13004
Borrowings	1231	1171	1240	1364
Other Liabilities	458	551	577	689
<b>Total Liabilities</b>	<b>10639</b>	<b>12445</b>	<b>14433</b>	<b>16983</b>
<b>Assets</b>				
Cash & Bank	1229	813	805	847
Investments	2422	2906	3226	3709
Advances	6583	8194	9669	11558
Fixed Assets	36	40	43	46
Other Assets	369	492	691	823
<b>Total Assets</b>	<b>10639</b>	<b>12445</b>	<b>14433</b>	<b>16983</b>

Ratios (%)	FY18	FY19	FY20E	FY21E
<b>Growth</b>				
<b>NII</b>	21	20	19	20
<b>Operating profit</b>	27	22	20	21
<b>Net profit</b>	20	21	20	20
<b>Advances</b>	19	24	18	20
<b>Deposits</b>	23	17	18	19
<b>Returns</b>				
<b>ROA</b>	1.8	1.8	1.9	1.9
<b>ROE</b>	18	16	16	17

Ratios (%)	FY18	FY19	FY20E	FY21E
<b>Asset quality</b>				
<b>GNPA</b>	1.3	1.4	1.4	1.5
<b>NNPA</b>	0.4	0.4	0.4	0.5
<b>PCR</b>	70	71	70	69
<b>Per share (Rs)</b>				
<b>EPS</b>	67	77	93	112
<b>ABVPS</b>	400	536	605	688
<b>P/E</b>	34	30	25	21
<b>P/ABVPS</b>	5.7	4.3	3.8	3.3



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

**Result update@ Dalal & Broacha**

#### Disclaimer

**Dalal & Broacha Stock Broking Pvt. Ltd, hereinafter referred to as D & B** (CIN\_U67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. [www.dalal-broacha.com](http://www.dalal-broacha.com)

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time.

SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

#### **Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-**

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

#### **Disclosures in respect of Research Analyst:**

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or	No



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

## Result update@ Dalal & Broacha

merchant banking or brokerage services from the subject company in the past twelve months	
Whether the Research Analyst has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian Securities Market. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Contact	Email ID	Contact No.	Sector
Mr. Kunal Bhatia	<a href="mailto:kunal.bhatia@dalal-broacha.com">kunal.bhatia@dalal-broacha.com</a>	022 67141442	Auto, Auto Ancillary, FMCG
Ms.Charulata Gaidhani	<a href="mailto:charulata.gaidhani@dalal-broacha.com">charulata.gaidhani@dalal-broacha.com</a>	022 67141446	Pharma /Healthcare
Ms. Abhilasha Satale	<a href="mailto:abhilasha.satale@dalal-broacha.com">abhilasha.satale@dalal-broacha.com</a>	022 67141439	Midcaps
Mr. Avinash Tanawade	<a href="mailto:avinash.tanawade@dalal-broacha.com">avinash.tanawade@dalal-broacha.com</a>	022 67141449	Banks, NBFCs
Mr. Suraj Nandu	<a href="mailto:suraj.nandu@dalal-broacha.com">suraj.nandu@dalal-broacha.com</a>	022 67141438	Associate
Ms. Nidhi Babaria	<a href="mailto:Nidhi.babaria@dalal-broacha.com">Nidhi.babaria@dalal-broacha.com</a>	022 67141450	Associate
Mr. Tanush Mehta	<a href="mailto:tanush.mehta@dalal-broacha.com">tanush.mehta@dalal-broacha.com</a>	022 67141432	Associate

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021  
Tel: 91-22- 2282 2992, 2287 6173, (D) 6630 8667 Fax: 91-22-2287 0092  
E-mail: [research@dalalbroachaindia.com](mailto:research@dalalbroachaindia.com), [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)