



BLAZING PICKS

FREQUENCY	ALLOCATION	DURATION	APPROX RETURNS	RISK	MAX OPEN CALLS
Every Monday	20% of capital on every call	3 months	15-20%	<10%	5

SALIENT FEATURES:

- 👍 Allocation based product – 20% of capital on every call
- 👍 For Short to Medium term clients
- 👍 Mid Cap & Large Cap quality stocks
- 👍 Company with growth prospects and compliance free
- 👍 Moderate risk product

Key Data

NSE / BSE Code	HDFC/ 500010
Sector	Finance
Industry	Finance - Housing
Face value / Book Value (₹ per share)	2 / 448.4
Dividend yield	1.0
52 H/L (₹)	2234 / 1646
Market Cap. (₹ mn)	3,830,180
Shares Outstanding (mn)	1,721.4
6M Avg Traded Volume	1,590,883

Key Ratios

	Mar16	Mar17	Mar18	Mar19
P/E (x)	55.1	48.0	44.4	28.2
P/B (x)	12.4	11.2	6.4	4.4
EV/Sales	12.4	11.3	9.8	8.7
EV/EBITDA	20.8	18.7	17.3	15.9
ROA	11.8%	11.5%	10.6%	10.6%
ROE	20.3%	21.8%	15.6%	18.6%

Earnings Summary

(In ₹ mn)	Mar15	Mar16	Mar18	Mar19
Net Sales	483,157	532,229	610,344	691,178
Sales Growth	18.6%	10.2%	14.7%	13.2%
EBITDA	287,992	320,296	346,958	376,964
EBITDA Margin	59.6%	60.2%	56.8%	54.5%
PAT	69,509	79,736	86,288	136,013
PAT Margin	14.4%	15.0%	14.1%	19.7%
EPS (₹)	55.6	64.5	69.6	97.0

Dealmoney Research
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July 1, 2019

HDFC Ltd.

CMP: 2225

- **Consistent Q4 growth:** HDFC Limited (HDFC) posted consistent performance yet again with better-than-expected NII growth (up 19% y-o-y), stable margins and improved stable asset quality. During the quarter, net interest income (NII, Calculated) increased by 19.3% y-o-y to Rs. 3,161.1 crore backed by loan growth of 12.1% y-o-y. Net interest margin (NIM, including income on loans sold) was stable at 3.30% y-o-y; however, it was down by 20BPS q-o-q. Interest spread improved to 2.30% (up by 4 BPS q-o-q) mainly benefitted by PLR hikes that the NBFC had taken in the recent past.
- The loan book also reflects lower growth as loans assigned during FY2019 were significantly higher at Rs. 25,150 crore compared to Rs. 6,453 crore in FY2018. Growth in individual loan book (after adding back loans sold) stood at 24%, while loan book increased by 14% y-o-y of loans sold). This is due to some residual portfolio sell-off by the NBFC to its banking arm.
- During the quarter, asset-quality performance improved as GNPA ratio for the quarter declined by 4 BPS q-o-q to 1.18%. GNPA for individual loans stood steady at 0.70% q-o-q; whereas for non-individual loans, it improved by 14 BPS q-o-q to 2.34%.
- **Competitive intensity slackens, strong player to benefit:** In the mortgage industry, competition from peer housing finance companies (HFCs) has slackened. Several factors such as tighter regulations, liquidity problems and recalibration of asset liability for some NBFC players has significantly reduced competitive intensity in the housing finance market, which until a few quarters back, was seeing staggering growth rates and stiff competition for market share. Recent developments such as the RBI's draft framework for NBFCs (where the regulator proposed to tighten the asset-liability mix), liquidity drying up for several mid-size NBFCs, etc have all affected the competition among most NBFCs and HFCs. However, industry bellwethers such as Housing Development Finance Corporation (HDFC) have not been affected. HDFC continues to enjoy high credit ratings, a low asset risk and can easily look to further cherry pick its way to market share gains. Strong business fundamentals allow HDFC Ltd to raise funds at competitive rates at its discretion .
- **Valuations:** The stock is trading at a valuations of 29x P/B FY18. We recommend **buy on HDFC** with a price target of **Rs. 2445**.

Source: Company, ACE Equity, Dealmoney Research

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