

Housing Development Finance Corporation Ltd



Key Stock Indicators

NSE Ticker:	HDFC	CMP (as on 20 Jun 2011 Rs/Share)	630.1	Shares outstanding (mn):	1,466.9
Bloomberg Ticker:	HDFC:IN	52-week range up to 20 Jun 2011 (Rs) (H/L):	780.05/574.03	Free Float (%):	100.0
Face value / Share:	2.0	Market Cap as on 20 Jun 2011 (Rs mn):	924,212	Average daily volumes (12 months):	2,512,742
Div. Yield (%):	1.4	P/BV (x):	4.2	Beta (2 year):	1.1

Housing Development Finance Corporation Limited (HDFC) was incorporated in October 1977. Its initial shareholders included the International Finance Corp, part of the World Bank group, and the Aga Khan Fund. HDFC is India's first and largest dedicated housing finance company. As of March 31, 2011, HDFC's loan book stood at Rs 1,171.2 bn, of which 66% consisted of loans to individuals, while loans to corporate bodies and others accounted for the remainder.

KEY HIGHLIGHTS

Market leader with sound track record

HDFC has a track record of more than 30 years of profitable growth in the individual and corporate housing finance segments. Since inception to March 31, 2011, the lender has approved cumulative loans of Rs 3,732.4 bn and disbursed amounts aggregating Rs 3,025.3 bn. HDFC has maintained its position as the top player in the housing finance business in India, with overall disbursements registering a CAGR of ~ 24% in the past five years. In FY11, it disbursed Rs 603.1 bn, a growth of 20% over the previous year. HDFC is a significant player in the non-individual segment as well, as of FY11; 34% of the portfolio consisted of loans to corporates, developer financing and lease rental discounting, against 35% as of FY10.

Well-diversified and stable resource base

HDFC has a well-diversified and stable resource base, comprising fixed deposits (FDs), bank borrowings, debentures, bonds and foreign currency borrowings. FDs constituted 21% of its total borrowings as of FY11; these provide stability to its resource profile. Deposits stood at Rs 246.2 bn as on March 31, 2011, up 6% over the previous year. HDFC had an investment portfolio of Rs 118.3 bn as of FY11, accounting for 9% of the company's total assets (on a standalone basis). A portion of these investments are in liquid mutual funds and government securities and support the company's liquidity position.

Robust asset quality with strong capitalisation

HDFC has robust asset quality, backed by strong risk management systems. As of FY11, the company had gross non-performing loans (NPLs) of Rs 9.03 bn, or 0.77% of its total loan portfolio, as against 0.79% in the previous year. As on March 31, 2011, the company had a net worth of Rs 213 bn and a Tier I capital adequacy ratio (CAR) of 12.2% and an overall CAR of 14%.

KEY RISKS

- Exposure to increasing competition from banks in housing finance segment
- Slowdown in economy could reduce credit off-take
- Default in payment from customers

Stock Performances vis-à-vis market

	Returns (%)			
	YTD	1-m	3-m	12-m
HDFC	13	-4	-2	6
NIFTY	-1	-4	-2	-2

Note:

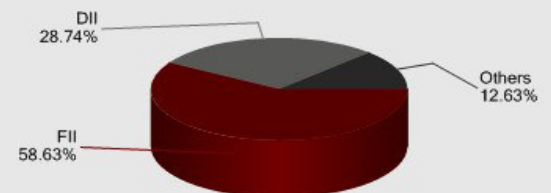
- 1) YTD returns are since Apr 01, 2010 to Jun 20, 2011.
- 2) 1-m, 3-m and 12-m returns are up to Jun 20, 2011.

Key Financial Indicators

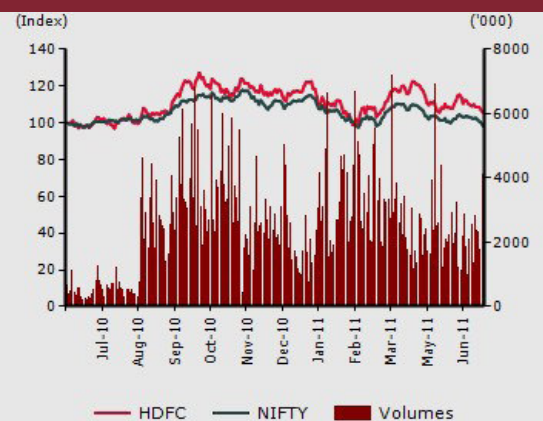
	Mar-09	Mar-10	Mar-11
Net Interest Income (Rs Mn)	31887	35669	43923
Non Interest Income (Rs Mn)	13089	21067	144327
PAT (Rs Mn)	21900	30360	40810
Capital adequacy ratio (%)	15.1	14.6	14.0
EPS (Rs)	16.0	22.7	31.0
Book value	98.2	128.3	145.8
P/E (x)	17.6	23.9	22.5
P/BV (x)	2.9	4.2	4.8
ROE (%)	16.3	18.7	20.5

n.m.: Not meaningful

Shareholding (As on Mar 31, 2011)



Indexed price chart



Housing Development Finance Corporation Ltd

BACKGROUND

HDFC was established in 1977 with the primary objective of encouraging home ownership by providing long-term finance to households. It provides a wide range of products which include loans for purchase and construction of a residential unit, purchase of land, home improvement loans, home extension loans, non-residential premises loans for professionals and loan against property. Its repayment options include step up repayment facility and flexible loan installment plan. The company has a network of 289 offices (which include 71 offices of its wholly-owned distribution company HDFC Sales Pvt Ltd) catering to over 2,400 towns and cities spread across the country. It has offices in Dubai, London and Singapore and service associates in the Middle East region. These provide housing loans and property advisory services to non-resident Indians (NRIs) and persons of Indian origin (PIOs)

HDFC, through partnerships with financial institutions, provides specialised financial services. Through its subsidiaries and associates, HDFC provides banking services, mutual funds, life and general insurance, health insurance, property fund, asset management and other financial services. Its training facility, the Centre for Housing Finance, provides technical assistance in the field of institutional development to national governments and housing finance institutions in developing countries in South Asia and Africa, as well as offers managerial training; and training for systems development and improvement to the housing finance institutions.

COMPETITIVE POSITION

Peer Comparison

	Housing Development Finance Corporation Ltd Mar-11	Dewan Housing Finance Corporation Ltd Mar-10	Gruh Finance Ltd Mar-10	LIC Housing Finance Ltd Mar-10
Net Interest Income (Rs Mn)	43,922.8	2,323.5	1,151.1	8,899.4
Non Interest Income (Rs Mn)	144,327.1	1,080.5	130.1	2,178.1
PAT (Rs Mn)	40,810.0	1,584.0	689.1	6,888.3
Capital adequacy ratio (%)	14.0	17.3	16.6	14.9
EPS (Rs)	31.0	20.4	19.9	76.4
Book value	145.8	111.2	76.2	361.8
P/E (x)	22.5	10.0	11.0	11.4
P/BV (x)	4.8	1.8	2.9	2.4
ROE (%)	20.5	21.8	28.4	24.2

n.m.: Not meaningful

FINANCIAL PROFILE

Strong loan book position enhanced top-line and bottom-line in FY11

HDFC's net interest income (NII) grew by ~23% to Rs 43.9 bn in FY11 from Rs 35.6 bn in FY10, on the back of strong loan book position, which stood at Rs 1,171.2 bn as of FY11, up ~20% year-on-year. The demand for individual home loans picked up significantly during the year, reflecting rising consumer confidence and overall improvement in economic conditions. Other enabling factors included the strong demand for residential housing loans, lower interest rates, rising disposable incomes and continued fiscal incentives on housing loans. HDFC reported a 27% rise in disbursements and 25% rise in individual approvals in FY11.

Net profit grew ~34% to Rs 40.8 bn in FY11 from Rs 30.3 bn in FY10. This was largely due to healthy operating profit, higher fee-based income, increase in profit on sale of investments and better recovery in written-off accounts.

HDFC's capital adequacy ratio stood at 14% of risk-weighted assets as of March 2011, as against the minimum requirement of 12% where as Tier I capital ratio was 12.2%, against a minimum requirement of 6%.

Note: The numbers used are consolidated numbers

INDUSTRY PROFILE

Housing finance

Housing finance emerged as an industry in India after the establishment of the country's first housing finance company (HFC) in 1977 —HDFC. The National Housing Bank was set up in 1987 as a subsidiary of the Reserve Bank of India to regulate and provide refinance support to HFCs. As of date, there are 43 HFCs registered with NHB. Apart from HFCs, the scheduled commercial banks also extend housing finance loans to retail and institutional segments. Banks, due to their lower cost of funds, are increasingly giving stiff competition to HFCs. In 2009-10, the retail housing finance sector witnessed y-o-y growth of 23.2% in disbursements, on account of favourable interest rate scenario, increase in transaction volumes and higher property prices. Growth in the underlying housing market, improving affordability, increased finance penetration, and favourable demographic factors would be the key long-term drivers for growth in the housing finance market.

Key Financial Indicators

	Units	Mar-09	Mar-10	Mar-11
Net Interest Income	Rs million	31887	35669	43923
Non Interest Income	Rs million	13089	21067	144327
Total Income	Rs million	121446	129624	267011
Pre-provisioning profit (PPP)	Rs million	33902	46753	62677
PAT	Rs million	21900	30360	40810
Net Interest Income growth	Per cent	15.0	11.9	23.1
Non Interest Income growth	Per cent	15.9	61.0	585.1
Total Income growth	Per cent	32.4	6.7	106.0
PAT growth	Per cent	-19.0	38.6	34.4
Capital adequacy ratio	Per cent	15.1	14.6	14.0
ROE	Per cent	16.3	18.7	20.5

Housing Development Finance Corporation Ltd

ANNUAL RESULTS

Income Statement				Balance sheet			
(Rs million)	Mar-09	Mar-10	Mar-11	(Rs million)	Mar-09	Mar-10	Mar-11
Net Interest Income (Rs Mn)	31887	35669	43923	Liabilities			
Non Interest Income (Rs Mn)	13089	21067	144327	Equity Capital	2845	2871	2934
Total Income	121446	129624	267011	Reserves	136884	181315	210978
Pre- provisioning profit (PPP)	33902	46753	62677	Shareholders Funds	139728	184186	213912
Provisions	524	945	662	Borrowings	957940	1179957	1444217
PBT	33011	44894	61526	Deferred Tax Liability	0	0	0
Tax	10678	12545	15393	Total Current Liabilities	41572	49028	62224
PAT	21900	30360	40810	Total Provisions	18303	23219	32858
				Sources of funds	1157543	1436391	1753211
				Assets			
				Loans & Advances	898250	1023496	1225823
				Investments	198927	327431	409650
				Cash & Bank Balances	32288	62765	78457
				Deferred Tax Asset	2251	3145	4725
				Net Fixed Assets	3503	3255	5272
				Other assets	22325	16300	29286
				Application of funds	1157543	1436391	1753211

Ratio			
	Mar-09	Mar-10	Mar-11
Loan book growth (%)	17.7	13.9	19.8
Borrowings growth (%)	20.8	23.2	22.4
NII growth (%)	15.0	11.9	23.1
PAT growth (%)	-19.0	38.6	34.4
Tax rate (%)	32.6	28.4	25.3
Dividend Payout (%)	45.6	40.0	38.6
ROE (%)	16.3	18.7	20.5
ROA (%)	2.1	2.3	2.6
CAR (%)	15.1	14.6	14.0
Provision Coverage Ratio (%)	n.a	n.a	n.a
Gross NPA (%)	0.81	0.79	0.77
Net NPA (%)	n.a	n.a	n.a

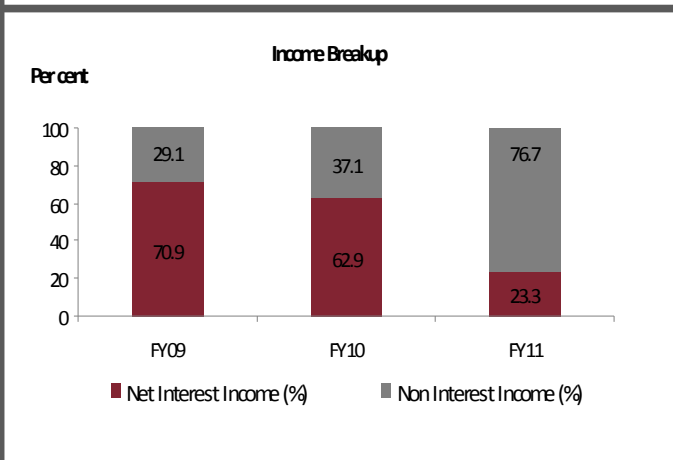
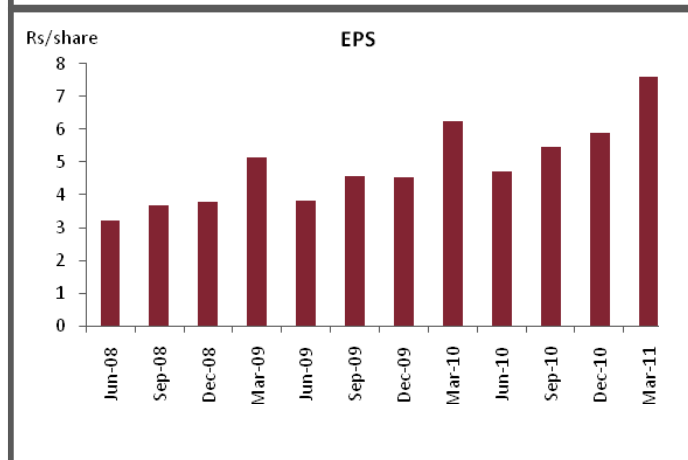
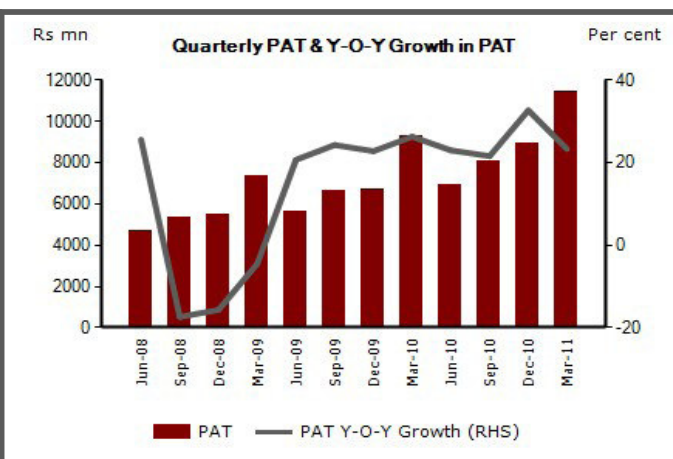
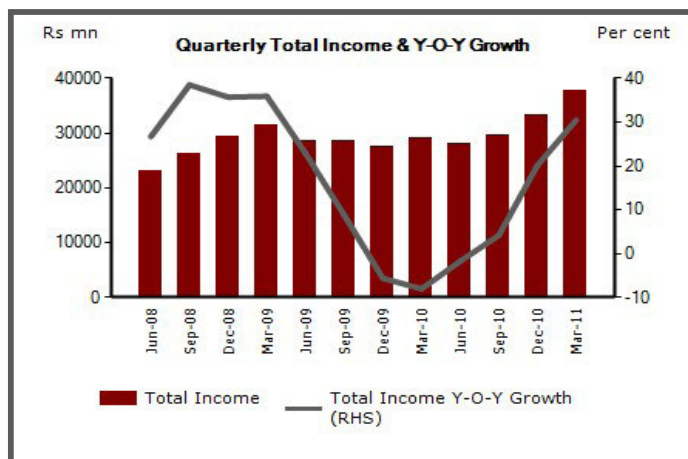
n.m : Not meaningful;

QUARTERLY RESULTS

Profit and loss account						
(Rs million)	Mar-11	% of Rev	Mar-10	% of Rev	Dec-10	% of Rev
No of Months	3		3		3	
Total Income	37,848.6	100.0	28,993.2	100.0	33,210.4	100.0
Interest and Finance Charges	21,299.6	56.3	15,595.4	53.8	19,928.4	60.0
Gross Profit	15,591.8	41.2	12,711.6	43.8	12,184.3	36.7
Total Writeoffs and Provisions	-	56.3	-	53.8	-	60.0
PBT	15,539.5	41.1	12,658.8	43.7	12,128.8	36.5
PAT	11,419.5	30.2	9,263.8	32.0	8,908.8	26.8

Housing Development Finance Corporation Ltd

FOCUS CHARTS & TABLES



Shareholding Pattern (Per cent)

	Jun 2010	Sep 2010	Dec 2010	Mar 2011
Promoter	-	-	-	-
FII	57.9	59.1	59.1	58.6
DII	29.8	28.5	28.6	28.7
Others	12.3	12.4	12.3	12.6

Board of Directors

Director Name	Designation
Dhruva Narayan Ghosh	Independent Director
Jamshed Jiji Irani	Non-Executive Director
Bimal K. Jalan	Independent Director
Deepak Shantilal Parekh	Non-Executive Chairman
Keshub Mahindra	Vice Chairman
Keki Minoo Mistry	Vice Chairman and CEO
Renu Sud Karnad	Managing Director
Vedanthachari Srinivasa Rangan	Executive Director
Surendra Ambalal Dave	Independent Director
Bansidhar Sunderlal Mehta	Independent Director
Nasser Mukhtar Munjee	Independent Director
Shirish Bhailal Patel	Independent Director
Dattatraya Mahadeo Sukthankar	Independent Director
Ram S. Tarneja	Independent Director

Additional Disclosure

This report has been sponsored by NSE - Investor Protection Fund Trust (NSEIPFT).

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