

HDFC Bank Limited

October 08, 2018

Ratings

Facilities/Instruments	Amount (Rs. Cr)	Rating	Rating Action
Tier II bond (Basel III)	10,000	CARE AAA; Stable (Triple A; Outlook: Stable)	Reaffirmed
Infrastructure Bonds	30,000	CARE AAA; Stable (Triple A; Outlook: Stable)	
Lower Tier II Bonds	8,427	CARE AAA; Stable (Triple A; Outlook: Stable)	
Upper Tier II Bonds	2,680	CARE AAA; Stable (Triple A; Outlook: Stable)	
Fixed Deposits	Ongoing	CARE AAA (FD); Stable (Triple A (Fixed Deposit); Outlook: Stable)	
Certificate of Deposits	40,000	CARE A1+ (A One Plus)	
Additional Tier I bonds (Basel III)	15,000	CARE AA+; Stable (Double A Plus; Outlook: Stable)	
Lower Tier II Bonds*	-	-	Withdrawn
Upper Tier II Bonds*	-	-	
Perpetual Bonds*	-	-	

*rating assigned is withdrawn with immediate effect, as the bank has fully repaid the amount under the said instrument and there is no amount outstanding under the issue.

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings factor in the strong market position of HDFC Bank Ltd. complemented by its wide-spread domestic franchise, experienced management, healthy capitalisation levels, strong funding profile with robust CASA mix, comfortable asset quality metrics as well as consistently healthy performance track record. Capitalisation levels, profitability and asset quality are the key rating sensitivities.

Detailed description of the key rating drivers

Key rating strengths

Strong market position complemented by wide-spread domestic franchise

HDFC Bank Ltd (HBL) is the largest private sector bank in India with total assets of Rs.10,63,934 crore as on March 31, 2018. Further, in terms of overall financial performance and asset quality metrics, HBL has been one of the most consistent players in the banking sector. This strong market share is complemented by its expanding pan-India domestic franchise. As on March 31, 2018, the bank had a network of 4,787 branches in 2,691 cities [P.Y.: 4,715 branches in 2,657 cities]. It had 12,635 ATMs as on March 31, 2018 [P.Y.: 12,260]. The Bank has three overseas branches in Bahrain, Hong Kong, Dubai International Finance Centre and three representative offices in Abu Dhabi, Dubai and Nairobi. As on June 2018, the bank had 4,804 branches and 12,808 ATMs.

Healthy capitalisation levels

The bank continues to maintain healthy capitalisation levels. HBL reported Capital Adequacy Ratio (CAR) of 14.82% (Tier I CAR: 13.25%) (Under Basel III) as on March 31, 2018 as against CAR of 14.60% (Tier I CAR: 12.80%) as on March 31, 2017. Strong capital raising ability coupled with healthy proportion of Tier I capital provides the bank with adequate headroom to raise additional Tier II capital to maintain high growth. The bank reported CAR of 14.60% (Tier I CAR: 13.10%) (Under Basel III) as on June 30, 2018 as against CAR of 15.60% (Tier I CAR: 13.60%) as on June 30, 2017. Capital infusion of Rs.23,651 crore took place in Q2FY19 (Rs.8,500 crore from HDFC Ltd and Rs.15,151 crore from QIP/ADR/GDR program).

Strong funding profile with robust CASA franchise

The bank continues to have a strong funding profile with healthy and stable Current Account Savings Account (CASA) mix over the years. As on March 31, 2018, the proportion of CASA deposits stood at 43.50% [P.Y.: 48.00%] which continues to be one of the highest in the banking sector. Robust and consistent CASA franchise has enabled the bank to maintain healthy margins.

Consistent track record of financial performance

The bank's balance sheet has grown at a CAGR of 22.51% between March 31, 2016 and March 31, 2018. During FY18, the bank's advances grew at 18.71% while its deposits grew at 22.55% which was higher than overall industry growth (for both advances & deposits). The bank is very well diversified in retail and wholesale banking with a 57:43 mix of retail and wholesale assets. During FY18, the domestic retail assets and wholesale assets grew by 25.72% and 9.15% respectively. During FY18, stable growth in business helped HBL's net interest income grow by 20.99%. (P.Y.: 20.10%). The bank has had a consistent track record of high net interest margins (NIM) supported by high proportion of low cost CASA base. HBL's NIM for FY18 was at 4.16% as compared to 4.22% for FY17. The bank reported Profit After Tax (PAT) of Rs.17,487 crore on total income of Rs.95,462 crore during FY18 as compared to PAT of Rs. 14,550 crore on total income of Rs. 81,602 crore during FY17. HBL's ROTA stood at 1.81% for FY18 as compared to 1.85% for FY17.

During Q1FY19 (refers to period from April 01 to June 30), HBL reported PAT of Rs.4,601 crore on a total income of Rs.26,367 crore.

Comfortable asset quality metrics

HBL's asset quality has remained comfortable over the years and continues to be one of the best in the industry. As on March 31 2018, the bank reported Gross NPA Ratio of 1.30% [P.Y.: 1.05%] and Net NPA Ratio of 0.40% [P.Y.: 0.33%]. The net NPA to Net worth ratio stood at 2.53% [P.Y.: 2.12%] as on Mar.31, 2018.

In Q1FY19, Bank reported Gross NPA of 1.33% and Net NPA of 0.40%. The net NPA to Net worth ratio stood at 2.68% as on June 30, 2018.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE Policy on Default Recognition](#)

[CARE's Rating Methodology For Banks](#)

[Bank - Rating framework for Basel III instruments \(Tier I & Tier II\)](#)

[Financial ratios - Financial Sector](#)

[Policy on Withdrawal of ratings](#)

About the Company

The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of RBI's liberalization of the Indian Banking Industry in 1994. The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank is promoted by HDFC Ltd. which has 25.60% stake as on March 31, 2018. Currently, HDFC Bank Ltd. (HBL) is the largest private sector bank in India. As on March 31, 2018, the bank's total balance sheet size stood at Rs.10,63,934 crore.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	69,306	80,241
PAT	14,550	17,487
Interest coverage (times)	1.61	1.66
Total Assets	8,63,840	10,63,934
Net NPA (%)	0.33	0.40
ROTA (%)	1.85	1.81

A: Audited

All analytical ratios are based on CARE's calculations.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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Disclaimer

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Upper Tier II Bonds	26-Dec-08	10.85%	26-Dec-23	578	CARE AAA; Stable
Upper Tier II Bonds	19-Feb-09	9.95%	19-Feb-24	200	CARE AAA; Stable
Upper Tier II Bonds	17-Mar-09	9.85%	17-Mar-24	797	CARE AAA; Stable
Upper Tier II Bonds	07-Jul-10	8.70%	07-Jul-25	1105	CARE AAA; Stable
Upper Tier II Bonds	-	-	-	735.9	Withdrawn
Lower Tier II Bonds	12-May-11	9.48%	12-May-26	3650	CARE AAA; Stable
Lower Tier II Bonds	13-Aug-12	9.45%	13-Aug-27	3477	CARE AAA; Stable
Lower Tier II Bonds	26-Dec-08	10.70%	26-Dec-18	1150	CARE AAA; Stable
Lower Tier II Bonds	19-Feb-09	9.75%	19-Feb-19	150	CARE AAA; Stable
Lower Tier II Bonds	-	-	-	1970	Withdrawn
Tier II Bond (Basel III)	29-Jun-17	7.56%	29-Jun-27	2000	CARE AAA; Stable
Tier II Bond (Basel III) (Proposed)	-	-	-	8000	CARE AAA; Stable
Additional Tier I Bonds (Basel III)	12-May-17	8.85%	-	8000	CARE AA+; Stable
Additional Tier I Bonds (Basel III) (Proposed)	-	-	-	7000	CARE AA+; Stable
Infrastructure Bonds	15-Dec-15	8.35%	15-Dec-25	2975	CARE AAA; Stable
Infrastructure Bonds	21-Sep-16	7.95%	21-Sep-26	6700	CARE AAA; Stable
Infrastructure Bonds	31-Mar-15	8.45%	31-Mar-25	3000	CARE AAA; Stable
Infrastructure Bonds (Proposed)	-	-	-	17325	CARE AAA; Stable
Certificate of Deposits	25-Jan-18	7.48%	25-Jan-19	5600	CARE A1+
Certificate of Deposits	09-Mar-18	7.42%	08-Mar-19	5450	CARE A1+
Certificate of Deposits (Proposed)	-	-	-	28950	CARE A1+
Fixed Deposits	-	-	-	Ongoing	CARE AAA (FD); Stable
Perpetual Bonds	-	-	-	1200	Withdrawn

Annexure-2: Rating History of last three years[^]

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Bonds-Lower Tier II	LT	-	-	-	1)Withdrawn (09-Oct-17)	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (07-Nov-16)	1)CARE AAA (29-Oct-15)
2.	Bonds-Lower Tier II	LT	-	-	-	-	1)Withdrawn (07-Nov-16)	1)CARE AAA (29-Oct-15)
3.	Bonds-Lower Tier II	LT	-	-	-	-	1)Withdrawn (07-Nov-16)	1)CARE AAA (29-Oct-15)
4.	Bonds-Perpetual Bonds	LT	-	-	-	1)CARE AAA; Stable (09-Oct-17)	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (07-Nov-16)	1)CARE AAA (29-Oct-15)

5.	Fixed Deposit	LT	0.00	CARE AAA (FD); Stable	-	1)CARE AAA (FD); Stable (09-Oct-17)	1)CARE AAA (FD); Stable (29-Dec-16) 2)CARE AAA (FD) (07-Nov-16)	1)CARE AAA (FD) (29-Oct-15)
6.	Bonds-Lower Tier II	LT	-	-	-	-	-	1)Withdrawn (29-Oct-15)
7.	Bonds-Upper Tier II	LT	2500.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Oct-17)	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (07-Nov-16)	1)CARE AAA (29-Oct-15)
8.	Bonds-Lower Tier II	LT	1300.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Oct-17)	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (07-Nov-16)	1)CARE AAA (29-Oct-15)
9.	Bonds-Lower Tier II	LT	-	-	-	-	-	1)Withdrawn (29-Oct-15)
10.	Bonds-Upper Tier II	LT	180.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Oct-17)	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (07-Nov-16)	1)CARE AAA (29-Oct-15)
11.	Bonds-Perpetual Bonds	LT	-	-	-	1)CARE AAA; Stable (09-Oct-17)	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (07-Nov-16)	1)CARE AAA (29-Oct-15)
12.	Certificate Of Deposit	ST	40000.00	CARE A1+	-	1)CARE A1+; Stable (09-Oct-17) 2)CARE A1+ (08-May-17)	1)CARE A1+ (29-Dec-16) 2)CARE A1+ (07-Nov-16)	1)CARE A1+ (25-Feb-16) 2)CARE A1+ (29-Oct-15)
13.	Bonds-Upper Tier II	LT	-	-	-	1)CARE AAA; Stable (09-Oct-17)	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (07-Nov-16)	1)CARE AAA (29-Oct-15)
14.	Bonds-Lower Tier II	LT	1650.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Oct-17)	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (07-Nov-16)	1)CARE AAA (29-Oct-15)
15.	Bonds-Lower Tier II	LT	2000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Oct-17)	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA	1)CARE AAA (29-Oct-15)

							(07-Nov-16)	
16.	Bonds-Lower Tier II	LT	3477.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Oct-17)	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (07-Nov-16)	1)CARE AAA (29-Oct-15)
17.	Bonds-Lower Tier II	LT	-	-	-	1)CARE AAA; Stable (09-Oct-17)	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (07-Nov-16)	1)CARE AAA (29-Oct-15)
18.	Bonds-Infrastructure Bonds	LT	30000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Oct-17) 2)CARE AAA; Stable (17-Aug-17)	1)CARE AAA; Stable (29-Dec-16) 2)CARE AAA (07-Nov-16) 3)CARE AAA (04-Apr-16)	1)CARE AAA (29-Oct-15)
19.	Bonds-Tier I Bonds	LT	15000.00	CARE AA+; Stable	-	1)CARE AA+; Stable (09-Oct-17) 2)CARE AA+; Stable (08-May-17)	1)CARE AA+; Stable (29-Dec-16)	-
20.	Bonds-Tier II Bonds*	LT	10000.00	CARE AAA; Stable	-	1)CARE AAA; Stable (09-Oct-17) 2)CARE AAA; Stable (28-Jun-17)	-	-

*Basel III ^System generated

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