

HDFC Bank Ltd.

BUY

Sector: Banking

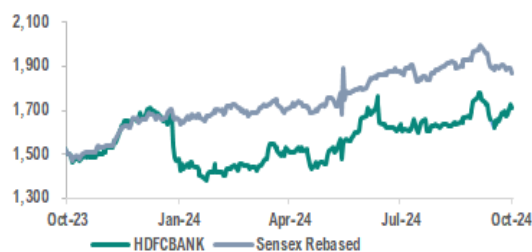
23rd October 2024

Key Changes:	Target ▲	Rating ●	Earnings ▲	Target	Rs.1,931
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	HDFCB:IN	80,082	HDFCBANK	500180	12 Months
				CMP	Rs.1,736
				Return	+11%

Data as of: 23-10 2024

Company Data			
Market Cap (Rs. cr)	1,324,474.2		
52 Week High — Low (Rs.)	1,792– 1,363		
Outstanding Shares (Rs cr)	763.1		
Free Float (%)	99.0		
Dividend Yield (%)	1.1		
6m average volume (cr)	2.1		
Beta	1.1		
Face value (Rs.)	1.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	0.0	0.0	0.0
FII's	47.8	47.2	48.0
MFs/Institutions	33.6	35.5	35.3
Public	15.1	14.1	13.5
Others	3.5	3.3	3.2
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	4.5%	13.3%	12.5%
Absolute Sensex	-0.3%	-8.9%	22.7%
Relative Return	4.8%	4.4%	-10.1%

*over or under performance to benchmark index



Y. E March (cr)	FY24A	FY25E	FY26E
Net Interest Income	129,510	154,601	184,714
Growth (%)	39.3	19.4	19.5
NIM (%)	4.5	4.2	4.5
Pre-Provision Profit	101,587	108,338	131,598
Net Profit	64,062	70,403	84,779
Growth (%)	39.3	9.9	20.4
Adj. EPS	90.0	92.3	111.2
Growth (%)	9.4	2.6	20.4
BVPS	600.7	657.0	742.6
P/E	16.1	18.6	15.4
P/B	2.3	2.6	2.3
RoE (%)	17.2	14.5	15.6
RoA (%)	2.0	1.6	1.8

Moving forward with steady growth

HDFC Bank, incorporated in August 1994, provides a range of financial services including corporate and retail banking, custodial services, treasury and capital markets, project advisory services, and capital market products.

- In Q2FY25, HDFC Bank reported a 10.6% YoY increase in interest income to Rs. 83,002cr, driven by growth in interest from loans (+10.2% YoY), investments (+10.8% YoY), and other bank funds (+73.3% YoY).
- Net interest income (NII) rose 11.2% YoY to Rs. 37,588cr, driven by an optimized loan mix and reduced high-cost borrowings, resulting in a stable net interest margin (NIM) of 3.46%.
- Profit after tax (PAT) rose 7.6% YoY to Rs. 18,627cr, despite higher employee costs, tax and other operating costs.
- The bank's strategic initiatives are expected to positively impact its performance, driven by improvements in loan mix, funding costs, credit-deposit and CASA ratios, and the distribution network.

Outlook & Valuation

HDFC Bank's Q2FY25 performance was marked by stable margins and robust deposit growth, positioning the bank to capitalise on economic improvements and credit-growth opportunities through its ongoing efforts to optimise its loan-deposit ratio and gradual replacement of high-cost borrowings. The bank's future performance is expected to be driven by an enhanced portfolio mix, retail loan mix expansion, leading to improved credit-deposit ratio and steady margins in the medium term. As a result, we remain optimistic about the company's long-term growth and **reiterate our BUY rating on the stock, based on 2.6x FY26E BVPS, with a revised target price of Rs. 1,931.**

Quarterly Financials Consol.

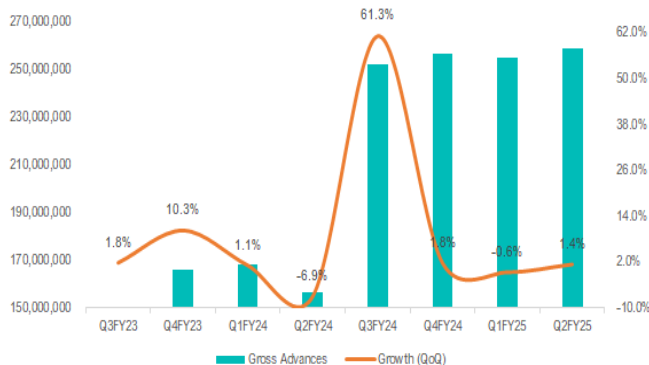
Rs. cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Net Interest	37,588	33,789	11.2	36,967	1.7	74,554	59,003	26.4
Total Income	121,457	107,567	12.9	116,996	3.8	238,453	168,588	41.4
Total Expenditure	94,219	83,288	13.1	91,126	3.4	185,345	124,420	49.0
Pre-Provision Profit	27,237	24,279	12.2	25,870	5.3	53,108	44,168	20.2
PBT	23,968	20,967	14.3	22,727	5.5	46,696	37,564	24.3
Rep. PAT	18,627	17,312	7.6	17,188	8.4	35,815	29,716	20.5
Adj PAT	18,627	17,312	7.6	17,188	8.4	35,815	29,716	20.5
EPS (Rs)	23.3	22.1	5.3	21.6	7.9	44.9	44.2	1.7



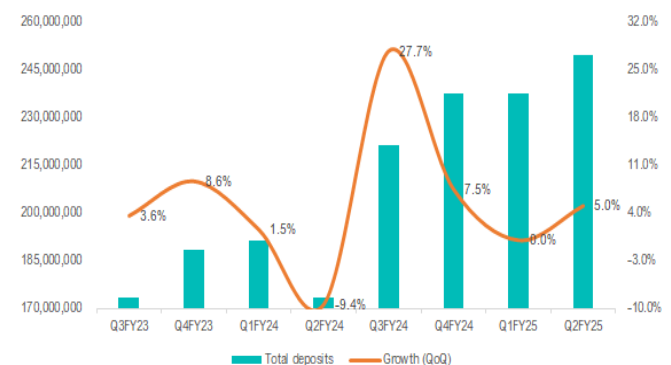
Key Highlights

- HDFC Bank's advances grew 1.3% QoQ to Rs. 25,190cr, driven by robust growth in retail loans (+2.6% QoQ) and commercial rural banking loans (+4.7% QoQ). However, corporate advances declined 2.8% QoQ.
- Deposits increased 3.1% QoQ to Rs. 23,540cr, with retail contributing around 84% of the total deposits.
- The bank's CASA ratio slipped 90bps QoQ to 35.3% in Q2FY25, from 36.4% in Q1FY25.
- Asset quality deteriorated slightly in Q2FY25, with gross non-performing assets (NPA) / net NPA ratios increasing to 1.36% and 0.4%, respectively (vs. 1.33% and 0.39% in Q1FY25). The provision-coverage ratio stood at 69.9%.
- Capital adequacy ratio was 19.8% and its Tier-I ratio was 17.8%, both well above the regulatory requirements.
- HDFC Bank expanded its pan-India presence by adding 240 new branches in Q2FY25, aligning with its strategic plans to tap into the ongoing credit growth opportunities.
- Management aims to restore its credit-deposit (C/D) ratio to pre-merger levels of 86-87% within 2-3 years, leveraging controlled loan expansion and deposit optimisation.

Gross Advances

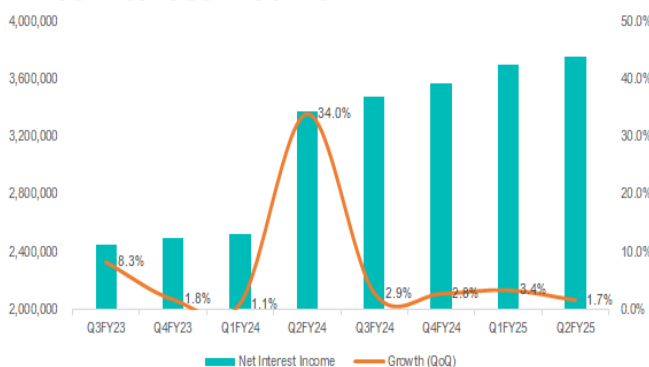


Total deposits

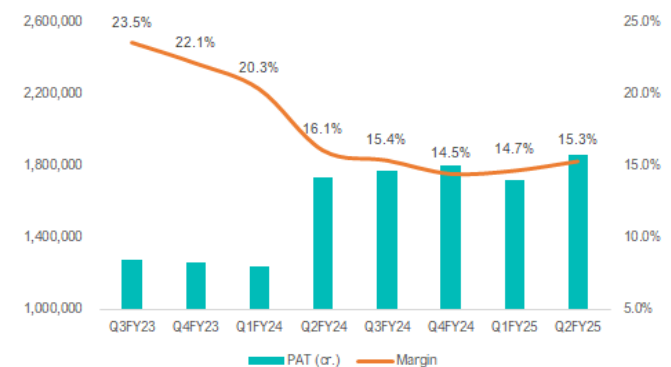


*HDFC Ltd merged with HDFC Bank on July 1, 2023

Net Interest Income



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Net Interest Income	170,512	190,994	154,601	184,714	-9.3	0.9
Net Interest Margin	4.5	4.5	4.2	4.5	-35bps	4.1bps
Pre-Provision Profit	117,189	132,929	108,338	131,598	-7.6	-1.0
Net Profit	75,834	84,133	70,403	84,779	-7.2	0.8
EPS	99.4	110.3	92.3	111.2	-7.2	0.8



Consolidated Financials

Profit & Loss

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Interest Income	135,936	170,754	283,649	355,814	404,364
Interest Expense	58,584	77,780	154,139	201,213	219,651
Net Interest	77,352	92,974	129,510	154,601	184,714
% Change	11.6	20.2	39.3	19.4	19.5
Non-Interest	31,759	33,912	124,346	133,983	143,562
Net Income	109,111	126,886	253,856	288,583	328,276
Total Income	167,695	204,666	407,995	489,797	547,927
Operating Ex-	40,312	51,534	152,269	180,245	196,678
Total Expenditure	98,897	129,314	306,408	381,459	416,329
Pre-Provisioning	68,799	75,352	101,587	108,338	131,598
Provisions	17,925	13,854	25,018	12,438	16,116
Profit Before Tax	50,873	61,498	76,569	95,900	115,482
Tax	12,722	15,350	11,122	23,975	28,871
Tax Rate (%)	25.0	25.0	14.5	25.0	25.0
Minority Inter-	98	152	1,384	1,522	1,832
Net Profit	38,053	45,997	64,062	70,403	84,779
% Change	19.5	20.9	39.3	9.9	20.4
Adj.	-	-	-	-	-
Adj. Net Profit	38,053	45,997	64,062	70,403	84,779
No. of Shares	558	561	727	779	779
Adj. EPS (Rs)	68.3	82.3	90.0	92.3	111.2
% Change	18.6	20.4	9.4	2.6	20.4
DPS	15.5	19.0	19.5	21.1	25.6

Balance Sheet

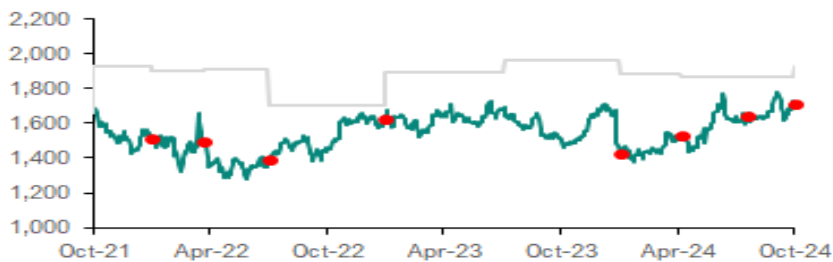
Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash & Balances	155,386	197,148	228,835	362,801	488,666
Investments	449,264	511,582	1,005,682	1,091,165	1,180,640
Advances	1,420,942	1,661,949	2,565,891	2,783,992	3,076,311
Fixed Assets	6,283	8,283	12,604	15,534	19,037
Other Assets	91,059	151,471	217,183	256,276	303,687
Total Assets	2,122,934	2,530,432	4,030,194	4,509,767	5,068,341
Capital	555	558	760	760	760
Reserves & Surplus	246,772	288,880	455,636	511,090	577,780
Deposits	1,558,003	1,882,663	2,376,887	2,780,958	3,267,626
Borrowings	226,967	256,549	730,615	708,697	688,499
Other Liabilities	90,639	101,783	466,296	508,263	533,676
Total Liabilities	2,122,934	2,530,432	4,030,194	4,509,767	5,068,341
BVPS	442.8	516.0	600.7	657.0	742.6
Adj. BVPS	435.0	508.2	596.6	648.0	734.7
% Change	17.2	16.8	21.3	5.1	13.4

Ratios

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Valuation					
P/E (x)	21.5	19.3	16.1	18.6	15.4
P/BV (x)	3.3	3.1	2.3	2.6	2.3
Div. Yield (%)	1.1	1.2	1.3	1.2	1.5
Profitability & Return (%)					
Yield on Advances	8.2	8.8	10.3	10.2	10.1
Cost of Deposits	3.6	4.0	5.9	6.1	5.9
Spread	4.6	4.8	4.4	4.1	4.2
NIM (calculated)	4.4	4.6	4.5	4.2	4.5
ROE	16.6	17.1	17.2	14.5	15.6
ROA	1.9	2.0	2.0	1.6	1.8
Capital Adequacy (%)					
CAR	18.9	19.3	18.8	18.9	19.1
Tier I	17.9	17.1	16.8	17.1	17.5
Tier II	1.0	2.2	2.0	1.8	1.6
Asset Quality (%)					
GNPA	1.1	1.1	1.2	1.1	1.0
NNPA	0.3	0.3	0.3	0.3	0.2
Operating Ratios (%)					
Credit/Deposit	91.2	88.3	108.0	100.1	94.1
Cost/Income	36.9	40.6	60.0	62.5	59.9
CASA	48.2	44.4	38.2	37.0	36.8



Recommendation Summary (last 3 years)



Dates	Rating	Target
12-Apr-22	BUY	1,907
22-Jul-22	BUY	1,705
19-Jan-23	BUY	1,890
25-Jul-23	BUY	1,964
23-Jan-24	BUY	1,884
29-Apr-24	BUY	1,865
8-Aug-24	BUY	1,869
23-Oct-24	BUY	1,931

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition: ▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

DISCLAIMER & DISCLOSURES

Certification: I, Arun Kailasan, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly Geojit's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company), Geojit Techloan Private Ltd(P2P lending) Geojit IFSC Ltd (a company incorporated under IFSC Regulations, Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Business Consultancy and Information KSC (C) (a joint venture in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein. at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Arun Kailasan, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customer@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi – 682024; Phone: +91 484-2901367; Email: compliance@geojit.com. **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited,34/659 P, Civil Lane Road, Padivattom, Kochi – 682024; Phone: +91 484-2901363; Email: grievances@geojit.com. Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

