

| Recommendation | CMP | Target Price | Time Horizon |
|----------------|-------------------|-------------------|--------------------|
| BUY | Rs 1520.00 | Rs 1875.00 | 9-12 Months |

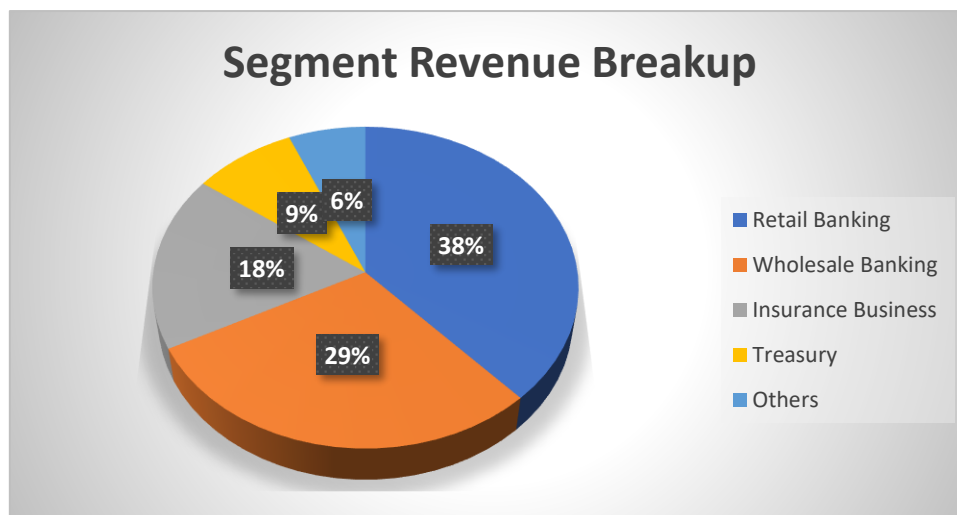
HDFC Bank is India's premier private sector bank, renowned for its comprehensive range of financial services. The company operates in three segments: Wholesale Banking, Retail Banking, and Treasury Services. With a robust network of branches and cutting-edge digital platforms, HDFC Bank caters to diverse clientele, offering innovative banking solutions. Backed by strong financial performance, prudent risk management, and a commitment to customer satisfaction, HDFC Bank stands as a beacon of excellence in the Indian banking industry.

The bank has demonstrated robust execution capabilities over time, consistently delivering outstanding performance that stands out within the sector.

| Stock Details | |
|-------------------|--------------|
| Market Cap. (Cr.) | 11,70,950.00 |
| Face Value | 1.00 |
| Equity (Cr.) | 558 |
| 52 Wk high/low | 1728.6/1384 |
| BSE Code | 500180 |
| NSE Code | HDFCBANK |
| Book Value (Rs) | 519.00 |
| Industry | Private Bank |

| Share Holding Pattern % | |
|-------------------------|------------|
| Promoter | 00.00 |
| FII's | 47.83 |
| DII's | 33.33 |
| Public & Others | 18.84 |
| Total | 100 |

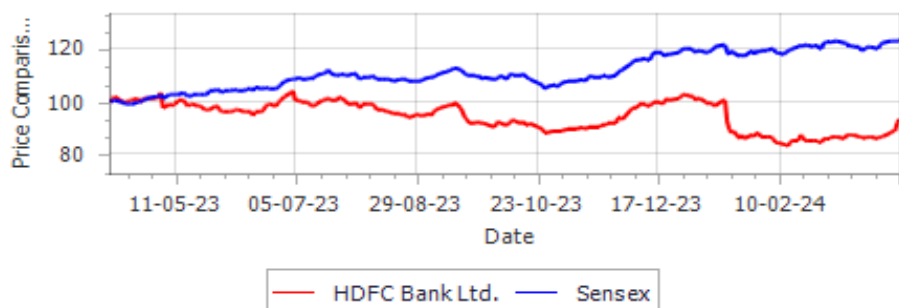
Product range: Segment Revenue



HDFC Bank has established itself as a top-performing bank, consistently delivering strong growth and profitability for more than twenty years. Although recent merger activities have led to suppressed return ratios and loan growth, this situation is expected to be temporary. The bank has experienced a decrease in profitability margins and return, the bank's valuations have also decreased (due to a fall in its share price) notably over the past five years, which has resulted in a healthier risk-reward profile.

| Key Financial (Consolidated) | FY2020 | FY2021 | FY2022 | FY2023 | 4 Year CAGR (%) | 9 months (Apr-Dec 2023) |
|---------------------------------------|----------|----------|----------|----------|-----------------|-------------------------|
| Interest Earned | 122189.3 | 128552.4 | 135936.4 | 170754.1 | 8.73 | 204215.0 |
| NIM(%) | 3.9 | 4.0 | 3.8 | 3.9 | | |
| Profit After Tax | 27296.3 | 31856.8 | 38150.9 | 46148.7 | 14.03 | 47433.0 |
| Adjusted EPS | 49.7 | 57.7 | 68.6 | 82.4 | 13.7 | 67.0 |
| PATM (%) | 22.3 | 24.8 | 28.1 | 27.0 | | 23.2 |
| Book Value | 321.6 | 380.6 | 445.4 | 516.7 | 12.6 | |
| DPS(Rs) | 2.5 | 6.5 | 15.5 | 19.0 | | |
| Dividend Yield | 0.3 | 0.4 | 1.1 | 1.2 | | |
| ROE (%) | 16.5 | 16.5 | 16.7 | 17.2 | | |
| ROCE (%) | 14.7 | 13.8 | 14.1 | 15.2 | | |
| ROA(%) | 1.9 | 1.9 | 1.9 | 2.0 | | |
| Total CAR (Basel III) | 18.5 | 18.8 | 18.9 | 19.3 | | |
| Gross NPAs to Gross Advances (%) | 1.3 | 1.3 | 1.2 | 1.1 | | 1.26 |
| Net NPAs (funded) to Net Advances (%) | 0.4 | 0.4 | 0.3 | 0.3 | | 0.31 |

| Valuation Ratio (Consolidated) | Latest (TTM) | 10 Year Median |
|--------------------------------|--------------|----------------|
| P/E | 19.93 | 23.58 |
| PB | 3.01 | 4.07 |

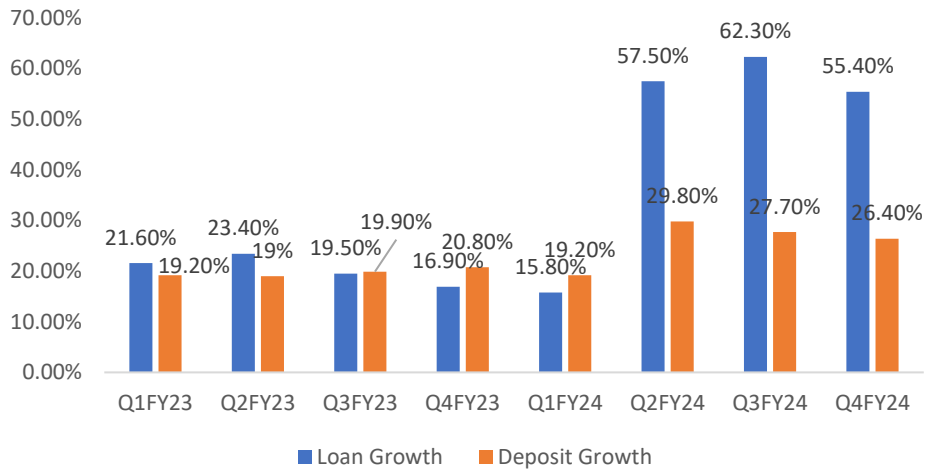


Q4FY24BusinessUpdate:

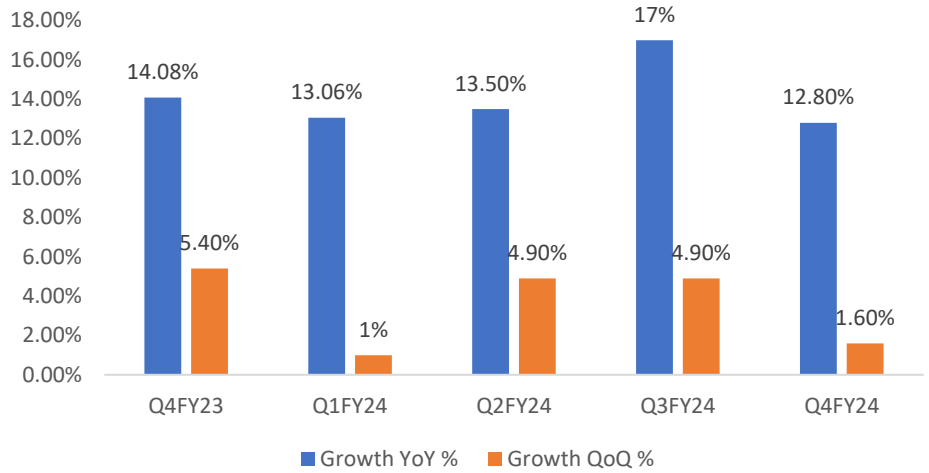
- Retail deposits up 27.8%YOY & 6.9%QOQ and wholesale deposits up 19.4%YOY & 10.9%QOQ**
- Domestic retail advances grew by 108.9%YOY & 3.7%QOQ**
- Commercial & rural banking grew by 24.6%YOY & 4.2%QOQ**
- CASA ratio improves to 38.2% vs 37.74%QOQ.
- Deposits at Rs 2,380,000 crore, up 26.4%YOY (merged numbers) and 7.5%QOQ
- Advances at Rs 2,508,000 crore, up 55.4%YOY (merged numbers) and 1.56%QOQ
- Commercial & rural banking grew by 24.6%YOY & 4.2% QOQ. **
- Incremental deposits mobilised during Q4 stood at Rs. 1,66,000 crore vs Rs 41,100 crore in the Q3.

** The spike in loan and deposit growth from Q2FY24 onwards is mainly due to the merger of HDFC Ltd with HDFC Bank.

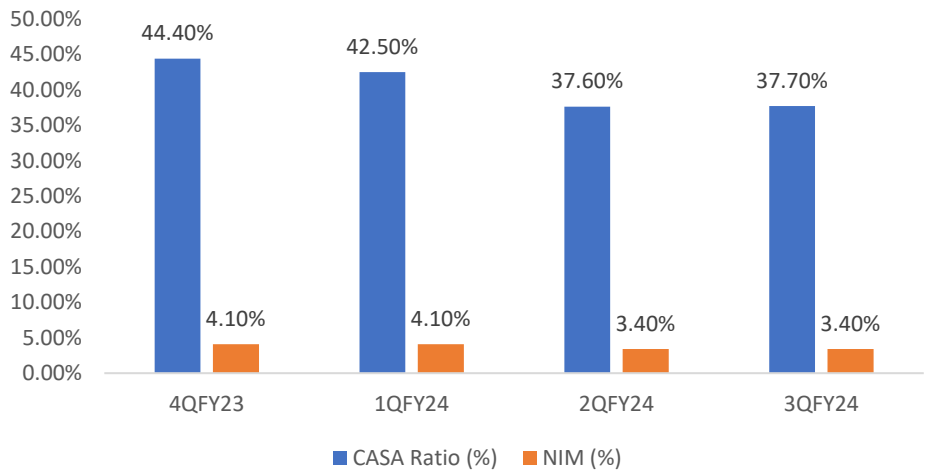
Deposit and Loan Growth

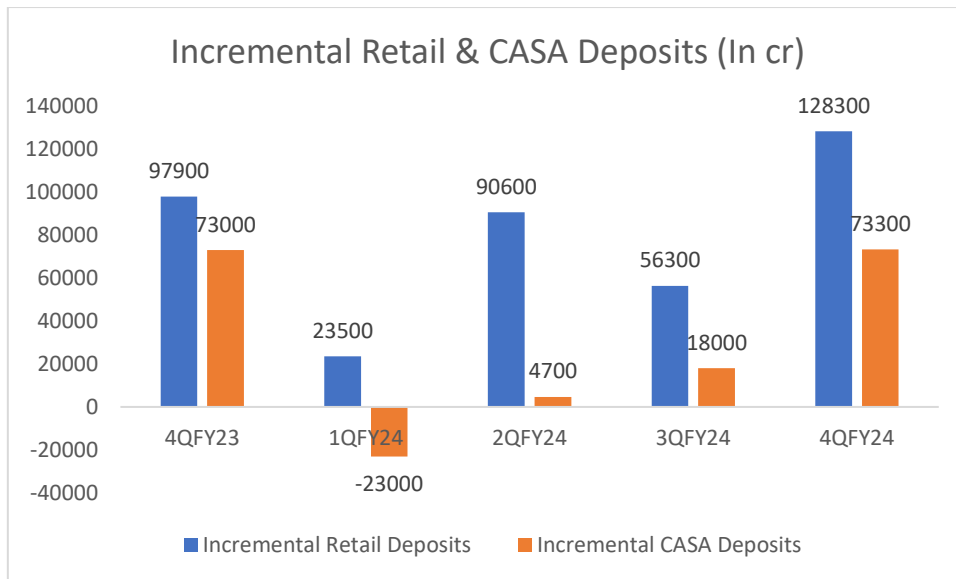


Gross Loan



CASA & NIM





Investment Rational:

- HDFC Bank, recognized for its reliability, had consistently achieved an earnings growth of 30% YoY over an extensive period. However, this figure gradually decreased to 20% YoY in recent years.
- The bank persists in its strategy to prioritize the aggressive enhancement of distribution capabilities. HDFC Bank has consistently demonstrated stable operational performance, maintaining a Return on Assets (RoA) of 2%.
- Regarding asset quality, following a significant increase in NPAs during the Q2FY24 due to the merger of HDFC Limited, the bank observed an improvement in its GNPA and NNPA ratios in Q3FY24 by 8 bps and 4 bps QoQ to 1.3% and 0.3%, respectively, attributed to controlled slippages.
- HDFC Bank has been consistently gaining market share in overall deposits and retail deposits.
- The stock price has corrected and underperformed the broader markets over the last 3 years, due to uncertainty over the impact of its merger with HDFC Limited and lower than expected growth in deposits. However, as seen in Q4FY24, the deposit growth is showing signs of a strong recovery. The stock is trading at attractive valuations that are at the lower end of the 10-year median.
- We believe that with emerging clarity over the post-merger balance sheet and a recovery in deposit growth, the bank should see a return to the consistent growth trend that it has displayed over the past more than 2 decades. The franchisee remains strong and that makes for a good investment case at these levels.

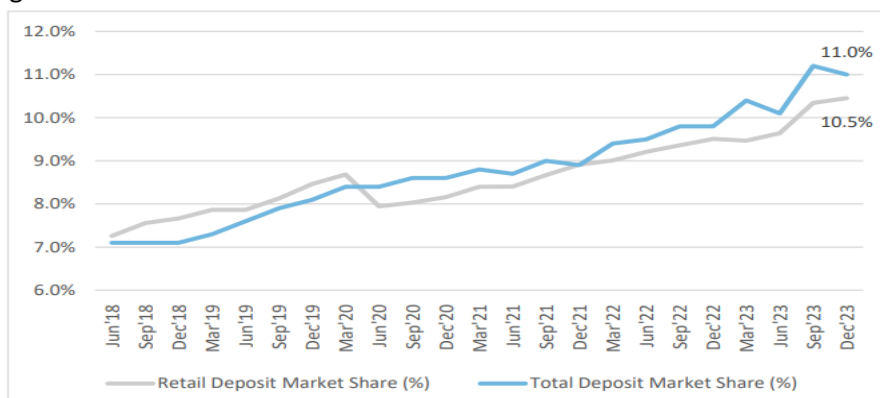


Image Source: UBS Research

Consolidated Financials:

| Profit & Loss (In Cr.) | FY2020 | FY2021 | FY2022 | FY2023 |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Interest Income On Loans | 1,22,189.3 | 1,28,552.4 | 1,35,936.4 | 1,70,754.1 |
| Total Interest Income | 1,22,189.3 | 1,28,552.4 | 1,35,936.4 | 1,70,754.1 |
| Interest On Deposits | 62,137.4 | 59,247.6 | 58,584.3 | 77,779.9 |
| Total Interest Expense | 62,137.4 | 59,247.6 | 58,584.3 | 77,779.9 |
| Net Interest Income | 60,051.9 | 69,304.8 | 77,352.1 | 92,974.1 |
| Gain (Loss) On Sale Of Assets (Rev) | 25.9 | 46.6 | 70.8 | 93.4 |
| Gain on Sale of Invest. & Secur (Rev) | 2,001.4 | 3,903.7 | 2,331.6 | (1,031.4) |
| Total Other Non-Interest Income | 22,851.7 | 23,382.6 | 29,356.6 | 34,850.1 |
| Total Non Interest Income | 24,879.0 | 27,332.9 | 31,759.0 | 33,912.1 |
| Revenue Before Loan Losses | 84,930.8 | 96,637.7 | 1,09,111.1 | 1,26,886.2 |
| Provision For Loan Losses | 13,699.9 | 18,840.3 | 17,925.3 | 13,854.1 |
| Total Revenue | 71,230.9 | 77,797.4 | 91,185.8 | 1,13,032.1 |
| Salaries and Other Empl. Benefits | 12,920.1 | 13,676.7 | 15,897.0 | 20,016.9 |
| Occupancy Expense | 4,349.8 | 4,843.0 | 5,213.3 | 6,766.5 |
| Selling General & Admin Exp., Total | 1,187.0 | 1,252.4 | 1,743.9 | 2,098.1 |
| Total Other Non-Interest Expense | 14,579.1 | 15,229.2 | 17,458.3 | 22,652.3 |
| Total Non-Interest Expense | 33,036.1 | 35,001.3 | 40,312.4 | 51,533.7 |
| Earning Before Int Tax | 38,194.9 | 42,796.2 | 50,873.4 | 61,498.4 |
| Income Tax Expense | 10,898.6 | 10,939.4 | 12,722.5 | 15,349.7 |
| Net Income to Company | 27,296.3 | 31,856.8 | 38,150.9 | 46,148.7 |
| Minority Int. in Earnings | (42.3) | (23.6) | (98.2) | (151.6) |
| Net Income | 27,254.0 | 31,833.2 | 38,052.8 | 45,997.1 |

| Balance Sheet (In Cr.) | FY2020 | FY2021 | FY2022 | FY2023 |
|--|--------------------|--------------------|--------------------|--------------------|
| ASSETS | | | | |
| Cash And Equivalents | 24,942.7 | 34,624.3 | 36,594.5 | 93,229.9 |
| Investment Securities | 3,98,501.8 | 4,48,166.0 | 4,94,001.9 | 6,02,174.6 |
| Total Investments | 3,98,501.8 | 4,48,166.0 | 4,94,001.9 | 6,02,174.6 |
| Gross Loans | 10,43,670.9 | 11,85,283.5 | 14,20,942.3 | 16,61,949.3 |
| Net Loans | 10,43,670.9 | 11,85,283.5 | 14,20,942.3 | 16,61,949.3 |
| Gross Property, Plant & Equipment | 14,003.1 | 15,576.5 | 17,939.0 | 21,629.3 |
| Accumulated Depreciation | (9,376.3) | (10,476.9) | (11,655.7) | (13,346.8) |
| Net Property, Plant & Equipment | 4,626.9 | 5,099.6 | 6,283.3 | 8,282.6 |
| Goodwill | 148.8 | 148.8 | 148.8 | 148.8 |
| Accrued Interest Receivable | 10,332.7 | 11,892.9 | 13,470.3 | 18,690.5 |
| Restricted Cash | 62,997.4 | 86,648.2 | 1,18,791.2 | 1,03,917.9 |
| Other Current Assets | 2,656.1 | 3,527.0 | 4,289.2 | 5,201.1 |
| Deferred Tax Assets, LT | 4,144.2 | 5,541.6 | 7,143.8 | 7,292.3 |
| Other Real Estate Owned And Foreclosed | - | 51.3 | 51.2 | 46.5 |
| Other Long-Term Assets | 28,808.9 | 18,523.5 | 21,217.7 | 29,499.1 |
| Total Assets | 15,80,830.4 | 17,99,506.6 | 21,22,934.3 | 25,30,432.4 |
| LIABILITIES | 0 | 0 | 0 | 0 |
| Interest Bearing Deposits | 9,73,048.1 | 11,22,644.6 | 13,19,797.8 | 16,09,745.6 |
| Non-Interest Bearing Deposits | 1,73,159.0 | 2,11,076.2 | 2,38,205.2 | 2,72,917.6 |
| Total Deposits | 11,46,207.1 | 13,33,720.9 | 15,58,003.0 | 18,82,663.3 |
| Short-term Borrowings | 52,524.2 | 44,625.9 | 24,204.5 | 9,020.0 |
| Long-Term Debt | 1,34,310.1 | 1,33,070.8 | 2,02,762.0 | 2,47,528.7 |
| Accrued Interest Payable | 8,582.6 | 8,123.6 | 8,241.1 | 11,393.8 |
| Other Current Liabilities | 7,583.7 | 12,424.2 | 13,093.7 | 11,790.8 |
| Other Non-Current Liabilities | 54,687.4 | 57,098.3 | 68,583.3 | 77,738.2 |
| Total Liabilities | 14,03,895.1 | 15,89,063.7 | 18,74,887.7 | 22,40,134.7 |
| Common Stock | 548.3 | 551.3 | 554.6 | 558.0 |
| Additional Paid In Capital | 58,755.5 | 60,512.7 | 63,119.2 | 66,539.4 |
| Retained Earnings | 1,11,095.7 | 1,38,863.5 | 1,72,472.6 | 2,09,636.0 |
| Comprehensive Inc. and Other | 5,959.2 | 9,882.7 | 11,179.9 | 12,704.1 |
| Total Common Equity | 1,76,358.7 | 2,09,810.2 | 2,47,326.2 | 2,89,437.5 |
| Minority Interest | 576.6 | 632.8 | 720.4 | 860.3 |
| Total Equity | 1,76,935.3 | 2,10,442.9 | 2,48,046.6 | 2,90,297.8 |
| Total Liabilities And Equity | 15,80,830.4 | 17,99,506.6 | 21,22,934.3 | 25,30,432.4 |

| Cash Flow (In Cr.) | FY2020 | FY2021 | FY2022 | FY2023 |
|---|---------------------|---------------------|---------------------|---------------------|
| Net Income | 27,254.0 | 31,833.2 | 38,052.8 | 45,997.1 |
| Depreciation & Amort. | 1,276.8 | 1,385.0 | 1,680.7 | 2,345.5 |
| Depreciation & Amort., Total | 1,276.8 | 1,385.0 | 1,680.7 | 2,345.5 |
| (Gain) Loss On Sale of Assets | 8.2 | 0.3 | 3.3 | (8.1) |
| (Gain) Loss On Sale Of Invest. | 1,203.5 | 2,250.8 | (725.1) | 1,397.0 |
| Provision for Credit Losses | 14,123.1 | 19,210.1 | 18,705.2 | 13,854.1 |
| Stock-Based Compensation | - | - | 341.2 | 787.1 |
| Change in Other Net Operating Assets | (2,84,460.3) | (1,97,634.6) | (2,92,184.1) | (3,67,201.4) |
| Other Operating Activities | 21.2 | (2,082.1) | (2,115.7) | (1,017.8) |
| Cash from Ops. | (2,40,573.6) | (1,45,037.3) | (2,36,241.7) | (3,03,846.5) |
| Capital Expenditures | (1,635.9) | (1,696.2) | (2,236.2) | (3,466.6) |
| Sale of Property, Plant and Equipment | 18.9 | 15.3 | 19.9 | 42.7 |
| Cash from Investing | (1,616.9) | (1,680.9) | (2,216.3) | (3,423.9) |
| Long-Term Debt Issued | 29,101.5 | 356.5 | 52,620.8 | 41,007.3 |
| Total Debt Issued | 29,101.5 | 356.5 | 52,620.8 | 41,007.3 |
| Long-Term Debt Repaid | - | (9,494.1) | (3,650.0) | (12,077.0) |
| Total Debt Repaid | - | (9,494.1) | (3,650.0) | (12,077.0) |
| Issuance of Common Stock | 1,848.7 | 1,760.1 | 2,609.8 | 3,415.8 |
| Common Dividends Paid | (4,983.6) | - | (3,592.4) | (8,604.5) |
| Total Dividends Paid | (4,983.6) | - | (3,592.4) | (8,604.5) |
| Net Incr. (Decr.) in Deposit Accounts | 2,23,704.5 | 1,87,513.7 | 2,24,282.2 | 3,24,660.2 |
| Special Dividend Paid | (1,647.0) | - | - | - |
| Other Financing Activities | 74.8 | 56.1 | 135.8 | 199.0 |
| Cash from Financing | 2,48,099.0 | 1,80,192.4 | 2,72,406.2 | 3,48,600.8 |
| Foreign Exchange Rate Adj. | 214.0 | (141.8) | 165.1 | 431.7 |
| Net Change in Cash | 6,122.5 | 33,332.4 | 34,113.2 | 41,762.1 |

View:

In the coming years, we anticipate sustained strong growth in both gross advances and deposits, driven by an increased emphasis on expanding retail participation. The recent merger has opened considerable synergies for the combined entity, such as reduced funding costs, the opportunity to tap into HDFC's robust housing loan portfolio, and the potential to cross-sell various financial products to an expanded customer base. Additionally, the diversified mix of loans, coupled with a commitment to maintaining steady asset quality and financial discipline, serves as significant strengths for the stock. We expect 23% Upside in HDFC bank with time frame 9-12 months.

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