

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

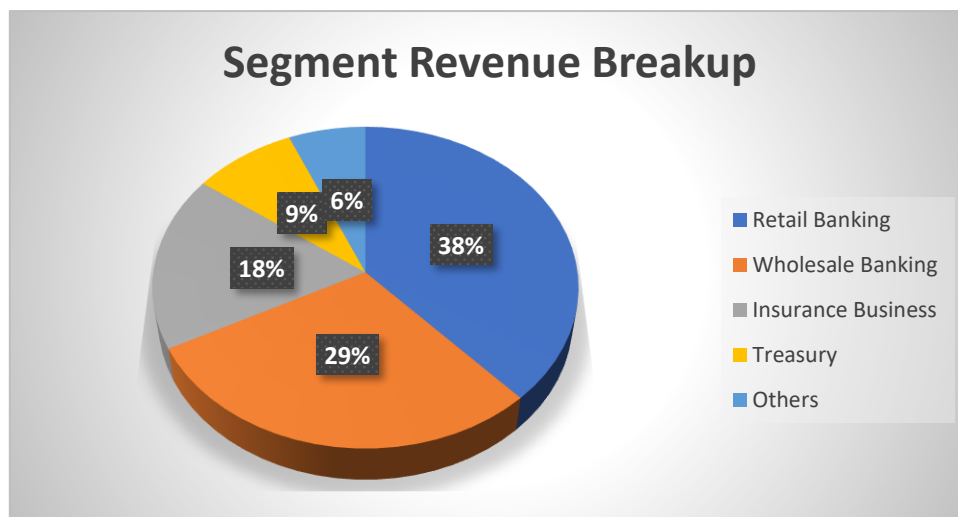
HDFC Bank is India's premier private sector bank, renowned for its comprehensive range of financial services. The company operates in three segments: Wholesale Banking, Retail Banking, and Treasury Services. With a robust network of branches and cutting-edge digital platforms, HDFC Bank caters to diverse 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

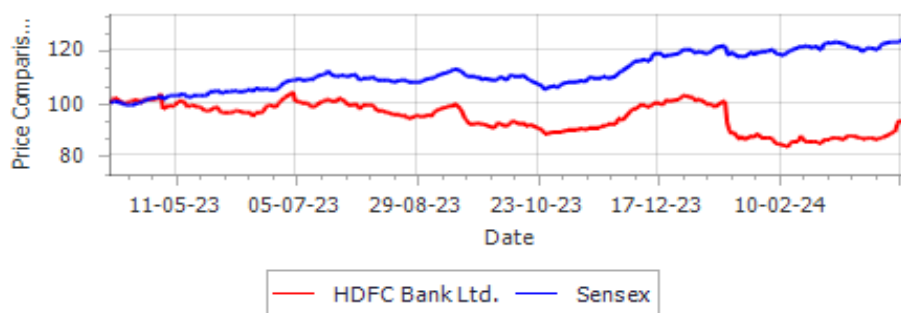
Product range: Segment Revenue



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. Despite experiencing a decrease in profitability, the bank's valuations have decreased notably over the past five years, which has resulted in a healthier risk-reward ratio.

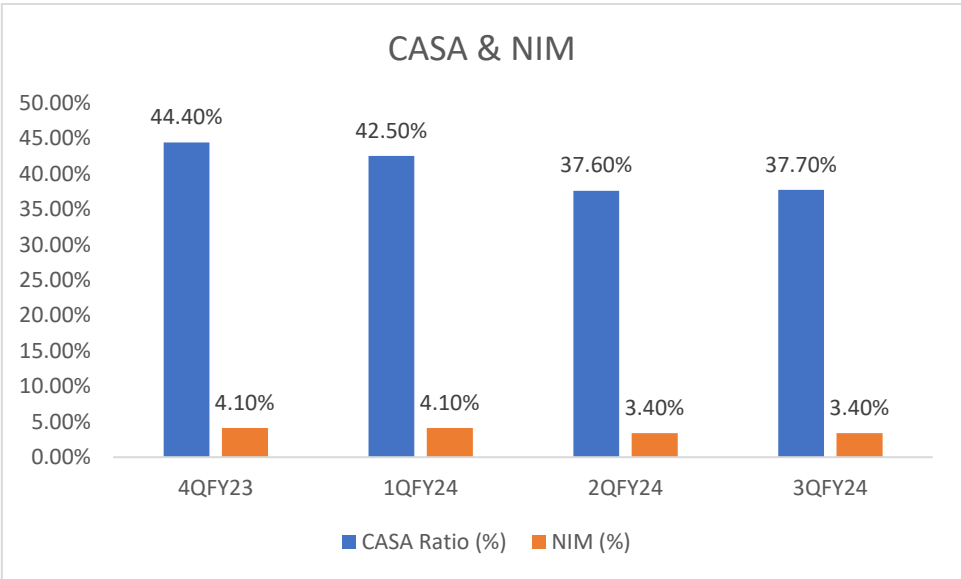
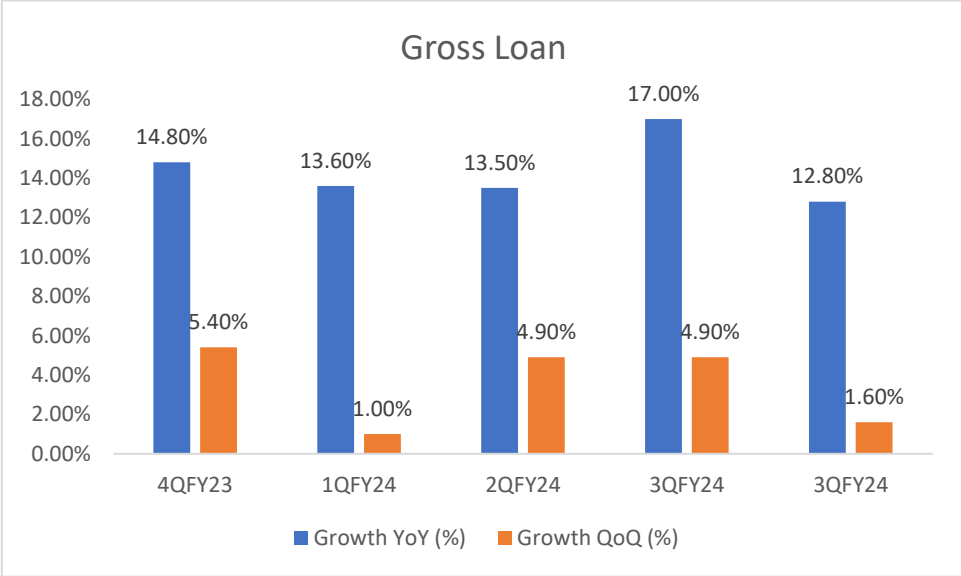
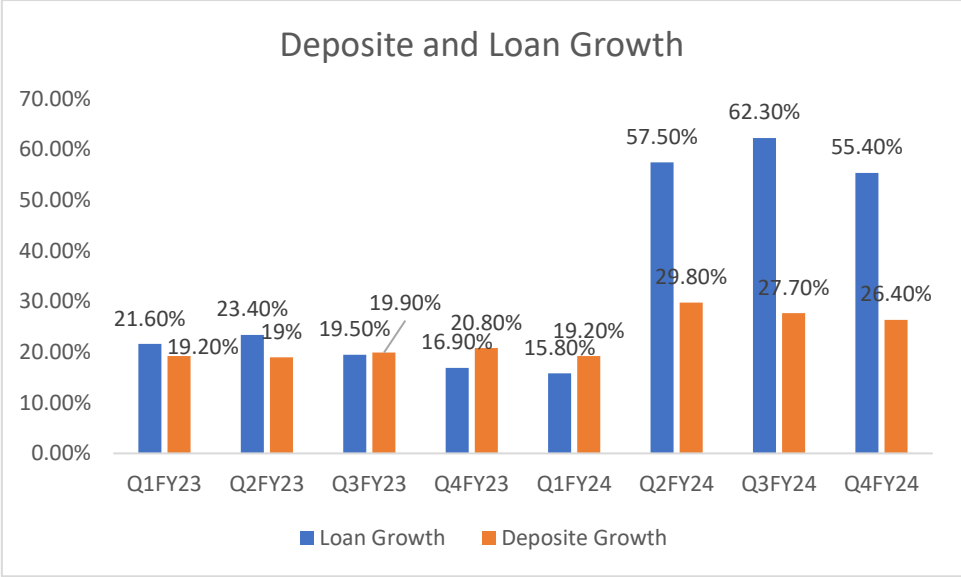
Key Financial (Consolidated)	FY2020	FY2021	FY2022	FY2023	4 Year CAGR (%)	9 motns (Apr-Dec 2023)
Interest Earned	122189.3	128552.4	135936.4	170754.1	8.73	204215.0
NIM(%)	3.9	4.0	3.8	3.9		
Profit After Tax	27296.3	31856.8	38150.9	46148.7	14.03	47433.0
Adjusted EPS	49.7	57.7	68.6	82.4	13.7	67.0
PATM (%)	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

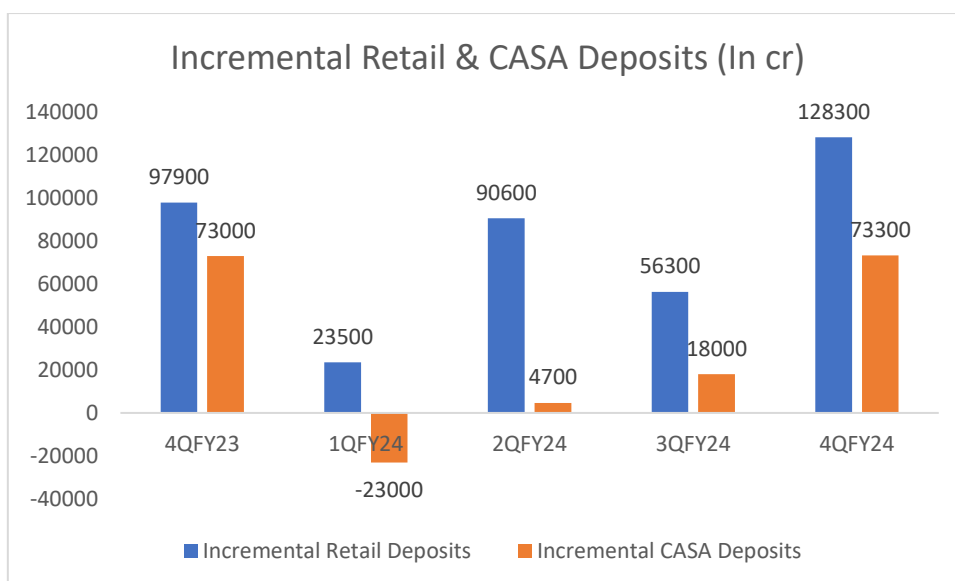
Valuation Ratio (Consolidated)	Latest (TTM)	10 Year Median
P/E	19.93	23.58
PB	3.1	4.09
ROA	NA	1.89
ROE/BV	5.53	4.9



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 (merger) and 7.5%QOQ
- Advances at Rs 2,508,000 crore, up 55.4%YOY (merger) 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.





Q4FY24 Business Update:

4QFY2024					
(In Cr.)	4FY2024	3FY2024	4FY2023	% QoQ	% YoY
Interest Earned	71,472	70,582	45,119	1.3%	58%
Net Interest Income	29,076	28,471	23,351	2.1%	25%
Net Interest margin(%)	3.4%	3.6%	4.1%	16 Bps	66 Bps
Net Profit	16,511	16,372	12,047	0.8%	37%
Net profit margin(%)	23.1%	23.2%	26.7%	10 Bps	360 Bps
PPP	29,274	23,647	18,621	23.8%	57%
Provision &Contingency	13,511	4,216.6	2,685	220.4%	403%
GNPA(%)	1.24%	1.26%	1.12%	2 Bps	12 Bps
NNPA(%)	0.33%	0.31%	0.27%	2 Bps	6 Bps
ROA(%)	0.49%	0.49%	0.53%	0 Bps	4 Bps
CAR (%)	18.8%	18.3%	19.2%	41 Bps	46 Bps
C/I Ratio	38%	40%	42%	200 Bps	200 Bps
Advance	24,84,862	24,46,076	16,00,586	1.6%	55%
Deposit	23,79,786	22,13,978	18,83,395	7.5%	26%

Movement of GNPA								
% of Gross advances	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24*	Q3FY24*	Q4FY24*
Opening GNPA	1.17%	1.28%	1.23%	1.23%	1.12%	1.41%	1.34%	1.26%
Slippage	2.05%	1.53%	1.74%	1.21%	1.42%	1.32%	1.13%	1.16%
Recovery & Upgrade	0.85%	0.67%	0.82%	0.82%	0.65%	0.76%	0.73%	0.72%
Written-offs	0.66%	0.79%	0.80%	0.58%	0.52%	0.55%	0.50%	0.41%
Closing GNPA	1.28%	1.23%	1.23%	1.12%	1.17%	1.34%	1.26%	1.24%

*Post Merger

HDFC Bank Concall:

- The merger of HDFC limited and HDFC bank have reiterated the bank into a completely new organization.
- After 9 months of the merger, the financials of the standalone bank are very stable which tells that the institutions resiliency continues to grow despite have adverse macro conditions.

- The medium-term focus that is between 2 to 3 years is to focus on improving the profitability metrics like ROA and EPS which will be achieved by focusing on the sustainability of the retail deposit franchise.
- The key to sustainable momentum in profitability is enhanced customer engagements and elevated service-first culture.
- The company will continue to invest in people and technology.
- Their focus will be balanced between their risks and margins and they are happy to grow slow if there is impact on the risk side or if there is increasing competition.
- The company has understood that the hardball pricing-based strategy is not a sustainable strategy in the short as well as long term.
- All the credit of Q4 results is dedicated to the hard work of the entire workforce of HDFC bank which was led by leadership team.
- The company continue to gain market share in deposits and their cost of deposits were within their bounded range. Their incremental credit deposit ratio was almost similar done in the past.
- There is one gain off during the quarter but it is nullified by an equivalent one-off provision.
- The asset quality continues to be in good condition and as a part of risk management, they have created a countercyclical provision which is helpful in certain times.
- The future focus of the company is to mainly grow their core retail deposit franchise which is largely small deposit sets.
- The price point that is offered by the bank is almost same compared to other large banks because they are not in the price game with others.
- There is a stability in the cost of funds between 2 quarters which is resulted by offering same rates across segments.
- The company's priority is also to raise loan deposit ratio which also depends on the liquidity and competitiveness in the environment.
- In Q1, there is lowest proportion of deposits. In Q2 and Q3, the proportion of deposits are almost same. In Q4, there is the largest part of the deposits which comes. This pattern is almost same in every bank every year.
- There are some bond maturities also with HDFC limited which will mature every year. The first priority will be to keep reserves and balances to repay some of the bond maturities and the residue will be used on the core assets.
- The LDR or incremental LDR will be less for couple of coming years compared to its past because of the obligation to repay the bond maturities.
- To maintain stability in the margins, the bank will not go below a certain amount of price on certain products and will also not cross a certain threshold on their liabilities.
- One of the strategies that the bank will follow is to elevate the customer service culture. They have tasked their supervisory architecture which is almost 10% of their total workforce in KRAs to measure and monitor the customer and try to turn it in shortest possible time.
- The objective of the supervisory architectures is to ensure the helpdesk workings is going smoothly so that the customer has no negative feedback about the bank. They think that this is the only sustainable way to get the customers and acquire most of the market share.
- They are constantly gaining more share in the market and seeing an incremental deposit market share over a certain period and this is only happening because of their strategy.
- The bank has achieved their overall priority sector and sub targets. This is done by joining of small and marginal farmers and weaker sections. They have expanded to almost 225,000

villages to operate in a span of 2 to 3 years. Today they have around 3.5 million small and marginal farmers joined with them.

- The overall PSL for March'24 is around 52% which is 12% more than their estimated target. And last year, the PSL was around 45%.
- Around INR 29,000 crores have come from HDFC limited through either via commercial paper or term borrowings. The rest are treasury activity and also a huge amount of cash is also carried at the end of the quarter.
- An ex-gratia provisioning of INR 300 crores is also provided which is because of their motivated workforce. They provided this one-time ex-gratia to their employees to motivate them and to thank them for their hard work during the time of merger. They also did this to decrease their attrition rate.
- The bank has a long-term strategy to just focus on customers and the service provided to them as they think that is a huge amount of opportunity.
- The managements want to maintain stability in its profits so they will not lower their price beyond a certain point.
- CASA mix is one of the important elements and the managements thinks that they have enough opportunity to incrementally gain share on CASA.
- In the last 12 months, there has been a stability in the rates that is offered on the retail deposits but what is happening in the Middle East is also very uncertain. This will also have an impact on the global rate scenarios and what will happen in India is something that the management will see and if there is increase in the rates, then their will be a problem in the liquidity and if other banks will raise their interest rates, they the bank will also have to increase.
- The bank expanded its small and medium enterprise business to around 715 districts across the country. The overall asset growth shows the efforts of the business to acquire new customers.
- Branch expansion have also increased to about INR 270 crores per branch and it will still grow further as India is a large country and. 60-70% of India is semi-urban and rural which will also grow in next 10 to 15 years.

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, the bank observed an improvement in its GNPA and NNPA ratios 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.

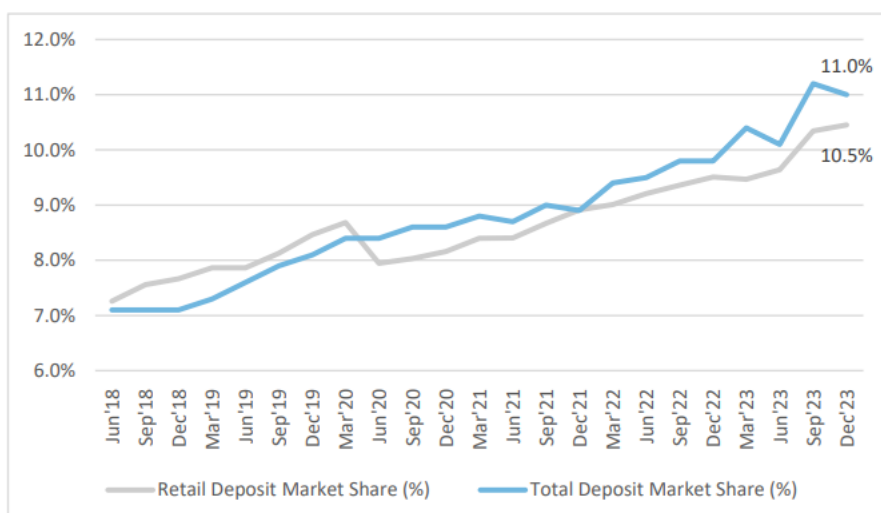


Image Source: UBS Research

Consolidated Financials:

Income Statement (In cr.)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 PR
Interest Income On Loans	1,22,189.3	1,28,552.4	1,35,936.4	1,70,754.1	2,17,979.3
Interest Income On Investments	-	-	-	-	65,669.7
Total Interest Income	1,22,189.3	1,28,552.4	1,35,936.4	1,70,754.1	2,83,649.0
Interest On Deposits	62,137.4	59,247.6	58,584.3	77,779.9	1,54,138.6
Total Interest Expense	62,137.4	59,247.6	58,584.3	77,779.9	1,54,138.6
Net Interest Income	60,051.9	69,304.8	77,352.1	92,974.1	1,29,510.5
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	1,24,345.8
Total Non Interest Income	24,879.0	27,332.9	31,759.0	33,912.1	1,24,345.8
Revenue Before Loan Losses	84,930.8	96,637.7	1,09,111.1	1,26,886.2	2,53,856.2
Provision For Loan Losses	13,699.9	18,840.3	17,925.3	13,854.1	25,018.3
Total Revenue	71,230.9	77,797.4	91,185.8	1,13,032.1	2,28,837.9
Salaries and Other Empl. Benefits	12,920.1	13,676.7	15,897.0	20,016.9	29,291.3
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	1,731.7
Total Other Non-Interest Expense	14,579.1	15,229.2	17,458.3	22,652.3	1,21,246.3
Total Non-Interest Expense	33,036.1	35,001.3	40,312.4	51,533.7	1,52,269.3
EBT Excl. Unusual Items	38,194.9	42,796.2	50,873.4	61,498.4	76,568.6
Income Tax Expense	10,898.6	10,939.4	12,722.5	15,349.7	11,122.1
Earnings from Cont. Ops.	27,296.3	31,856.8	38,150.9	46,148.7	65,446.5
Net Income to Company	27,296.3	31,856.8	38,150.9	46,148.7	65,446.5
Minority Int. in Earnings	(42.3)	(23.6)	(98.2)	(151.6)	(1,384.5)
Net Income	27,254.0	31,833.2	38,052.8	45,997.1	64,062.0

Balance Sheet (In cr.)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 PR
ASSETS					
Cash And Equivalents	24,942.7	34,624.3	36,594.5	93,229.9	2,28,834.5
Investment Securities	3,98,501.8	4,48,166.0	4,94,001.9	6,02,174.6	10,05,681.6
Total Investments	3,98,501.8	4,48,166.0	4,94,001.9	6,02,174.6	10,05,681.6
Gross Loans	10,43,670.9	11,85,283.5	14,20,942.3	16,61,949.3	25,65,891.4
Net Loans	10,43,670.9	11,85,283.5	14,20,942.3	16,61,949.3	25,65,891.4
Gross Property, Plant & Equipme	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 & Equipmer	4,626.9	5,099.6	6,283.3	8,282.6	12,603.8
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 Fo	-	51.3	51.2	46.5	-
Other Long-Term Assets	28,808.9	18,523.5	21,217.7	29,499.1	2,17,183.0
Total Assets	15,80,830.4	17,99,506.6	21,22,934.3	25,30,432.4	40,30,194.3
LIABILITIES	0	0	0	0	0
Interest Bearing Deposits	9,73,048.1	11,22,644.6	13,19,797.8	16,09,745.6	23,76,887.3
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	23,76,887.3
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	7,30,615.5
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	4,52,912.9
Total Liabilities	14,03,895.1	15,89,063.7	18,74,887.7	22,40,134.7	35,60,415.6
Common Stock	548.3	551.3	554.6	558.0	759.7
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	4,55,635.6
Total Common Equity	1,76,358.7	2,09,810.2	2,47,326.2	2,89,437.5	4,56,395.3
Minority Interest	576.6	632.8	720.4	860.3	13,383.4
Total Equity	1,76,935.3	2,10,442.9	2,48,046.6	2,90,297.8	4,69,778.7
Total Liabilities And Equity	15,80,830.4	17,99,506.6	21,22,934.3	25,30,432.4	40,30,194.3

Cash Flow (In cr.)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024 PR
Net Income	27,254.0	31,833.2	38,052.8	45,997.1	64,062.0
Depreciation & Amort.	1,276.8	1,385.0	1,680.7	2,345.5	3,092.1
Depreciation & Amort., Total	1,276.8	1,385.0	1,680.7	2,345.5	3,092.1
(Gain) Loss On Sale of Assets	8.2	0.3	3.3	(8.1)	(7,416.8)
(Gain) Loss On Sale Of Invest.	1,203.5	2,250.8	(725.1)	1,397.0	(5,991.1)
Provision for Credit Losses	14,123.1	19,210.1	18,705.2	13,854.1	14,118.3
Stock-Based Compensation	-	-	341.2	787.1	1,731.7
Change in Other Net Operating Ass	(2,84,460.3)	(1,97,634.6)	(2,92,184.1)	(3,67,201.4)	(3,86,671.0)
Other Operating Activities	21.2	(2,082.1)	(2,115.7)	(1,017.8)	(820.7)
Cash from Ops.	(2,40,573.6)	(1,45,037.3)	(2,36,241.7)	(3,03,846.5)	(3,17,895.5)
Capital Expenditures	(1,635.9)	(1,696.2)	(2,236.2)	(3,466.6)	(4,286.7)
Sale of Property, Plant and Equipm	18.9	15.3	19.9	42.7	99.8
Divestitures	-	-	-	-	9,500.7
Cash from Investing	(1,616.9)	(1,680.9)	(2,216.3)	(3,423.9)	5,313.8
Long-Term Debt Issued	29,101.5	356.5	52,620.8	41,007.3	2,350.0
Total Debt Issued	29,101.5	356.5	52,620.8	41,007.3	2,350.0
Long-Term Debt Repaid	-	(9,494.1)	(3,650.0)	(12,077.0)	(7,572.8)
Total Debt Repaid	-	(9,494.1)	(3,650.0)	(12,077.0)	(7,572.8)
Issuance of Common Stock	1,848.7	1,760.1	2,609.8	3,415.8	8,442.5
Common Dividends Paid	(4,983.6)	-	(3,592.4)	(8,604.5)	(8,404.4)
Total Dividends Paid	(4,983.6)	-	(3,592.4)	(8,604.5)	(8,404.4)
Net Incr. (Decr.) in Deposit Account	2,23,704.5	1,87,513.7	2,24,282.2	3,24,660.2	3,36,964.8
Special Dividend Paid	(1,647.0)	-	-	-	-
Other Financing Activities	74.8	56.1	135.8	199.0	1,201.7
Cash from Financing	2,48,099.0	1,80,192.4	2,72,406.2	3,48,600.8	3,32,981.8
Foreign Exchange Rate Adj.	214.0	(141.8)	165.1	431.7	104.9
Misc. Cash Flow Adj.	-	-	-	-	11,181.7
Net Change in Cash	6,122.5	33,332.4	34,113.2	41,762.1	31,686.7

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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