

Retail Equity Research



HDFC Bank Limited

BUY

Sector: Banking

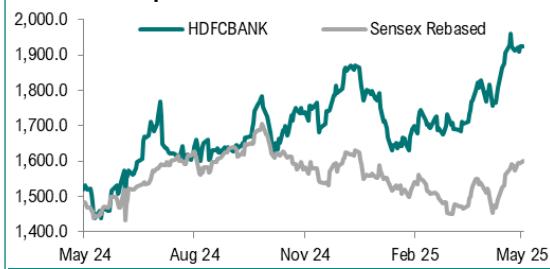
06th May, 2025

Key Changes		Target	Rating	Earnings		Target	Rs. 2,192
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 1,936
Large Cap	HDFCB:IN	80,797	HDFCBANK	500180	12 Months	Return	+13%

Data as of: 05-May-2025

Company Data			
Shareholding (%)	Q2FY25	Q3FY25	Q4FY25
Promoters	0.0	0.0	0.0
FII's	48.0	49.2	48.3
MFs/Insti	35.1	34.4	35.7
Public	16.7	16.2	15.8
Others	0.2	0.2	0.2
Total	100.0	100.0	100.0
Promoter Pledge	0.0	0.0	0.0
Price Performance	3 Month	6 Month	1 Year
Absolute Return	15.5%	10.8%	27.6%
Absolute Sensex	4.7%	0.0%	8.6%
Relative Return	10.8%	10.8%	18.9%

*over or under performance to benchmark index



Y.E March (cr)	FY25A	FY26E	FY27E
Net Interest Income	152,473	155,862	176,720
Growth (%)	17.7	2.2	13.4
NIM (%)	4.1	3.8	4.0
Pre-Provision Profit	110,417	118,216	130,093
Net Profit	70,792	75,266	82,165
Growth (%)	10.5	6.3	9.2
Adj. EPS	92.4	102.0	111.4
Growth (%)	2.6	10.4	9.2
BVPS	681.9	757.9	843.1
P/E	19.8	18.8	17.3
P/B	2.7	2.5	2.3
RoE (%)	14.5	13.7	13.4
RoA (%)	1.7	1.6	1.6

Poised for Steady Growth

Incorporated in August 1994, HDFC Bank 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 Q4FY25, HDFC Bank saw a notable 9.2% YoY increase in interest income to Rs. 86,779cr. The growth was primarily fuelled by a significant rise in interest generated from lending activities that was up 4.8% YoY and substantial increases in investment-related income (+23.5% YoY) and other banking funds (+49.5% YoY).
- Net interest income (NII) rose 11.3% YoY to Rs. 39,793cr driven by strong loan growth. Net interest margin (NIM) was stable at 3.54%.
- Pre-provisioning operating profit fell 6.9% YoY to Rs. 29,379cr, primarily due to a 25.5% YoY decline in other income. Nevertheless, the bank's operational efficiency showed improvement, with a 10.6% drop in operating expenses and cost-to-income ratio improving to 39.8% (down 150bps YoY).
- Reported profit after tax (PAT) ultimately rose 6.9% YoY to Rs. 18,835cr, driven by a substantial 72.4% YoY reduction in provisions, which was largely attributed to the improvement in asset quality.

Outlook & Valuation

Going forward, HDFC Bank is well-positioned to capitalise on improving liquidity conditions, robust capital foundation, vast network and enhanced technological capabilities to drive strong loan expansion. Moreover, favourable asset composition, improvement in borrowing mix and lower funding costs should continue to support margins over the coming years. Asset quality has remained steady, with the proportion of NPA not expected to increase significantly in the future. With an efficient operating model and a robust provisioning coverage underpinned by high-quality assets, the bank is poised for sustained growth. Therefore, we **reiterate our BUY rating on the stock, based on 2.6x FY27E BVPS, with a revised target price of Rs. 2,192.**

Quarterly Financials Consol.

Rs.cr	Q4FY25	Q4FY24	YoY Growth (%)	Q3FY25	QoQ Growth (%)	YoY Growth (%)	
						FY25	FY24
Net Interest Income	39,793	35,742	11.3	38,126	4.4	152,473	129,510
Total Income	120,269	124,391	-3.3	112,194	7.2	470,916	407,995
Total Expenditure	90,890	92,819	-2.1	84,264	7.9	360,499	306,408
Pre-Provision Profit	29,379	31,572	-6.9	27,930	5.2	110,417	101,587
PBT	25,573	17,761	44.0	23,973	6.7	96,242	76,569
Rep. PAT	18,835	17,622	6.9	17,657	6.7	70,792	64,062
Adj PAT	18,835	17,622	6.9	17,657	6.7	70,792	64,062
EPS (Rs.)	24.5	23.1	6.1	23.0	6.6	92.4	90.0
							2.6



Key Concalt Highlights

- HDFC Bank's deposits grew 5.9% QoQ to Rs. 27,14,700cr driven by strong increases in current accounts (+17.6% QoQ), savings deposits (+4.1% QoQ) and term deposits (+4.7% QoQ).
- Consequently, the current account and savings account (CASA) ratio was 34.8%, up from 34.1% in Q3FY25.
- The bank's loan portfolio expanded 4.0% QoQ to reach Rs. 26,43,500cr, fuelled by strong growth in key segments, including a 2.5% QoQ increase in retail lending, a 5.1% QoQ rise in commercial and rural banking loans and a 2.5% QoQ improvement in corporate advances.
- Asset quality showed a notable improvement, with gross non-performing assets (NPAs) and net NPAs declining to 1.33% and 0.4%, respectively, compared with 1.42% and 0.5% in Q3FY25. The improvement was largely driven by a decrease in new slippages and a robust recovery process.
- The bank's capital adequacy ratio was 19.6% and Tier 1 ratio stood at 17.7%, both well above the regulatory requirements.
- The loan-to-deposit ratio is expected to gradually decline to the pre-merger range of 85-90% by fiscal 2027, which would create headroom for the bank to accelerate asset growth in subsequent periods.
- The RBI's rate cuts and accommodative stance are expected to have a positive impact on the bank's loan growth and overall business.

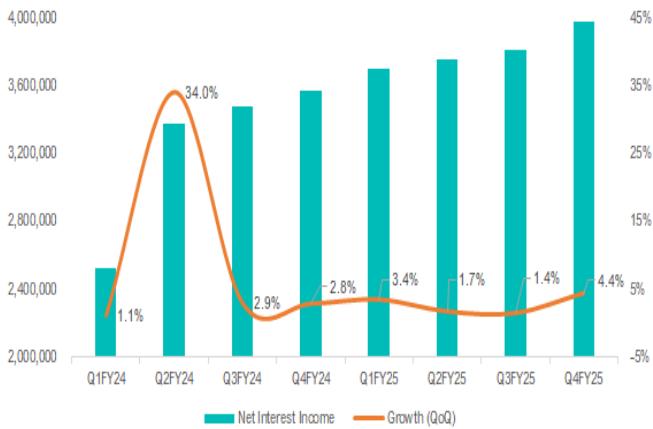
Gross Advances



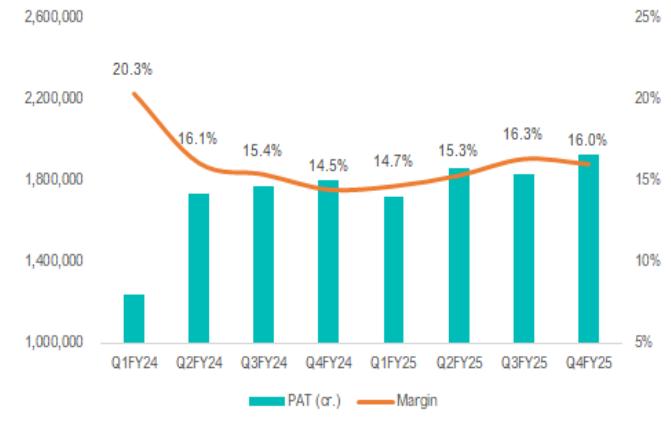
Total Deposits



Net Interest Income



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change -%	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Interest Income	184,714	-	155,862	176,720	-15.6	-
Net Interest Margin	4.5	-	3.8	4.0	-70bps	-
Pre-Provision Profit	131,598	-	118,216	130,093	-10.2	-
Net Profit	84,779	-	75,266	82,165	-11.2	-
EPS	111.2	-	102.0	111.4	-8.2	-

Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Interest Income	170,754	283,649	336,367	362,348	405,779
Interest Expense	77,780	154,139	183,894	206,486	229,059
Net Interest Income	92,974	129,510	152,473	155,862	176,720
% Change	20.2	39.3	17.7	2.2	13.4
Non-Interest Income	33,912	124,346	134,549	144,169	154,477
Net Income	126,886	253,856	287,022	300,031	331,196
Total Income	204,666	407,995	470,916	506,517	560,256
Operating Expenses	51,534	152,269	176,605	181,814	201,104
Total Expenditure	129,314	306,408	360,499	388,301	430,163
Pre-Provisioning Profit	75,352	101,587	110,417	118,216	130,093
Provisions	13,854	25,018	14,175	14,108	16,442
Profit Before Tax	61,498	76,569	96,242	104,108	113,651
Tax	15,350	11,122	22,802	26,027	28,413
Tax Rate (%)	25.0	14.5	23.7	25.0	25.0
Minority Interests	152	1,384	2,648	2,815	3,073
Net Profit	45,997	64,062	70,792	75,266	82,165
% Change	20.9	39.3	10.5	6.3	9.2
Adj.	-	-	-	-	-
Adj. Net Profit	45,997	64,062	70,792	75,266	82,165
No. of Shares (cr)	560.9	727.1	765.2	765.2	765.2
Adj. EPS (Rs.)	82.3	90.0	92.4	102.0	111.4
% Change	20.4	9.4	2.6	10.4	9.2
DPS	19.0	19.5	22.0	26.0	26.2

Balance Sheet

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash & Balances	197,148	228,835	249,948	429,461	485,464
Investments	511,582	1,005,682	1,186,473	1,283,764	1,389,032
Advances	1,661,949	2,571,917	2,724,938	2,918,409	3,286,128
Fixed Assets	8,283	12,604	15,258	18,699	22,915
Other Assets	151,471	211,158	215,801	255,724	303,032
Total Assets	2,530,432	4,030,194	4,392,417	4,906,056	5,486,573
Capital	558	760	765	765	765
Reserves & Surplus	288,880	455,636	521,024	579,194	644,401
Deposits	1,882,663	2,376,887	2,710,898	3,158,196	3,663,508
Borrowings	256,549	730,615	634,606	616,519	598,949
Other Liabilities	101,783	466,296	525,124	551,380	578,949
Total Liabilities	2,530,432	4,030,194	4,392,417	4,906,056	5,486,573
BVPS	516.0	627.7	681.9	757.9	843.1
Adj. BVPS	508.2	616.6	681.9	750.3	834.5
% Change	16.8	21.3	10.6	10.0	11.2

Ratio

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Valuation					
P/E (x)	19.3	16.1	19.8	18.8	17.3
P/BV (x)	3.1	2.3	2.7	2.5	2.3
Div. Yield (%)	1.2	1.3	1.2	1.4	1.4
Profitability & Return (%)					
Yield on Advances	8.8	10.3	9.5	9.5	9.3
Cost of Deposits	4.0	5.9	5.7	5.8	5.7
Spread	4.8	4.4	3.8	3.7	3.6
NIM (calculated)	4.6	4.5	4.1	3.8	4.0
ROE	17.1	17.2	14.5	13.7	13.4
ROA	2.0	2.0	1.7	1.6	1.6
Capital Adequacy (%)					
CAR	19.3	18.8	19.6	19.6	19.4
Tier I	17.1	16.8	17.7	17.9	17.9
Tier II	2.2	2.0	1.9	1.7	1.5
Asset Quality (%)					
GNPA	1.1	1.2	1.3	1.0	1.0
NNPA	0.3	0.3	0.4	0.2	0.2
Operating Ratios (%)					
Credit/Deposit	88.3	108.2	100.5	92.4	89.7
Cost/Income	40.6	60.0	61.5	60.6	60.7
CASA	44.4	38.2	34.8	36.8	36.8

Recommendation Summary - (last 3 years)



Dates	Rating	Target
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
08-Aug-24	BUY	1,869
23-Oct-24	BUY	1,931
06-May-25	BUY	2,192

Investment Rating Criteria

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

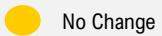
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Buy: Acquire at Current Market Price -CMP, with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** 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.

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

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