

# RESEARCH REPORT

## HDFC BANK



**PREPARED BY:**

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# About

HDFC Bank Limited (also known as HDFC) is an Indian banking and financial services company headquartered in Mumbai. It is India's largest private sector bank by assets and the world's tenth-largest bank by market capitalization as of May 2024.

As of April 2024, HDFC Bank has a market capitalization of \$145 billion, making it the third-largest company on the Indian stock exchanges.

## Revenue Breakup

Retail Banking: 40%

Wholesale Banking: 27%

Insurance Business: 17%

Treasury: 9%

Others: 7%

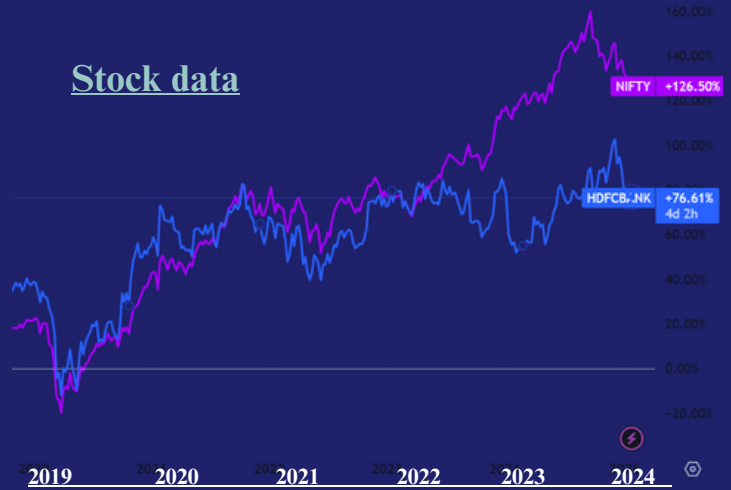
## Synopsis of Financials

- Net revenues for the quarter were at INR 396 billion
- Net interest income at INR 285 billion
- Total other income at INR 111 billion
- Operating expenses for the quarter were at INR 160 billion
- Profit before tax was at INR 194 billion, with net profits after tax at INR 164 billion
- Total provisions reported were around INR 42 billion
- GNPA ratio was at 1.26%, with net NPA ratio at 0.31%

## Stock data (as 13th Dec 2024)

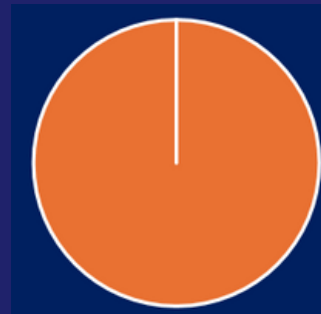
Nifty Price : 22,863  
52 week High (in Rs.) : 1,880  
52 week Low (in Rs.) : 1,363  
Market Cap. (in Crore) : ₹ 12,48,549 Cr.  
NSE Code : HDFCBANK

### Stock data



-NIFTY50  
-HDFCBANK

## Shareholding Pattern (March 2024)



-PUBLIC GROUP  
-PROMOTER GROUP

## Financial Summary

Particulars	Mar 2022	Mar 2023	Mar 2024
Sales	135,936	170,754	283,649
Interest	58,584	77,780	154,139
Expenses	56,557	63,042	174,196
Financing Profit	20,795	29,932	-44,685
FPM%	15%	18%	-16%
Net Profit	38,151	46,149	65,446
EPS in Rs	68.62	82.44	84.33

# Quarterly Results



Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	40,930	45,002	47,548	51,168	75,039	78,008	79,434
Expenses	15,915	16,682	17,770	18,470	45,349	50,530	62,938
Financing Profit	6,704	7,815	7,172	6,744	-11,560	-15,764	-27,196
FPM%	16%	17%	15%	13%	-15%	-20%	-34%
Other Income	8,252	9,121	9,610	9,853	32,528	37,007	44,958
Interest	18,311	20,505	22,606	25,955	41,250	43,242	43,692
Depreciation	0	0	0	0	0	0	0
Profit before tax	14,956	16,936	16,783	16,597	20,967	21,243	17,761
Tax %	25%	25%	25%	25%	17%	17%	-1%
Net Profit	11,163	12,735	12,634	12,403	17,312	17,718	18,013

Source: Screener

## Key Ratios

Key Ratios :				
Earnings per share (₹) <sup>1</sup>	21.08	24.42	28.59	33.88
Return on equity	20.36%	17.97%	18.04%	18.22%
Tier 1 capital ratio	13.66%	13.22%	12.79%	13.25%
Total capital ratio	16.79%	15.53%	14.55%	14.82%
Dividend per share (₹) <sup>1</sup>	4.00	4.75	5.50	6.50
Dividend payout ratio	23.62%	23.51%	23.32%	23.26%
Book value per share as at March 31 (₹) <sup>1</sup>	123.70	143.74	174.56	204.80
Market price per share as at March 31 (₹) <sup>2</sup>	511.35	535.58	721.28	964.50
Price to earnings ratio	24.26	21.93	25.23	28.47

Source: Annual Report

# Yearly Results

Particulars	Mar 2022	Mar 2023	Mar 2024
Equity Capital	555	558	760
Reserves	246,772	288,880	455,636
Borrowings	1,784,970	2,139,212	3,107,503
Other Liabilities	90,639	101,783	466,296
Total Liabilities	2,122,934	2,530,432	4,030,194
Fixed Assets	6,432	8,431	12,604
CWIP	0	0	0
Investments	449,264	511,582	1,005,682
Other Assets	1,667,238	2,010,419	3,011,909
Total Assets	2,122,934	2,530,432	4,030,194

# Synopsis Quarter Results

## Key Highlights

### Macro Environment:

- Liquidity has been gradually improving over the last couple of months.
- Deposit rates remain elevated and sticky, likely due to credit growth outpacing deposit growth.
- Customer preferences are shifting towards time deposits to lock in higher rates.

### Deposit Growth:

- Healthy deposit growth of approximately 15% year-on-year.
- Retail branches contribute around 84% of total deposits.
- The bank aims to reduce the CD (Credit-Deposit) ratio faster than initially anticipated.

### Credit Growth:

- Average assets under management grew by about 10.2% year-on-year.
- Margins remain stable at 3.45% to 3.5%, currently at 3.46%.
- Gross NPA (Non-Performing Assets) stable at approximately 1.4%, with gross slippages at 1.2%, better than the previous year.

### Profitability:

- Profit after tax increased to INR 16,800 crores, showing an optimal growth rate of 5.3%.
- Adjusted growth rate, accounting for bond gains and tax adjustments from the previous year, is about 17%.

### Fee Income:

- Fee income grew by 17% year-on-year to INR 8,000 crores.
- Strong growth in third-party products and distribution, up 32% year-on-year.
- Wholesale fees have decreased by approximately 5%.

### Contingent Provisions:

- Release of contingent provisions due to regulatory clarifications on AIF (Alternate Investment Fund) contributions.
- Provisions were adjusted down as the bank no longer needs to provide rupee for rupee of the amounts contributed.

### Regulatory Environment:

- Draft circular from RBI regarding lending overlap among group entities is under review.
- HDB Financial is a regulated entity and adheres to similar policies as HDFC Bank, minimizing arbitrage risks.

### Loan-Deposit Ratio (LDR):

- Current LDR is around 16%, down from a peak of 110% post-merger.
- Targeting to return to historical levels of mid-80s to high-80s within 2-3 years instead of the previously anticipated 4-5 years.

### Asset Quality:

- Stable asset quality with a focus on maintaining low GNPA ratios, particularly in retail lending.
- Monitoring credit risks in unsecured loans and calibrating growth accordingly.

### Branch Expansion:

- Grew approximately 240 branches in the quarter, with a total of 350 branches added this year.
- Ongoing strategy to increase presence in both urban and rural areas.

### Liquidity Coverage Ratio (LCR):

- LCR increased to 128%, up from 123% in the previous quarter.
- Target operating range for LCR is typically between 110% to 120%.

### Credit Quality Outlook:

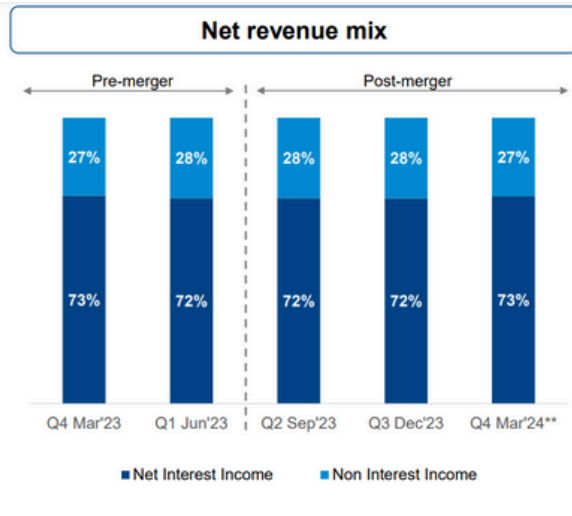
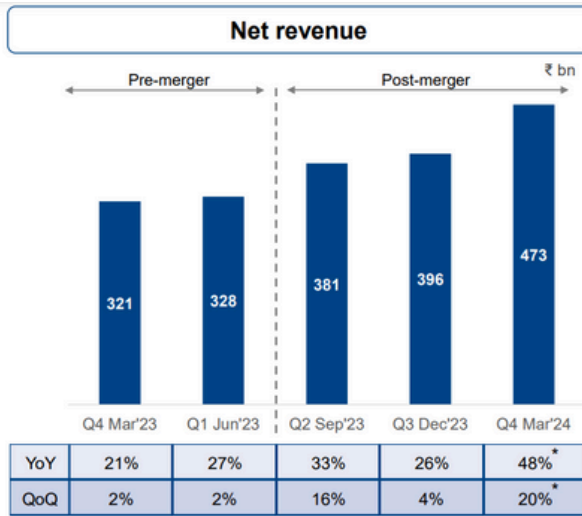
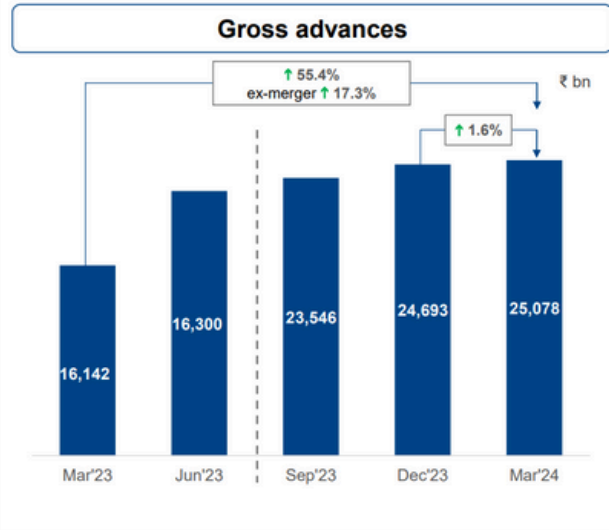
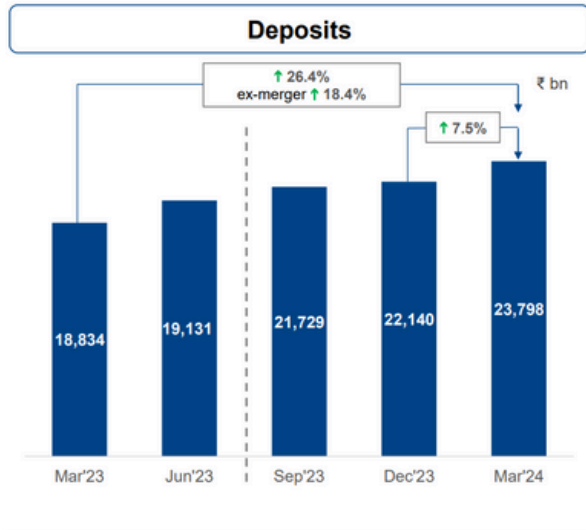
- Management is confident about maintaining asset quality amidst macroeconomic uncertainties.
- No immediate red flags regarding credit quality; the bank remains watchful of market conditions.

### Future Guidance:

- Management expects to be well-positioned to capitalize on growth opportunities as market conditions improve.
- A focus on maintaining a resilient balance sheet while navigating competitive pressures and regulatory changes.

# Revenue Highlights

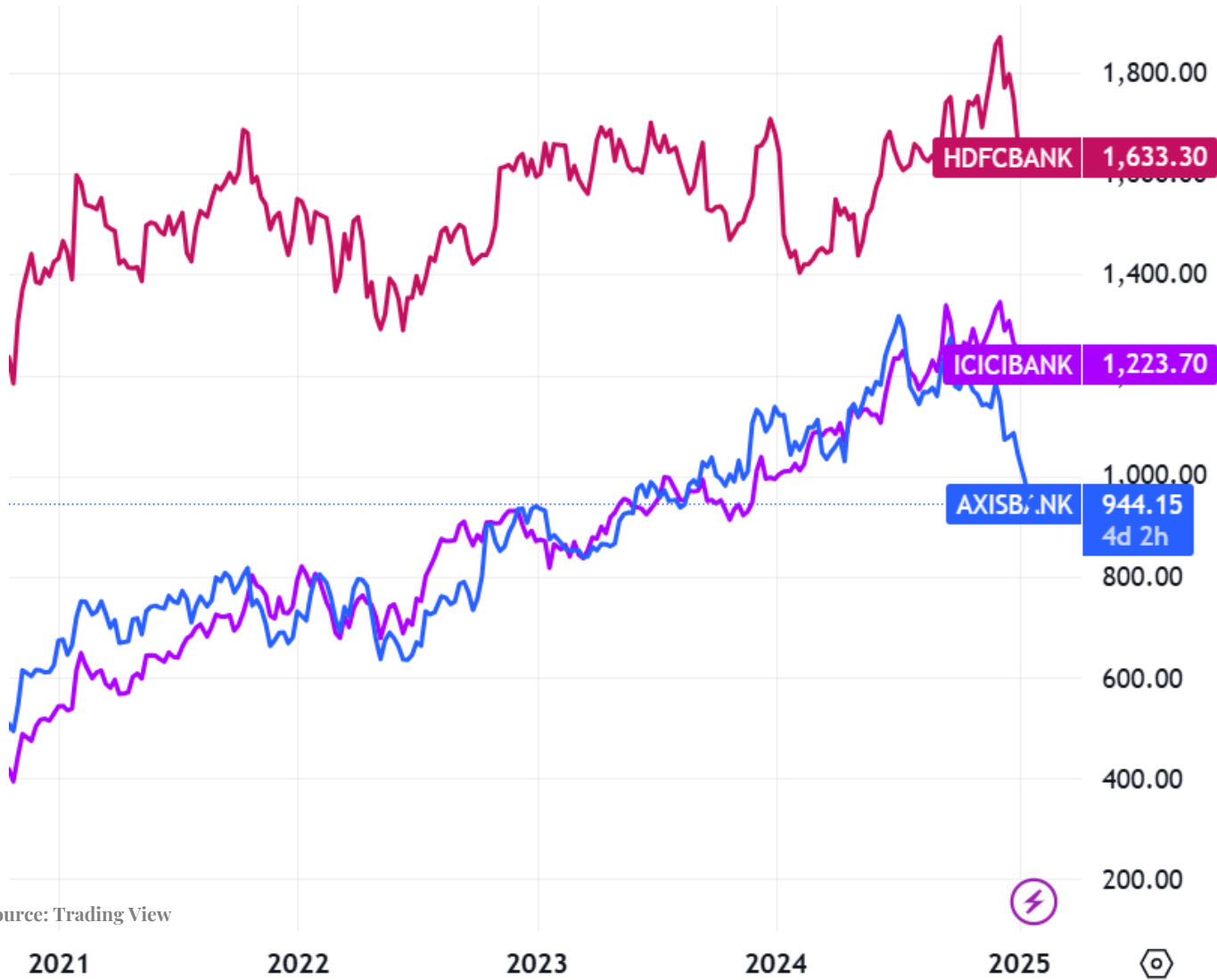
## Growth in deposits and advances



# Peer Comparison



## Peer Stock Performance (5Y) Indexed



Source: Trading View

## Peer Financial Performance

Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
HDFC Bank	1632.45	17.93	1248549.27	1.19	18340.11	2.31	85040.17	9.01	7.67
ICICI Bank	1228.85	17.60	867642.76	0.83	13846.89	16.56	47037.12	15.10	7.60
Axis Bank	936.90	10.24	290038.06	0.11	6778.91	3.86	32162.20	11.42	7.06

Source: Screener

# Final Outlook

**HDFCBANK: BUY | LTP: 1,632**

Profits raised by 38% this financial year(2023-2024).The net profit growth for HDFC Bank from 31 March 2023 to 31 March 2024 was approximately 38%.

These figures reflect HDFC Bank's robust financial performance, with significant year-over-year growth in net profit both annually and quarterly.

The bank's current account savings account (CASA) deposits grew by 4.4% to Rs 8.72 lakh crore as of December 31, 2024, from Rs 8.35 lakh crore a year ago. Time deposits increased 22.7% to Rs 16.91 crore as of December 31, 2024 from Rs 13.78 lakh crore a year ago. HDFC Bank posted higher deposit growth than advances in the third quarter, as per provisional business updates. Deposits at the country's largest private lender surged 15.8% to Rs 25.63 lakh crore as of December 31, 2024, from Rs 22.14 lakh crore a year ago, registering a growth of 2.5% at over Rs 25 lakh crore as of September 30, 2024.

Gross advances of the bank rose 3% to Rs 25.42 lakh crore as of December 31, 2024, from Rs 24.69 lakh crore a year ago.

I would give **Buy** rating for this stock.

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