

CMP: INR 1,907

Rating: BUY

Target Price: INR 2,387

Stock Info

BSE	500180
NSE	HDFCBANK
Bloomberg	HDFCB IN
Reuters	HDBK.BO
Sector	Banks
Face Value (INR)	1
Equity Capital (INR Mn)	7,648
Mkt Cap (INR Bn)	14,589
52w H/L (INR)	1,919 / 1,430
Avg Yearly Vol (in 000')	17,856

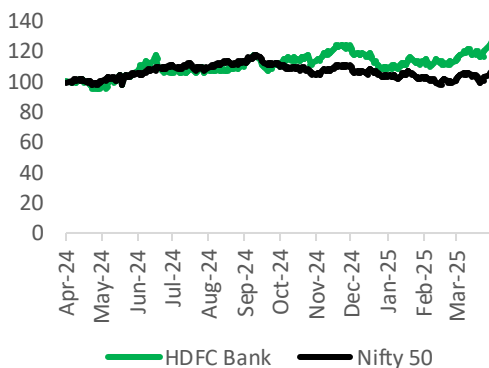
Shareholding Pattern %

(As on Mar, 2025)

Promoters	-
Public & Others	100

Stock Performance (%)	1m	3m	12m
HDFC Bank	10.07	16.49	26.09
Nifty 50	4.46	2.79	6.78

HDFC Bank Vs Nifty



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HDFC Bank has posted a decent set of earnings for Q4FY25 with Net profits of 176 Bn. Net Interest Income for Q4FY25 stood at INR 320.7 bn against our estimates of INR 327.5 bn, up by 4.6% QoQ / up by 10.3% YoY. PPOP came at INR 265.4 bn against our estimates of INR 269.1 bn, up 6.1% QoQ / down by 9.4% YoY. Provisions stood at INR 31.9 bn against our estimates of INR 33.1 bn Increasing by 1.2% QoQ / down by 76.4% YoY. PAT stood at INR 176.2 bn against our estimates of INR 179.5 bn increasing by 5.3% QoQ / up by 6.7% YoY. GNPA came at 1.33% down 9 bps QoQ / up by 9 bps YoY against our estimates of 1.41% while NNPA was at 0.43% against our estimates of 0.47 % down 3 bps QoQ / up 10 bps YoY. Deposits increased by 5.9% QoQ / up 14.07% YoY to INR 27,147 bn. Advances increased by 4% QoQ / up 5.42% YoY to INR 26,196 bn

Strategic Reorganization to Unlock Growth Synergies: The bank's recent internal reorganization is aimed at driving greater synergies across businesses, especially within rural and commercial banking. By integrating agri-lending with retail auto and gold loans, the bank aims to enhance customer engagement, operational productivity, and cross-sell opportunities. With a strong rural reach in over 225,000 villages, the bank is now focusing on optimizing its physical presence and delivering bundled offerings to increase customer wallet share. We expect these structural changes will lift operational efficiency and support the next phase of loan growth.

Profitability to Remain Steady Despite Rate Volatility: HDFC Bank has successfully maintained a steady return on assets (ROA) of ~1.9% post-merger, with management indicating it will operate in the 1.9–2.1% range over time. While rate cuts can temporarily impact NIMs, the bank's multiple levers—including operating efficiencies, stable credit costs, and deposit mix optimization—are expected to protect profitability. Continued investment in branches, technology, and productivity will yield operating leverage.

Continued Investments in Technology and Proactive PSL Management: Over the past 5 years, the Bank has doubled down on its distribution footprint and technology backbone. With over 700 new branches added recently—almost 2x of earlier years—the bank is focusing on enhancing rural penetration and relationship depth. On the digital front, HDFC Bank is expected to unveil meaningful upgrades during FY26. It continues to meet overall PSL requirements, with minor shortfalls in sub-categories like small and marginal farmers and weaker sections (~1% gap). These are proactively managed through a mix of strategies including IBPCs, PTCs, and on-lending tie-ups.

Valuation & View: HDFC Bank is expected to deliver mid-teen loan growth in FY26 (~12–13%) as CD ratio normalizes toward the 85–90% range by FY27. NIMs likely to stay range-bound at 3.4–3.5% despite rate cuts, aided by improving funding mix and selective loan pricing. ROA should hover around 1.9% with upside optionality from operating leverage (branch productivity + tech payoff). CASA ratio improvement to be gradual, but deposit growth to remain strong given branch expansion and customer franchise strength. Asset quality remains best-in-class; credit costs to stay benign. Management reorg in CRB segment seen as margin-accretive with stronger cross-sell across rural ecosystem. Focus remains on profitable growth, not chasing volumes. **We maintain a BUY rating on the stock with a revised target price of INR 2,387 on SOTP basis, with the standalone bank valued on 2.8x FY27E P/ABV.**

Financial Summary

Y/E Mar (Rs Bn)	FY22	FY23	FY24	FY25	FY26E	FY27E
NII	720	868	1,085	1,227	1,632	1,908
Net profit	370	441	608	673	1,010	1,233
Networth	2,401	2,802	4,402	5,014	5,265	5,527
Adj BVPS	425	494	569	640	667	692
EPS (Rs)	66.65	79.05	80.05	88.01	132.02	161.09
P/ABV (x)	4.49	3.86	3.29	2.91	2.77	2.64
P/E (x)	28.61	24.12	23.82	21.67	14.44	11.84
RoA (%)	2.0	2.1	2.0	1.8	2.3	2.4
RoE (%)	16.7	17.0	16.9	14.3	19.7	22.8

Source: Arihant Research, Company Filings

Q4FY25 - Quarterly Performance (Standalone)

Income Statement (INR Bn.)	Q4FY25	Q3FY25	Q4FY24	Q-o-Q	Y-o-Y
Interest Income	775	760	715	1.9%	8.4%
Interest Expense	454	454	424	0.1%	7.1%
Net Interest Income	321	307	291	4.6%	10.3%
Non Interest Income	120	115	182	5.0%	-33.8%
Total Income	441	421	472	4.7%	-6.7%
Employee Costs	61	60	69	2.8%	-11.8%
Other Operating Expenses	114	112	110	2.6%	3.7%
Operating Expenses	176	171	180	2.6%	-2.3%
Pre-Provision Profit	265	250	293	6.1%	-9.4%
Provisions	32	32	135	1.2%	-76.4%
Profit Before Tax	233	218	158	6.9%	48.1%
Tax Expense	57	51	-7	12.1%	NA
Net Profit	176	167	165	5.3%	6.7%
Balance Sheet Analysis					
Deposits	27,147	25,638	23,798	5.9%	14.1%
CASA (%)	35.0%	34.0%	38.2%	100bps	-320bps
Advances	26,196	25,182	24,849	4.0%	5.4%
Total Assets	39,102	37,590	36,176	4.0%	8.1%
Capital Adequacy Ratio (%)	19.55%	19.97%	18.80%	-42bps	75bps
Spread Analysis					
NIM (%)	3.70%	3.62%	3.63%	8bps	7bps
Asset Quality					
Gross NPA	352.23	360.19	311.73	-2.2%	13.0%
Net NPA	113.20	103.09	76.64	9.8%	47.7%
GNPA (%)	1.33%	1.42%	1.24%	-9bps	9bps
NNPA (%)	0.43%	0.46%	0.33%	-3bps	10bps
Key Ratios					
Cost to Income Ratio (%)	39.8%	40.6%	38.0%	-81bps	178bps
C/D Ratio	96.5%	98.2%	104.4%	-173bps	-792bps
RoA (%) (annualized)	1.92%	1.88%	1.96%	4bps	-4bps

Q4FY25 Concall Takeaways

Guidance:

- Loan growth rate expected to remain inline with market growth rate (~12 -13%) subject to pricing discipline and credit quality. CASA ratio anticipates to improve gradually with falling interest rate cycle; goal remains holistic customer wallet share, not CASA ratio per se. ROA may fluctuate ± 10 bps depending on margins, credit costs, and OPEX efficiency.

Key Highlights:

- NIM maintained in a narrow band of 3.4–3.5% through FY25. Q4FY25 core NIM stood at 3.46% (vs 3.44% in Q4 FY24)
- Operating consistently around 1.9% post-merger (July 2023). Management noted 1.9–2.1% as the long-term sustainable range
- FY25 loan growth was subdued at 7.7% YoY. Sequential Q4 loan growth stood at ~3.3%, annualizing to ~13%
- Strong deposit growth of INR 3.4 Tn (YoY), ~15.8%. Deposit growth exceeded both system and loan growth
- CDR reduced from 110% at the time of merger to 96% in March 2025; target range of 85–90% expected by FY27
- Cost of funds remained stable at ~4.9%. Borrowing mix reduced from 21% (Dec 2023) to 14% (Mar 2025), aiding lower cost
- Yield on Assets held stable at 8.3–8.4%. Retail portfolio yields higher than wholesale
- Time deposits saw higher growth due to rate cycles; CASA impacted adversely. Bank anticipates CASA ratio improvement with lag as rates fall
- Legacy bond maturity of INR 0.5 Tn expected in FY26. Infrastructure bonds to be tapped selectively
- Entire asset side (including CRB) consolidated under Kaizad Bharucha. Focused on synergy, productivity, and multi-product engagement at the grassroots level (e.g., bundling agri loans with auto/two-wheeler/gold loans)
- Significant tech investments to begin yielding results gradually during FY26
- Continued branch expansion with ~700 new branches in recent period; productivity gains expected going forward
- Assets quality remains pristine. No signs of stress across segments including unsecured loans. Credit loss trends have been consistent with historical performance
- INR 2 trillion in personal loans; 75–80% to salaried customers. Unsecured business lending also steady. No change in credit policy or underwriting standards to chase growth
- Overall PSL above the 40% requirement. Shortfall (~1%) in sub-segments like Small and Marginal Farmers (SMF) and weaker sections managed through IBPCs, PTCs, RIDF, etc
- Repo-linked loan transmission varies by product. Mortgages reset in about a month; corporates sooner. Full impact of repo rate cuts (50 bps till Mar 2025) expected in Q1FY26
- AIF Provisions stood at INR 2,880 Mn vs INR 3,500 Mn last quarter. Some maturities led to release; not materially impacting P&L

Key Financials

Profit & Loss Account

Rs in Bn	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Earned	1,209	1,278	1,616	2,583	3,005	3,876	4,363
Interest expended	560	557	747	1,498	1,778	2,245	2,455
NII	649	720	868	1,085	1,227	1,632	1,908
Other Income	252	295	312	492	456	694	827
Net Income	901	1,015	1,181	1,578	1,683	2,326	2,735
Operating Exp	327	374	477	634	682	750	825
PPOP	574	641	704	944	1,001	1,576	1,910
Provisions	157	151	119	235	116	236	276
PBT	417	490	585	709	885	1,340	1,635
Tax	105	121	144	101	211	329	402
PAT	311	370	441	608	673	1,010	1,233

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Balance Sheet

Rs in Bn	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
CAPITAL & LIABILITIES							
Capital	5.51	5.55	5.58	7.60	7.65	7.65	7.65
Reserves & Surplus	2,032	2,395	2,796	4,395	5,007	5,257	5,520
Deposits	13,351	15,592	18,834	23,798	27,147	34,229	41,602
Borrowings	1,355	1,848	2,068	6,622	5,479	6,027	6,630
Other Liabilities	726	844	957	1,354	1,461	1,613	2,096
TOTAL	17,469	20,685	24,661	36,176	39,102	47,134	55,856
ASSETS							
Cash & Balances	1,195	1,523	1,938	2,191	2,396	3,964	8,465
Investments	4,437	4,555	5,170	7,024	8,364	8,535	9,712
Advances	11,328	13,688	16,006	24,849	26,196	32,800	36,080
Fixed Assets	49	61	80	114	137	153	171
Other Assets	459	858	1,467	1,998	2,010	1,682	1,427
TOTAL	17,469	20,685	24,661	36,176	39,102	47,134	55,856

Source: Arianth Research, Company Filings

Ratios (%)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Growth							
NII	15.5	11.0	20.6	25.0	13.0	33.0	16.9
PPOP	17.7	11.7	9.9	34.1	6.1	57.4	21.2
Net profit	18.5	18.8	19.3	37.9	10.7	50.0	22.0
Deposits	16.3	16.8	20.8	26.4	14.1	26.1	21.5
Advances	14.0	20.8	16.9	55.2	5.4	25.2	10.0
Returns							
ROA	1.97	2.03	2.07	2.00	1.79	2.34	2.39
ROE	16.6	16.7	17.0	16.9	14.3	19.7	22.8
NIM (%)	4.10	3.92	4.05	3.80	3.45	4.0	3.83
Efficiency							
C/I Ratio	36.3	36.9	40.4	40.2	40.5	32.2	30.2
CASA	46.1	48.2	44.4	38.2	35.2	32.0	29.0

Ratios (%)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Per Share							
BV (Rs)	370	433	502	580	655	688	722
ABV (Rs)	361	425	494	569	640	667	692
EPS (Rs)	56	67	79	80	88	132	161
Valuation							
P/BV (x)	5.2	4.4	3.8	3.3	2.9	2.8	2.6
P/ABV (x)	5.3	4.5	3.9	3.4	3.0	2.9	2.8
P/EPS (x)	33.8	28.6	24.1	23.8	21.7	14.4	11.8
Asset quality							
GNPA	1.3	1.2	1.1	1.2	1.3	1.4	1.5
NNPA	0.4	0.3	0.3	0.3	0.4	0.5	0.7
PCR	69.8	72.7	75.8	74.0	67.9	63.5	58.0

Source: Arianth Research, Company Filings

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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