

**In-line results; transition phase continues**

Q4FY24 Result Update | Sector: Bank | April 22, 2024

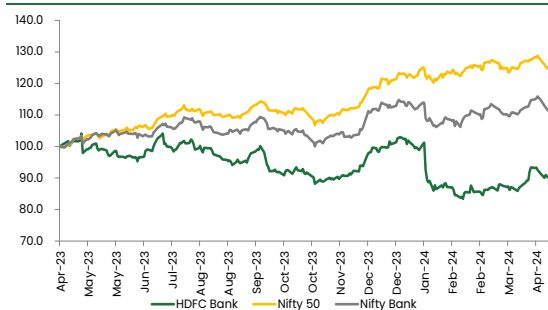
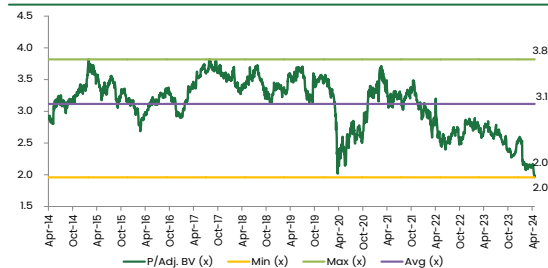
**BUY**

<b>CMP (Rs)</b>	<b>1,531</b>
<b>Target Price (Rs)</b>	<b>2,010</b>
<b>Potential Upside</b>	<b>31%</b>
<b>Sensex</b>	73,088
<b>Nifty</b>	22,147

Key Stock data	
<b>BSE Code</b>	500180
<b>NSE Code</b>	HDFCBANK
<b>Bloomberg</b>	HDFCB:IN
<b>Shares o/s, Cr (FV 1)</b>	759.7
<b>Market Cap (Rs Cr)</b>	1,163,314
<b>3M Avg Volume</b>	23,811,131
<b>52 week H/L</b>	1,758/1,364

**Shareholding Pattern**

(%)	Sep-23	Dec-23	Mar-24
Promoter	-	-	-
FII	52.1	52.3	47.8
DII	30.7	30.8	33.6
Public	17.2	16.9	18.6

**1 year relative price performance**

**1 year forward P/Adj. BV (x)**

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**Profitability remained flat as provisions increased:** HDFC Bank's net interest income reported marginal increase of 2.1% QoQ to Rs 29,077cr as margins remained flat. Pre-provision operating profit (PPOP) grew by 23.8% QoQ to Rs 29,274cr, however, PAT remained flat with a growth of 0.9% QoQ as provisions increased by 220% QoQ. Other income grew by 63.1% QoQ mainly due to higher treasury income and gain from stake sale in HDFC Credelia Financial Services.

**Retail advances remained strong:** Loan book during the quarter increased by 1.6% QoQ to Rs 25,078bn mainly due to run down in wholesale advances by 2.2% QoQ. Retail advances increased by 3.5% QoQ to Rs 12,611cr as segments such as retail mortgages, personal loans and auto loan reported strong growth of 4%/4.2%/8.4% QoQ. Going forward the bank aims to continue to maintain its growth momentum in retail advances while capitalizing on wholesale advances.

**Strong growth in deposits and improvement in CASA ratio:** The bank's deposits growth was strong at 7.5% QoQ to Rs 23,798cr. The increase in deposits was led by both CASA and term deposits which increased by 8.7%/6.7% QoQ. Along with the growth in deposits, CASA ratio improved by 44bps QoQ to 38.2%. The strong growth in deposits is mainly due to growth in branch count as during the quarter branches increased by 647 as compared to 147 branches in the last quarter.

**Margins remained flat with marginal improvement:** During the quarter, net interest margin improved marginally by 4bps QoQ to 3.4% as the yields on assets improved by 10bps QoQ to 8.4% while cost of funds remained steady at 4.9%. The bank aims to increase the yields on assets to maintain appropriate loan mix which is sustainable in the long run. Going forward, the management expects cost of funds to decline marginally which shall aid the net interest margins.

**Asset quality continues to remain robust:** Asset quality for the bank continues to remain robust as during the quarter GNPA declined by 6bps QoQ, however, NNPA increased by 3bps QoQ. GNPA/NNPA stood at 1.2%/0.3%. The bank is seeing improvement in its asset quality across segment and maintains confidence about the asset quality of the bank. The bank expects to maintain its asset quality of superior quality as compared to its peers.

**Valuation and outlook:** Going forward, we remain positive on HDFC Bank as it is seeing healthy growth in deposits along with growth in its retail loan book. It expects its margins to improve going forward which shall aid the topline growth. Financially, we expect NII/PPOP/PAT to grow at a CAGR of 26%/32%/36% over FY24-26E. We continue to remain positive on HDFC Bank and maintain Buy rating with a target price of **Rs 2,010** valuing the bank at 2.4x of its FY26E Adj. BV.

**Financial Summary - standalone**

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Interest earned	161,586	258,341	316,611	385,103
Interest expended	74,743	149,808	179,342	212,179
Net interest income	86,842	108,532	137,269	172,923
Operating profit before provisions	70,405	94,387	120,153	161,855
Profit after tax	44,109	60,812	80,675	111,645
EPS (Rs.)	79.3	80.0	106.2	147.0
BVPS (Rs.)	502.0	580.0	685.7	832.7
Adj. BVPS (Rs.)	492.4	538.5	643.4	786.6
P/Adj. BV (x)	3.1	2.8	2.4	1.9
RoA (%)	2.1	2.0	1.9	2.2
RoE (%)	17.4	16.1	15.5	17.6

Source : RBL Research

**Concall highlights:** 1) The bank aims to focus on quality of assets and liabilities with focus on appropriate risk and returns. 2) The bank has gained market share in deposits despite keeping the cost of funds competitive as compared to peers. It has gained incremental market share in deposits in the last 2 quarters. 3) Going forward, the bank shall focus on mobilization of retail deposits. 4) The bank aims to provide superior services as an edge over the competitors rather than playing the pricing game. 5) The bank shall also focus on priority sector lending by leveraging its distribution reach which will aid the commercial banking and rural banking segment. The bank has expanded to 225,000 villages to cater to the priority sector lending segment. 6) The bank has made an ex-gratia provisioning of Rs 1,500cr for the employees of the bank.

Net interest income increased by 2.1% QoQ

PAT remained flat with a marginal increase of 0.9% QoQ

#### Quarterly performance - standalone

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
Interest earned	71,473	45,119	58.4	70,583	1.3
Other income	18,166	8,731	108.1	11,137	63.1
Interest expended	42,396	21,768	94.8	42,111	0.7
<b>Net interest income</b>	<b>29,077</b>	<b>23,352</b>	<b>24.5</b>	<b>28,471</b>	<b>2.1</b>
Employee cost	6,936	4,362	59.0	5,352	29.6
Other operating expenses	11,033	9,100	21.2	10,609	4.0
<b>Operating profit before provisions</b>	<b>29,274</b>	<b>18,621</b>	<b>57.2</b>	<b>23,647</b>	<b>23.8</b>
<b>Operating margin (%)</b>	<b>41.0</b>	<b>41.3</b>	<b>-31bps</b>	<b>33.5</b>	<b>746bps</b>
Provisions and contingencies	13,512	2,685	403.2	4,217	220.4
Profit before tax	15,763	15,936	(1.1)	19,431	(18.9)
Tax	(749)	3,888	-	3,058	-
Tax rate (%)	(4.8)	24.4	-	15.7	-
<b>Profit after tax</b>	<b>16,512</b>	<b>12,047</b>	<b>37.1</b>	<b>16,373</b>	<b>0.9</b>
PAT margin (%)	23.1	26.7	-360bps	23.2	-9bps
EPS (Rs)	21.7	21.6	0.6	21.6	0.7

Source : RBL Research

#### Segments - standalone

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
Revenue from operations					
Treasury	20,553	9,483	116.7	14,665	40.2
<b>Retail Banking</b>	<b>65,065</b>	<b>40,161</b>	<b>62.0</b>	<b>64,774</b>	<b>0.4</b>
Wholesale Banking	48,746	26,535	83.7	49,744	(2.0)
Other Banking	8,319	6,978	19.2	7,511	10.8
Profit before tax					
Treasury	9,128	1,043	775.1	1,883	384.7
<b>Retail Banking</b>	<b>426</b>	<b>3,976</b>	<b>(89.3)</b>	<b>5,726</b>	<b>(92.6)</b>
Wholesale Banking	3,751	8,559	(56.2)	9,877	(62.0)
Other Banking	2,826	2,948	(4.2)	2,746	2.9

Source : RBL Research

Advances/deposits posted a growth of 1.6%/7.5% QoQ

NIMs improved marginally by 4bps QoQ

Asset quality remains healthy with GNPA declining by 6bps QoQ

#### Business parameters - standalone

Particulars	Q4FY24	Q4FY23	Y-o-Y (bps)	Q3FY24	Q-o-Q (bps)
Advances (Rs Bn)	25,078	16,142	55.4%	24,693	1.6%
Deposits (Rs Bn)	23,798	18,834	26.4 %	22,140	7.5 %
New branches (Abs)	647	638	1.4 %	146	343.2 %
Credit to deposits ratio (%)	105.4	85.7	1967	111.5	-615
RoA (%)	1.9	2.1	-22	2.0	-12
RoE (%)	14.8	18.5	-370	15.8	-100
<b>NIM (%)</b>	<b>3.4</b>	<b>4.1</b>	<b>-66</b>	<b>3.4</b>	<b>4</b>
Cost to income ratio (%)	41.3	42.0	-70	40.3	100
<b>Yield on assets (%)</b>	<b>8.4</b>	<b>7.9</b>	<b>50</b>	<b>8.3</b>	<b>10</b>
Cost of funds (%)	4.9	3.7	120	4.9	0

Source : RBL Research

#### Asset quality - standalone

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
Gross NPA	31,173	18,019	73.0	31,012	0.5
Net NPA	8,091	4,368	85.2	7,664	5.6
<b>Gross NPA (%)</b>	<b>1.2</b>	<b>1.1</b>	<b>12bps</b>	<b>1.3</b>	<b>-6bps</b>
<b>Net NPA (%)</b>	<b>0.3</b>	<b>0.3</b>	<b>6bps</b>	<b>0.3</b>	<b>3bps</b>

Source : RBL Research

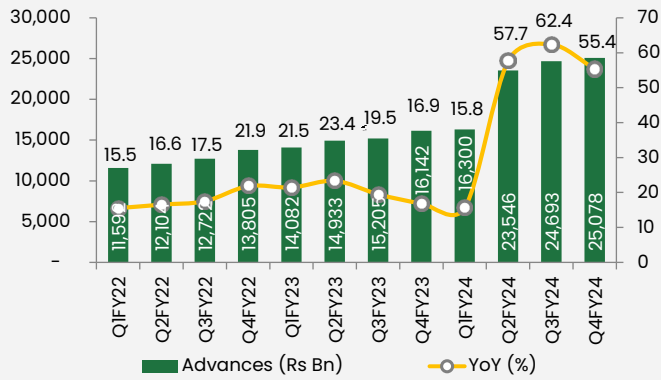
#### Loans and deposits mix

Particulars	Q4FY24	Q4FY23	Y-o-Y (bps)	Q3FY24	Q-o-Q (bps)
<b>Loan mix</b>					
Retail mix	55.0	47.0	800	54.0	100
Wholesale mix	45.0	53.0	-800	46.0	-100
<b>Deposits mix</b>					
SA mix	25.2	30.0	-484	26.2	-103
CA mix	13.0	14.0	-97	11.6	147
CASA ratio (%)	38.2	44.0	-582	37.7	44

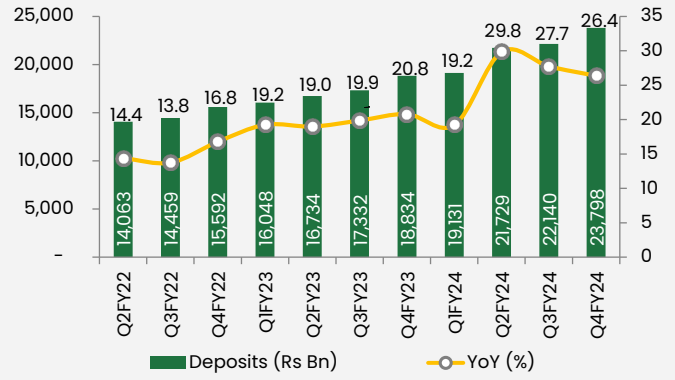
Source : RBL Research

Story in charts

Advances grew by 1.6% QoQ/55.4% YoY

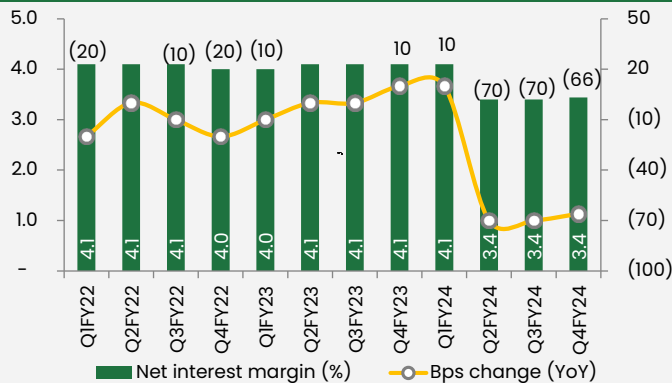


Healthy deposits growth of 7.5% QoQ/26.4% YoY

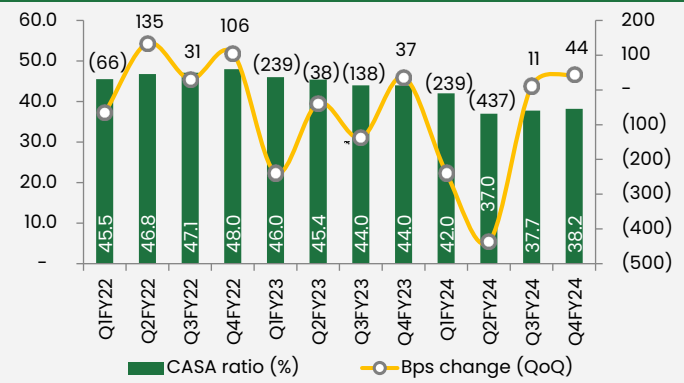


Source : RBL Research

NIMs improved 4bps QoQ, however, declined by 66bps YoY

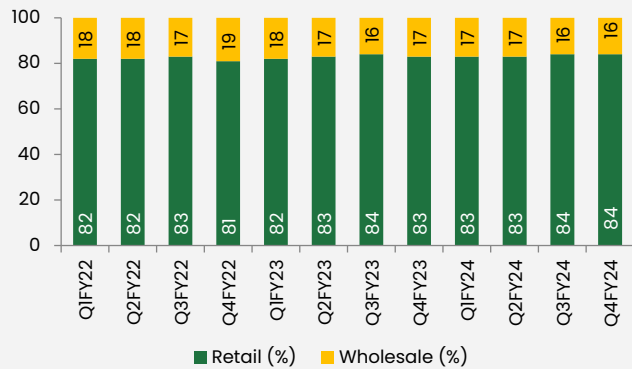


CASA ratio improved on QoQ basis by 44bps

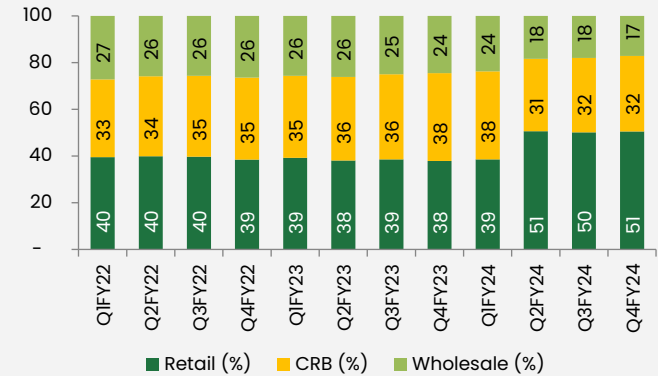


Source : RBL Research

Increasing share of retail in the overall loan mix

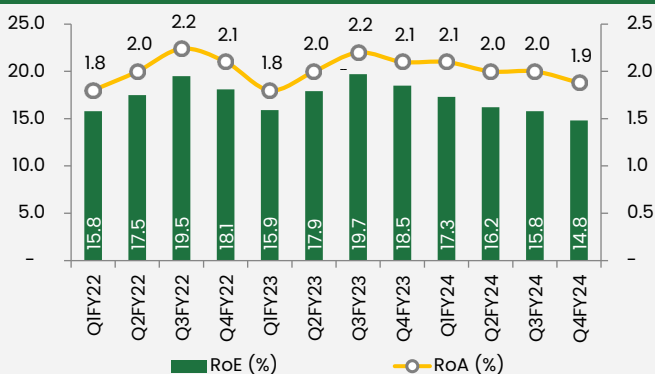


Declining wholesale loans in the loan mix

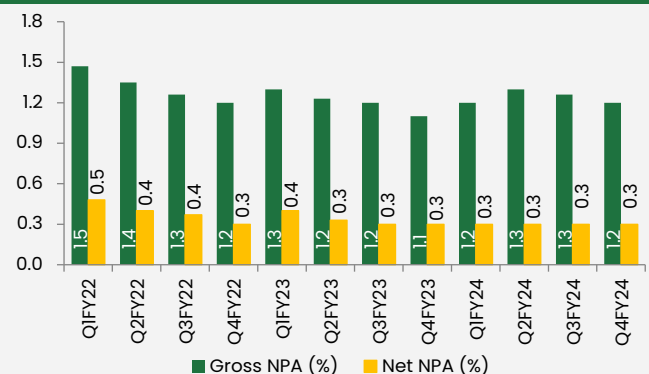


Source :

RoE/RoA maintained at 14.8%/1.9%



Asset quality remains strong with GNPA/NNPA at 1.2%/0.3%



Source : RBL Research

## Income statement – standalone

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Interest earned	161,586	258,341	316,611	385,103
Interest expended	74,743	149,808	179,342	212,179
<b>Net interest income</b>	<b>86,842</b>	<b>108,532</b>	<b>137,269</b>	<b>172,923</b>
Other income	31,215	49,241	58,027	70,697
<b>Total income</b>	<b>118,057</b>	<b>157,773</b>	<b>195,297</b>	<b>243,621</b>
Employee cost	15,512	22,240	25,833	27,940
Other operating expenses	32,140	41,146	49,311	53,826
<b>Operating expenses</b>	<b>47,652</b>	<b>63,386</b>	<b>75,143</b>	<b>81,766</b>
Operating profit before provisions	70,405	94,387	120,153	161,855
Provisions and contingencies	11,920	23,492	13,292	13,973
<b>Profit before tax</b>	<b>58,485</b>	<b>70,895</b>	<b>106,861</b>	<b>147,882</b>
Tax	14,377	10,083	26,186	36,236
Tax rate (%)	24.6	14.2	24.5	24.5
<b>Profit after tax</b>	<b>44,109</b>	<b>60,812</b>	<b>80,675</b>	<b>111,645</b>
<b>EPS (Rs.)</b>	<b>79.3</b>	<b>80.0</b>	<b>106.2</b>	<b>147.0</b>

Source : RBL Research

## Business and efficiency ratios (%)

Particulars	FY23	FY24	FY25E	FY26E
Loans/Deposit	85.0	104.4	99.1	95.4
<b>CASA ratio</b>	<b>44.0</b>	<b>38.2</b>	<b>39.3</b>	<b>40.1</b>
Cost/Assets	1.9	1.8	1.8	1.6
Interest expense/Interest income	46.3	58.0	56.6	55.1
Investment/Deposit Ratio	27.5	29.5	30.6	32.6
Employee cost/Total expense	32.6	35.1	34.4	34.2

Source : RBL Research

## Balance sheet – standalone

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Equity share capital	558	760	760	760
Reserves and Surplus	279,641	439,486	520,161	631,807
<b>Net worth</b>	<b>280,199</b>	<b>440,246</b>	<b>520,921</b>	<b>632,566</b>
<b>Deposits</b>	<b>1,883,395</b>	<b>2,379,786</b>	<b>2,907,042</b>	<b>3,478,140</b>
Borrowings	206,766	662,153	689,662	733,917
Other liabilities and Provisions	95,722	135,438	148,323	164,866
<b>Total equity and liabilities</b>	<b>2,466,081</b>	<b>3,617,623</b>	<b>4,265,948</b>	<b>5,009,489</b>
Cash and bank balance	193,765	178,683	234,815	245,617
Investments	517,001	702,415	888,860	1,133,425
Advances	1,600,586	2,484,862	2,879,955	3,317,639
Fixed assets	8,017	11,399	14,668	17,150
Other assets	146,713	199,800	247,650	295,658
<b>Total assets</b>	<b>2,466,081</b>	<b>3,617,623</b>	<b>4,265,948</b>	<b>5,009,489</b>
BVPS (Rs.)	502.0	580.0	685.7	832.7
<b>Adj. BVPS (Rs.)</b>	<b>492.4</b>	<b>538.5</b>	<b>643.4</b>	<b>786.6</b>

Source : RBL Research

## Asset quality – standalone

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
GNPA	18,019	31,173	32,148	35,025
NNPA	4,368	8,091	8,755	9,570
Slippages	24,536	30,376	38,138	45,593
<b>GNPA (%)</b>	<b>1.1</b>	<b>1.2</b>	<b>1.1</b>	<b>1.1</b>
<b>NNPA (%)</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>
Slippages (%)	1.5	1.2	1.3	1.4
Provision coverage ratio (%)	75.8	74.0	72.8	72.7
Credit cost (%)	0.8	0.9	0.5	0.4

Source : RBL Research

## Growth ratio (%)

Particulars	FY23	FY24	FY25E	FY26E
Interest earned	26.6	19.3	22.6	21.6
Other income	7.6	36.3	17.8	21.8
Total income	23.5	21.7	21.8	21.7
Interest expended	34.3	35.3	19.7	18.3
<b>Net interest income</b>	<b>19.5</b>	<b>2.5</b>	<b>26.5</b>	<b>26.0</b>
Operating profit before provisions	11.2	2.7	27.3	34.7
Profit after tax	19.9	1.3	32.7	38.4
<b>Advances</b>	<b>16.9</b>	<b>55.2</b>	<b>15.9</b>	<b>15.2</b>
Deposits	20.8	26.4	22.2	19.6

Source : RBL Research

## Yields and cost ratio (%) – standalone

Particulars	FY23	FY24	FY25E	FY26E
Yields on interest earning assets	8.0	8.1	8.4	8.7
Cost of deposits	3.9	4.9	5.0	5.0
Interest spread	4.1	3.2	3.4	3.6
<b>RoA</b>	<b>2.1</b>	<b>2.0</b>	<b>1.9</b>	<b>2.2</b>
<b>RoE</b>	<b>17.4</b>	<b>16.1</b>	<b>15.5</b>	<b>17.6</b>
Net interest margin	4.1	3.4	3.6	3.9

Source : RBL Research

## Valuations (x)

Particulars	FY23	FY24	FY25E	FY26E
P/E	19.3	19.1	14.4	10.4
P/BV	3.1	2.6	2.2	1.8
<b>P/Adj. BV</b>	<b>3.1</b>	<b>2.8</b>	<b>2.4</b>	<b>1.9</b>
Dividend per share (Rs.)	19.0	19.7	20.8	21.9
Dividend yield (%)	1.2	1.3	1.4	1.4

Source : RBL Research

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**Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)**

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? <b>[If answer is yes, nature of Interest is given below this table]</b>		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

**Nature of Interest ( if answer to F (a) above is Yes :**

.....

**Name(s) with Signature(s) of RA(s).**

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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