



Quick Insight

HDFC Bank Ltd.

**HDFC BANK**

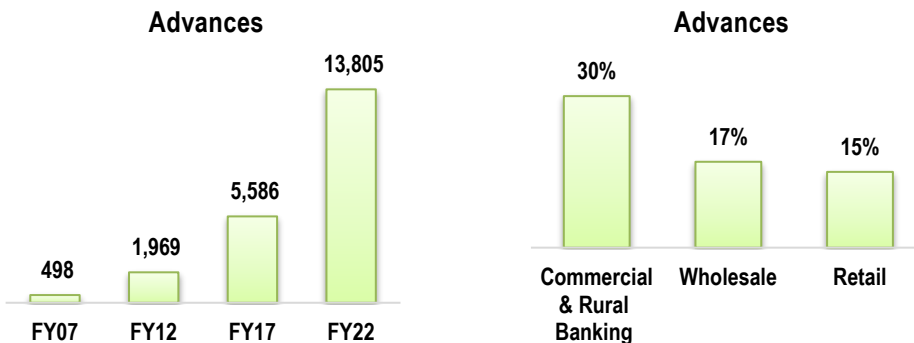
Industry	Finance - Banking
CMP	₹1,304.00
M Cap (₹tn)	~₹7.36
Buy Range	₹1,270-1,300
Target	₹1,480-1,520
Recommendation	Accumulate
Highlights	<ul style="list-style-type: none"> ➤ Consistent compounder in terms of loan growth, operating profitability and earnings ➤ Well established liability franchisee with CASA ratio inching up ➤ Well managed asset quality across cycles ➤ Consistent returns to shareholders over the long term ➤ Better positioned for growth with strong provisioning buffer and healthy capital adequacy ➤ Trading at attractive valuation of ~3x as compared to ~4x over the last decade

HDFC Bank Ltd.

Company Background

HDFC Bank Limited is an Indian banking and financial services company headquartered in Mumbai. It is India's largest private sector bank by assets and world's 10th largest bank by market capitalisation as of April 2021. HDFC Bank provides a number of products and services including, treasury, auto loans, two-wheeler loans, loans against property, consumer durable loan, lifestyle loan and credit cards. Along with this various digital products are Payzapp and SmartBUY.

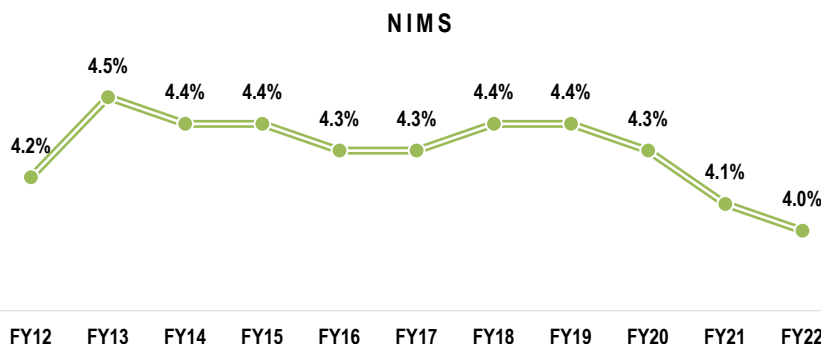
Advances (₹ bn)



Source - Company, Way2Wealth

- HDFC Bank has seen robust growth of ~25% in its loan book from FY07-22. For FY22 loan growth was driven by commercial & rural banking and wholesale, growing at 30% and 17% respectively.
- The bank's loan book mix over last four fiscals has shifted from retail:corporate (57:43) to (44:56) in FY22.
- The growth in wholesale lending was driven by the need of corporates to keep liquidity higher in face of the Covid-19 pandemic and currently corporates are drawing down more working capital loans amid rising input cost.

Change in loan mix driving change in NIM

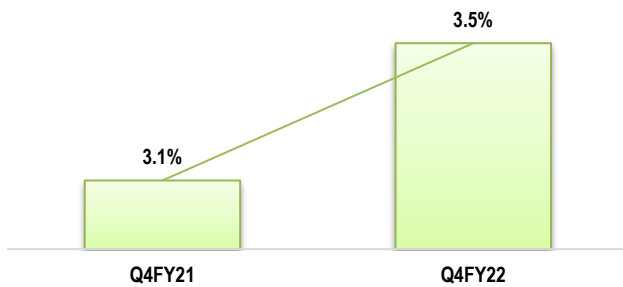


Source - Company, Way2Wealth

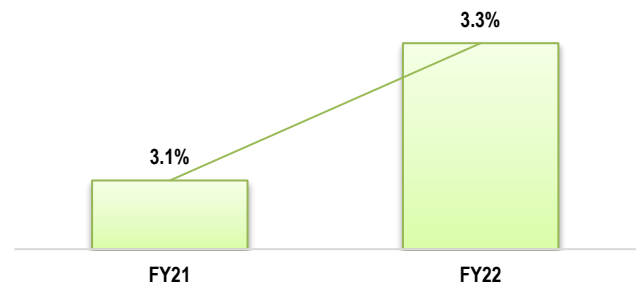
- The bank mentioned that NIM is a function of risk and they have traded off NIM to opex and credit cost. To put it simply, the bank is looking at net credit margin which is NIMs (-) Credit Cost.
- The banks chose to lend to high rated corporate segments yielding very low margins as compared to retail segment. But as things improve and become more predictable, it expects retail to bounce back sharply.

Nifty	16,214.70
Sensex	54,288.61
Key Stock Data	
CMP (₹)	1,304.00
Market Cap (₹ tn)	~7.36
52W High/Low (₹)	1,725.00 / 1,278.30
Shareholding Pattern	
Promoter	25.78%
FII	35.62%
DII	24.73%
Public	13.9%

Net Credit Margin



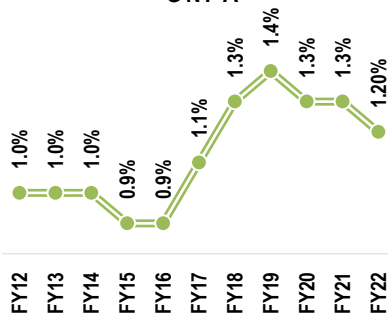
Net Credit Margin



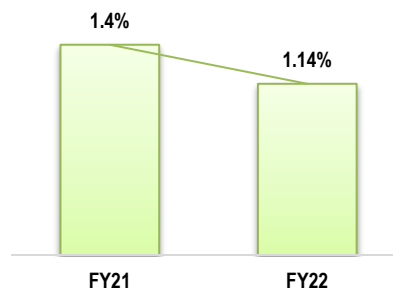
Source - Company, Way2Wealth

Asset Quality

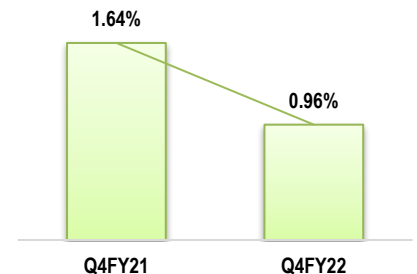
GNPA



Restructured Book



Credit Cost

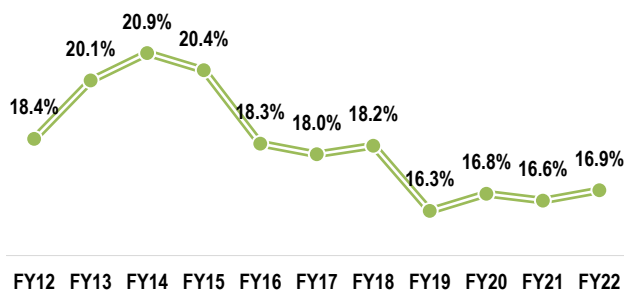


Source - Company, Way2Wealth

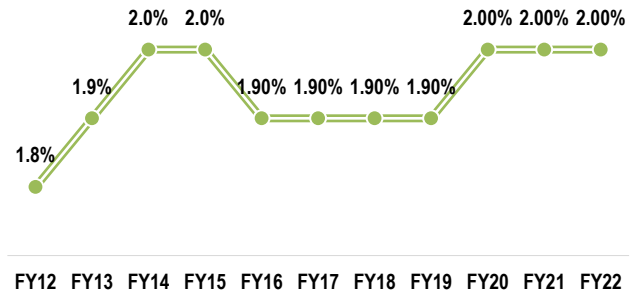
- The bank has pristine asset quality with GNPA ranging from 1-1.4% over last decade. More so, restructured book has also seen declining trend at 1.14% vs 1.4% in FY21.
- The bank is seeing declining trend in credit cost as well, however it mentioned that once retail lending picks up, it will come with higher credit cost as compared to wholesale.

Ratios

ROE

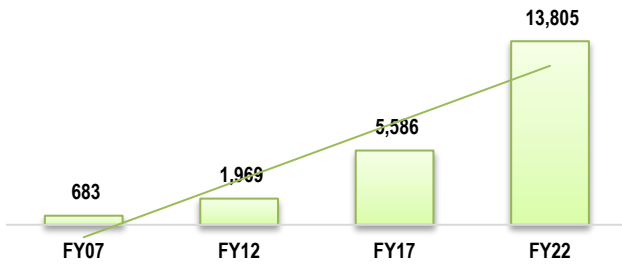
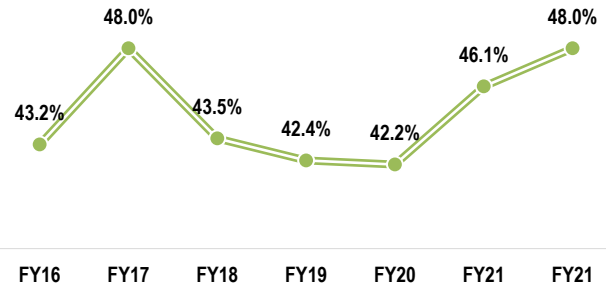


ROA



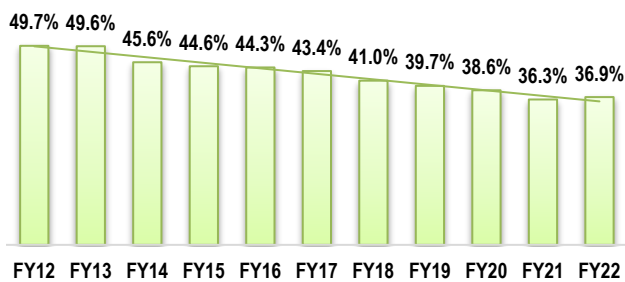
Source - Company, Way2Wealth

- Lending is all about pricing the risk and getting the bottom line. Return on Asset over last decade has been consistently hovering around ~2% and even Return on Equity has been robust.

Deposits (₹bn)
Deposits

CASA


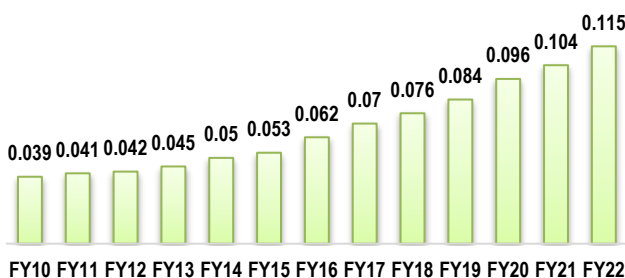
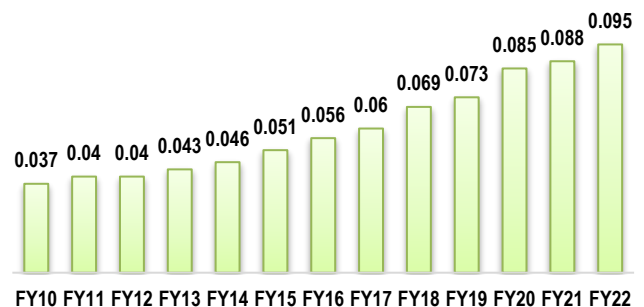
Source - Company, Way2Wealth

- The compounding machine is also reflected in the liability franchisee which has grown at a CAGR of ~22% over FY07-22.
- CASA ratio at ~48% is also inching up in last couple of years, however management expects CASA ratio to cool off to 40-42% levels over a longer period.
- The CASA driven low cost deposit profile will enable the bank to stand well especially in rising interest rate scenario.

Cost to Income
C/I Ratio


- Cost to Income ratio has seen declining trend over last decade from 49.7% in FY12 to 36.9% in FY22.
- However, management mentioned that once retail lending picks up, cost to income ratio will spike.

Source - Company, Way2Wealth

Market Share
Loan Market Share

Deposit Market Share


Source - Company, Way2Wealth

View

	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Price to Book	4.3	4.08	4.1	4.13	4.13	3.73	4.13	4.62	4.23	2.76	3.85	3.4

The premium valuation to peer banks has narrowed down due to moderation in loan growth, operating profit and earnings in the last three fiscals, however said that the bank has cross cycle experience with stable asset quality to deliver healthy and consistent profitability.

The stock of HDFC Bank has underperformed both the Bank Nifty and Nifty in the past three months.

This soft patch provides an opportunity to accumulate strong stock like HDFC bank which has seen strong earnings growth over the years well supported by solid loan growth and better operating profitability.

	FY09-19	FY19-22
Advances	24%	19%
PPOP	22%	17%
PAT	25%	21%

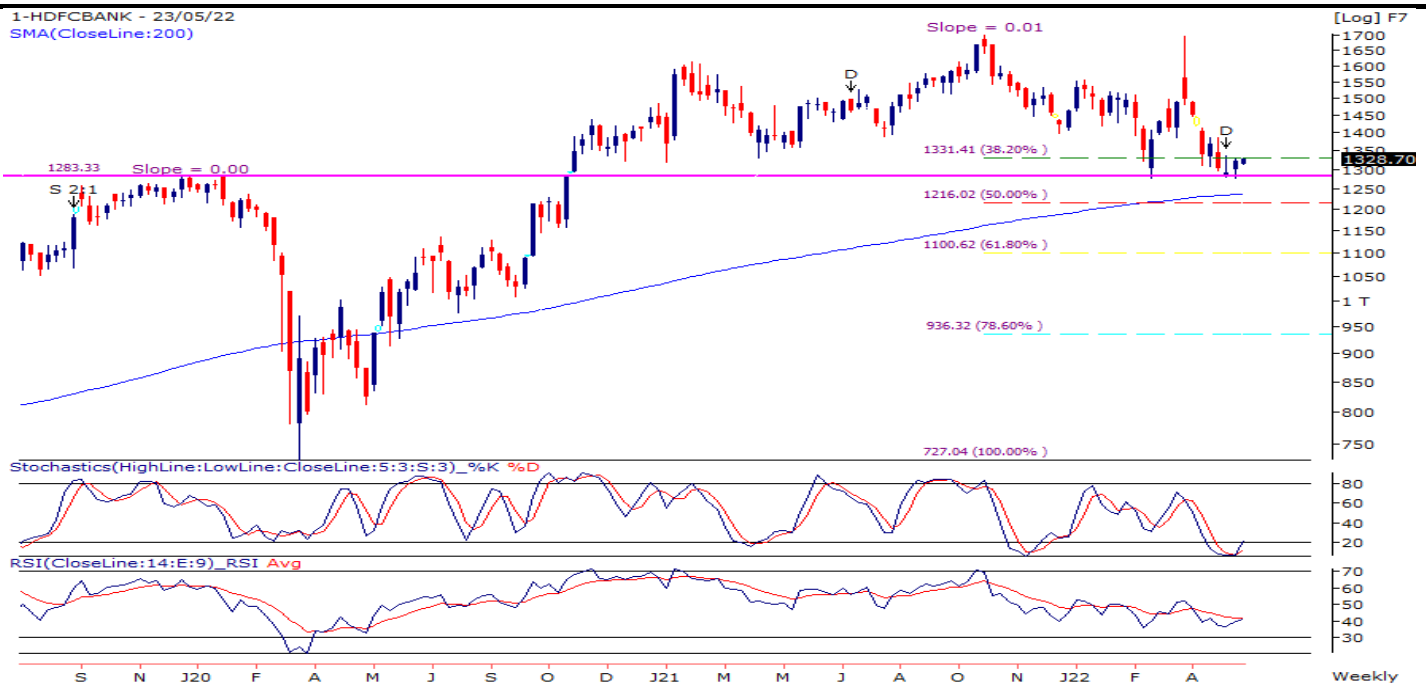
Financials

	Q4FY22	Q4FY21	YoY	Q3FY22	QoQ	FY22	FY21
Net Interest Income	18,873	17,120	10.24%	18,443	2.33%	72,010	64,880
Other Income	7,637	7,594	0.57%	8,184	-6.68%	29,510	25,205
Operating Expenses	10,153	9,181	10.59%	9,851	3.07%	37,442	32,723
Pre-Provisioning Profits	16,357	15,533	5.30%	16,776	-2.50%	64,077	57,362
Provisions	3,312	4,694	-29.44%	2,994	10.62%	15,062	15,703
Profit before Tax	13,045	10,839	20.35%	13,782	-5.35%	49,015	41,659
Tax	2,990	2,652	12.75%	3,440	#####	12,054	10,542
Profit after Tax	10,055	8,187	22.82%	10,342	-2.78%	36,961	31,117
Advances	13,68,821	11,32,837	20.83%	12,60,863	8.56%	13,68,821	11,32,837
Deposits	15,59,217	13,35,060	16.79%	14,45,918	7.84%	15,59,217	13,35,060

Source : Company, Way2Wealth

Technical View

Since January 2021, HDFC BANK stock price are trading in volatile note with a broad movement. After surpassing the previous all time high of 1284 in November 2020, stock price extended higher and hit fresh record high of 1704.99 in October 2021 and from there stock price underwent bouts of profit booking and tumbled till the break out levels of 1277.01 in March 2022. After announcing the mega merger of HDFC Bank and HDFC LTD; HDFC BANK stock price witnessed a huge jump till 1702, but the bullish momentum exhausted soon and it once again tumbled precisely till 2019 swing high levels and currently consolidating around the same for past few weeks. Going through technical parameters, HDFC BANK has retraced 40% from 2020 low of 727 to 1704 up move. The trend supportive indicator RSI (14) has declined till supports of 39 on weekly scale. On the other hand stochastic oscillator has made positive cross over at deep oversold levels of 7.51. Hence, from above analysis we interpret that HDFC BANK stock price are consolidating near the crucial swing high supports pegged around 1280 range. We emphasis 1280 could be a make or break level and as long as HDFC BANK stock price sustain above it, the uptrend would remain intact and momentum indicator sliding into oversold levels signify reversal in the medium term scenario. Hence, any recovery in the stock could move the prices till 200 SMA of 1484 on daily scale and cross above that further extension can be noticed till 1560 levels. On the down side swing high of 1280 would be the crucial levels and below that next threshold as per 200 SMA on weekly scale is placed at 1236. A decisive trade below 1236 would negate above bullish view and may turn overall outlook into bearish. In short, **we advocate traders to use current dips around 1270 -1300 to accumulate HDFC BANK stock for upside levels of 1480-1520 with stop loss placed at 1230 levels.**



Source: Falcon 7

24th May 2022

HDFC Bank Ltd.

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Name of the Security	HDFC Bank Ltd.
Name of the analyst	Harshil Gandhi
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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