HDFC Bank Ltd.

ISIN :INE040A01034 | NSE :HDFCBANK

Price: 1,792
Recommendation: Buy
Industry: Private Sector Bank
Sector: Financial Services
Report Date: 03-Apr-2025

HDFC Bank is strategically navigating a challenging macroeconomic environment by focusing on a robust credit deposit ratio, with deposit growth outpacing loans. The bank has expanded its network by adding over 1,000 branches, maintaining cost growth at 7% year-on-year. Through its merger with HDFC Limited, the bank has diversified, integrating 1.9 million new relationships. Looking ahead, HDFC Bank is poised for growth, supported by strong credit parameters and investments in technology.

Sales		Profit & Loss		Profitability Matrix	
Current Year	294530 Cr	Operating Profit(Year)	203975 Cr	Operating Profit Margin	69.2 %
Previous Year	161586 Cr	Operating Profit(Quarter)	55747 Cr	EBITDA Margin	75.89 %
Current Quarter	76007 Cr	PAT (Year)	60812 Cr	Net Profit Margin	23.5 %
Previous Quarter	74017 Cr	PAT (Quarter)	16736 Cr	EPS	86.9
Revenue (QYoY)	70583 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	20.7	Sales Growth	27.0 %	Sales Growth	2.69 %
PEG Ratio	0.88	PAT Growth	37.87 %	Sales Growth QYoY	7.68 %
EV/EBITDA	17.6	EPS Growth	8.63 %	PAT Growth	-0.51 %
P/B	2.86	Dividend Yield	1.08	PAT Growth QYoY	2.22 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	16.9 %	Promoter	0.00 %	Debt/Equity	6.53
RoA	2.00 %	FII	49.2 %	Debt	3134035 Cr
RoCE	7.54 %	DII	34.4 %	Market Cap	1371661 Cr
RoIC	7.54 %	Public	16.2 %	Enterprise value	4505696 Cr
		No of Shares	765 Cr	Cash Equivalents	0.00 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

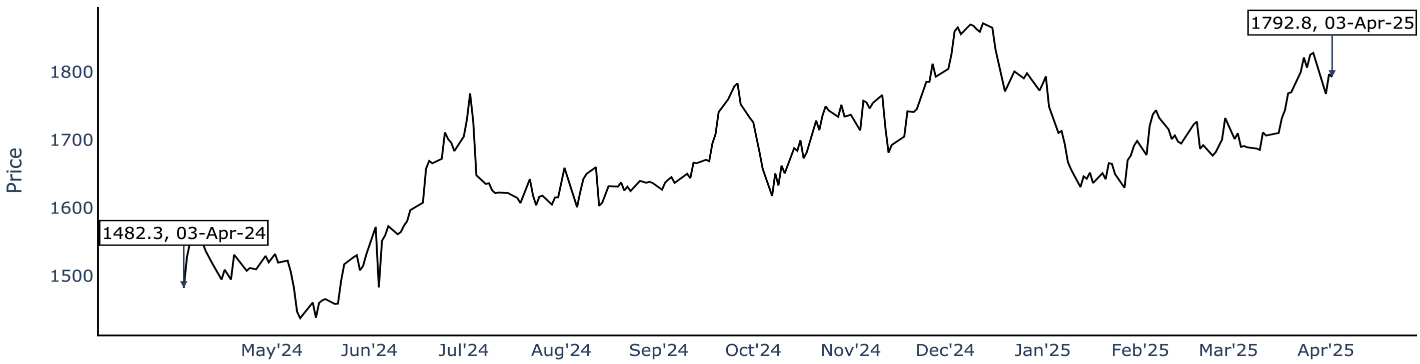
In the recent earnings call, HDFC Bank outlined several strategic initiatives and business strategies aimed at navigating the challenging macroeconomic environment. The bank is focusing on maintaining a robust credit deposit ratio, with deposit growth outpacing loan growth. This strategy is supported by a strong deposit growth of about 15%, which has allowed the bank to gain market share despite tight liquidity conditions. The bank is also expanding its distribution network, having added over 1,000 branches in the past year, while keeping cost growth at a modest 7% year-on-year. This reflects the bank's commitment to maintaining productivity gains and a tight leash on costs, which is crucial in the current economic climate.

HDFC Bank is also pursuing diversification through its merger with HDFC Limited, which has brought in new customer relationships and expanded its product offerings. The bank has successfully integrated 1.9 million new liability relationships and is working on further expanding its customer base. The merger has also allowed the bank to optimize its borrowing costs and improve its cost-to-income ratio. However, the bank acknowledges that the dynamic environment since the merger has required a recalibration of its growth strategies. The focus remains on maintaining stability and resilience in key metrics, with an eye on future growth opportunities as the macroeconomic environment improves.

Looking ahead, HDFC Bank is well-positioned for future growth and scaling. The bank has sufficient liquidity and capital to capture market share in loans when the macroeconomic conditions become more favorable. The bank's strategy includes a gradual increase in growth rates, with plans to grow in line with the system in FY'26 and faster than the system in FY'27. This approach is supported by the bank's strong credit parameters, which have remained stable despite the challenging environment. The bank is also investing in technology and people to enhance productivity and support its growth ambitions.

While the bank's strategies are sound, there are areas for improvement. The bank could benefit from further enhancing its CASA ratio, which has been impacted by the high interest rate cycle. Additionally, the bank's margins and cost ratios have remained stable since the merger, and there is potential for improvement in these areas as the economic environment stabilizes. Overall, HDFC Bank's strategic initiatives and focus on stability position it well for future growth, but continued vigilance and adaptability will be key to navigating the evolving economic landscape.

HDFCBANK Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
ICICI Bank	938000.75	19.02	18.80%	1.54%	15.10%	-0.50%	16.56%
IDBI Bank	87008.47	12.07	11.77%	5.03%	19.40%	4.69%	29.14%
Yes Bank	56437.32	25.94	3.11%	1.24%	12.08%	9.32%	155.32%
IndusInd Bank	55196.09	7.59	15.25%	0.90%	10.62%	5.72%	-39.02%
Kotak Mah. Bank	424237.07	21.55	15.06%	1.26%	14.75%	-6.80%	10.23%

Aspect	Commentary
Revenue	The company shows strong revenue growth with a significant increase from the previous year, indicating robust sales performance. The quarterly revenue also reflects a positive trend, suggesting effective strategies in capturing market demand and expanding its customer base.
Profit & Loss	The operating profit and PAT figures demonstrate solid profitability, with year-on-year growth. The quarterly performance aligns with annual trends, highlighting consistent operational efficiency and cost management.
Profitability Matrix	High operating and EBITDA margins indicate strong cost control and pricing power. The net profit margin and EPS suggest effective management of expenses and shareholder value creation, supporting long-term financial health.
Valuation Matrix	The valuation metrics, including P/E and PEG ratios, suggest the company is reasonably valued with growth potential. The EV/EBITDA and P/B ratios further support a balanced valuation, appealing to investors seeking stable returns.
Growth (YoY)	Year-on-year growth metrics show impressive sales and PAT growth, reflecting successful strategic initiatives. The EPS growth, although moderate, indicates steady earnings improvement, enhancing investor confidence.
Growth (QoQ)	Quarter-on-quarter growth shows modest sales increase, with slight PAT decline. The QYoY growth remains positive, suggesting resilience in maintaining growth momentum despite short-term challenges.
Capital Allocation	The return metrics indicate efficient capital utilization, with RoE and RoCE reflecting strong shareholder returns. The RoA and RoIC suggest prudent asset management, supporting sustainable growth strategies.
Holdings	The shareholding pattern shows significant institutional interest, with FII and DII holding major stakes. The public holding is moderate, indicating a balanced ownership structure that supports market stability.
Leverage	The high debt/equity ratio suggests significant leverage, which could pose risks if not managed well. However, the large market cap and enterprise value indicate strong market positioning, providing a buffer against financial volatility.

Analyst viewpoint: HDFC Bank demonstrates strong potential for growth from a short to mid-term perspective. With a QoQ sales growth of 2.69% and an impressive QYoY growth of 7.68%, the bank is effectively capturing market demand and expanding its customer base. The merger with HDFC Limited further diversifies the bank's offerings and strengthens its market position. Valuation metrics highlight that HDFC Bank is reasonably valued, with a trailing P/E of 20.7 and a PEG ratio of 0.88, reflecting significant growth potential. A stable EV/EBITDA ratio of 17.6 and a P/B ratio of 2.86 bolster investor confidence. The bank's strategic focus on technology and innovation fosters its productivity and growth ambition. Additionally, the commitment to expanding its branch network while maintaining cost efficacy at 7% annually underscores its dedication to growth in a competitive industry landscape.

Despite these positives, it's noteworthy that HDFC Bank's CASA ratio, impacted by high interest rates, presents an area for improvement. Yet, backed by a robust capital allocation approach, as evidenced by a RoE of 16.9% and a RoA of 2.00%, the bank remains a solid contender against peers in the financial sector. The bank's debt/equity ratio at 6.53, while considerable, is counterbalanced by its strong market cap and enterprise value, indicating effective risk management and positioning for enduring growth. The bank's investment in both people and technology, alongside a strategic focus on expanding its market share, aligns well with its long-term outlook and further strengthens its bullish projection.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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