

**HDFC Bank Ltd  
Techno Funda  
Stock Outlook**



**Indbank**

**Merchant Banking Services Ltd**  
(A Subsidiary of Indian Bank)

STOCK DETAILS	
NSE Scrip code	HDFC BANK
BSE Scrip code	500180
Market cap (in Cr)	11,54,559
52-week High/Low (in Rs)	1,758 / 1,445
PMP (in Rs.)	1,657
Price Target (in Rs)	1750

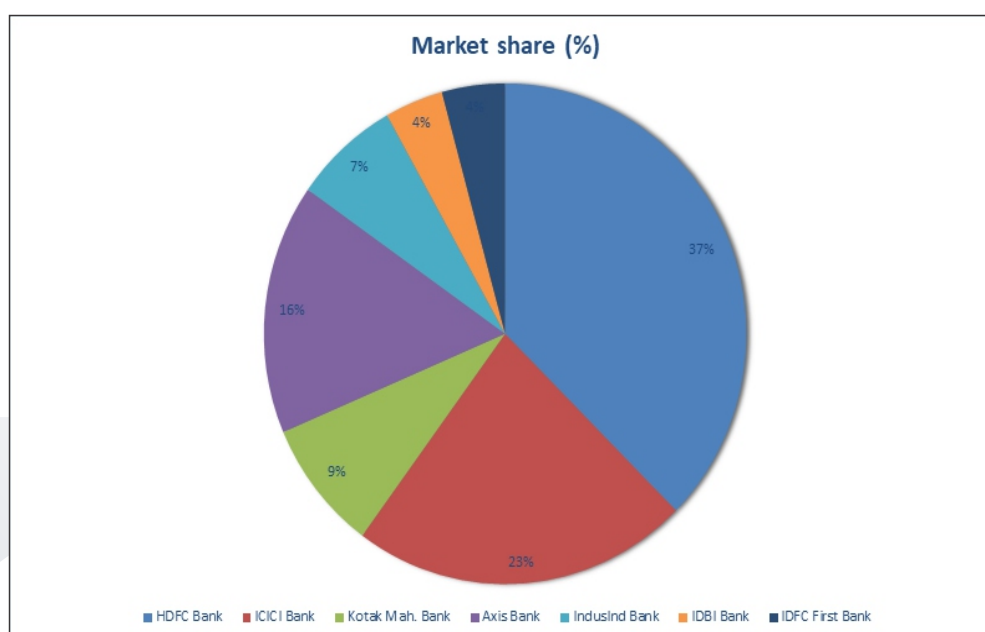
## COMPANY OVERVIEW

HDFC Bank Ltd is the largest private sector bank in India. It provides a wide range of financial products and services such as loans, deposits, payments, collections, tax solutions, trade finance, cash management solutions, and even corporate cards.

## MERGER WITH HDFC LTD TO PROVIDE TRACTION

With effect from July 1, 2023, HDFC Bank and HDFC Limited became a combined entity. With the combination of banking and housing finance services, the company is expected to benefit from cross selling of products.

The speed of product sales coupled with reduced touch points is likely to be a significant growth driver for the company. Also, the merger has reduced the bank's unsecured loans with the addition of low-yield mortgages. This would allow them to advance more unsecured loans, especially personal loans and credit cards, growing long-term revenue-generating assets.



## INDUSTRY OVERVIEW

Over the last few years, the Indian banking system has been robust and well capitalised. Despite disruption in global banking scenario, the Indian financial system has responded positively with sustained growth in bank credit, low levels of non-performing assets and adequate capital and liquidity buffers. For year ended FY23, credit offtake witnessed 15% growth, which is a 11-year high.

The Government's focus on promoting digital banking - UPI Lite enables low-value transactions in offline mode through on-device wallets. This allows users to make transactions even when they do not have access to the internet thereby, improving efficiency, cutting costs and reducing turnaround time.

## FINANCIAL YEAR 2022-23

- Net profit increased by 20.9% y-o-y
- Deposits registered growth of 20.8% while advances grew 16.9%
- NIM remained steady at 4.1% owing to low cost of deposits
- At 40.4%, the cost-to-income ratio increased by 3.5% over the previous year due to increased expense directed at expanding its network.
- The bank's branch network stands at 7,945 outlets as of -- branches as of September 30. Overall, there has been an increase of 1,446 branches over the last 12 months.

### ANNUAL (in Rs Cr.)

	Mar-22	Mar-23	Y-O-Y
Sales	135,936.41	170,754.05	25.6%
Expenses	56,556.96	63,042.30	11.5%
Operating Profit	79,379.45	107,711.75	35.7%
Other Income	31,758.99	33,912.05	6.8%
Depreciation	1,680.73	2,345.47	39.6%
Interest	58,584.33	77,779.94	32.8%
Profit before tax	50,873.38	61,498.39	20.9%
Tax	12,722.48	15,349.69	20.7%
Net profit	38,052.75	45,997.11	20.9%
EPS	68.62	82.44	20.1%
OPM	58%	63%	

## QUARTERLY HIGHLIGHTS

- Revenue was at INR 38,093 crores, grew by 33% over prior year
- Net interest income for the quarter at INR 27,385 crores, a 30% growth over prior year.
- The core net interest margin for the quarter was at 3.65% on total assets and 3.85%
- GNPA ratio was at 1.34% as compared to 1.23% last year.
- Retail advances grew 3.1% sequentially
- Net profit after tax for the quarter was INR 15,976 crores, which grew by 50% over prior year

QUARTERS (In Rs. Cr)	Sep-22	Jun-23	Sep-23	Y-O-Y	Q-O-Q
Sales	40,929.79	51,168.14	75,039.10	83.3%	46.7%
Expenses	15,914.91	18,469.81	45,349.33	185%	145.5%
Operating Profit	25,014.88	32,698.33	29,689.77	18.7%	-9.2%
Other Income	8,252.31	9,853.15	32,527.52	294%	230.1%
Depreciation	-	-	-		
Interest	18,310.79	25,954.76	41,249.91	125.28%	58.9%
Profit before tax	14,956.40	16,596.72	20,967.38	40%	26.3%
Tax	3,793.81	4,193.47	3,655.00	-4%	-12.8%
Net profit	11,125.21	12,370.38	16,811	51%	35.9%
OPM	61.1%	63.9%	39.6%		

## OUTLOOK

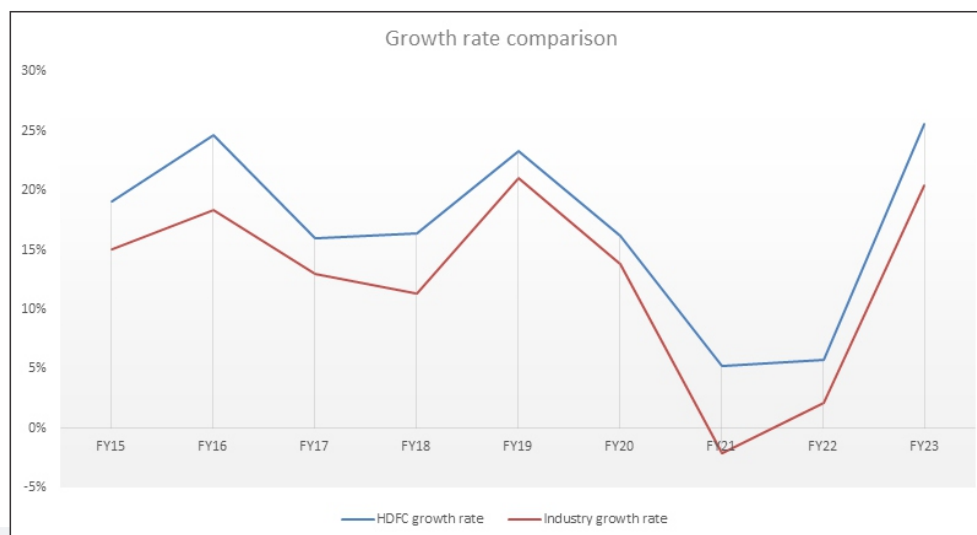
- The geopolitical turmoil and volatility in financial markets have created uncertainty in the past few weeks. However, a cooling down in inflationary pressure has provided some respite and freedom to loosen monetary policies.
- With Indian economy estimated to jump from 5th spot to 3rd in terms of consumption, the banking sector is expected to gain traction in the next few years.
- In the rural market, HDFC Bank is planning to expand its services to 2.5 Lakh villages. With the rural segment accounting for more than 50% share in the bank's outlets, this addition is expected to considerably enhance its growth prospects.
- The bank has been achieving a healthy topline growth historically and management expects improvement in the trend
- The bank is expected to reap benefits of the merger in the form increased growth in deposits thereby bolstering the NIMs

- The Nifty Bank has recently found strong support in the 43500 region & risen above 200 moving average which signals healthy upside potential in medium to long term
- The stock recently touched its 52 week low from where it has rebounded strongly; can be added at current cheap valuation

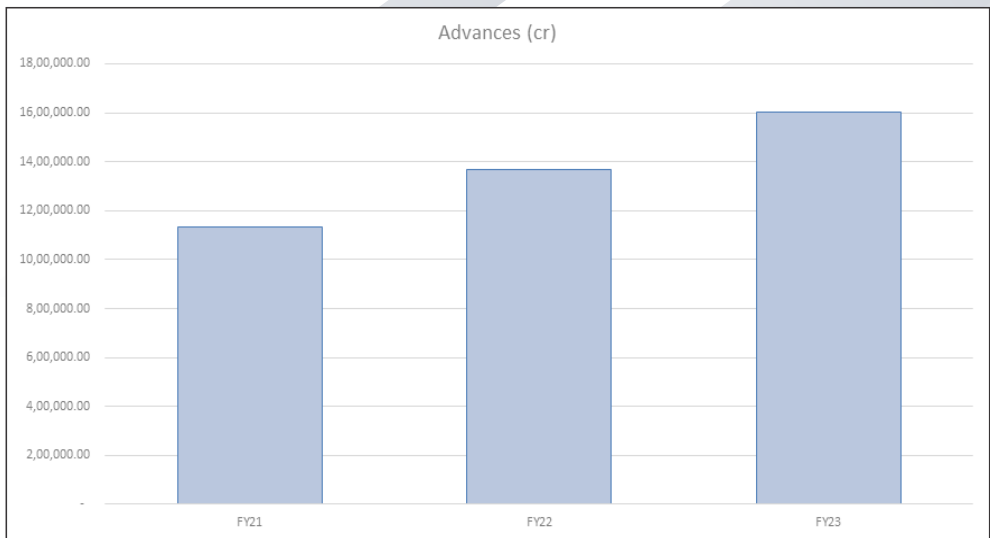
## BUSINESS RATIOS

Ratios	FY22	FY3
Net interest income as a percentage to working funds	3.96%	4.08%
Net interest income as a percentage to average interest earning assets	4.20%	4.33%
Gross non-performing assets to gross advances	1.17%	1.12%
Net non-performing assets to net advances	0.32%	0.27%
Cost of Deposits	3.56%	3.80%
Operating profit as a percentage to working funds	3.53%	3.31%
Return on assets	2.03%	2.07%
Provision coverage ratio	72.70%	75.80%
Debt-Equity Ratio	0.33	0.39
Return on Equity Ratio	16.90%	17.39%

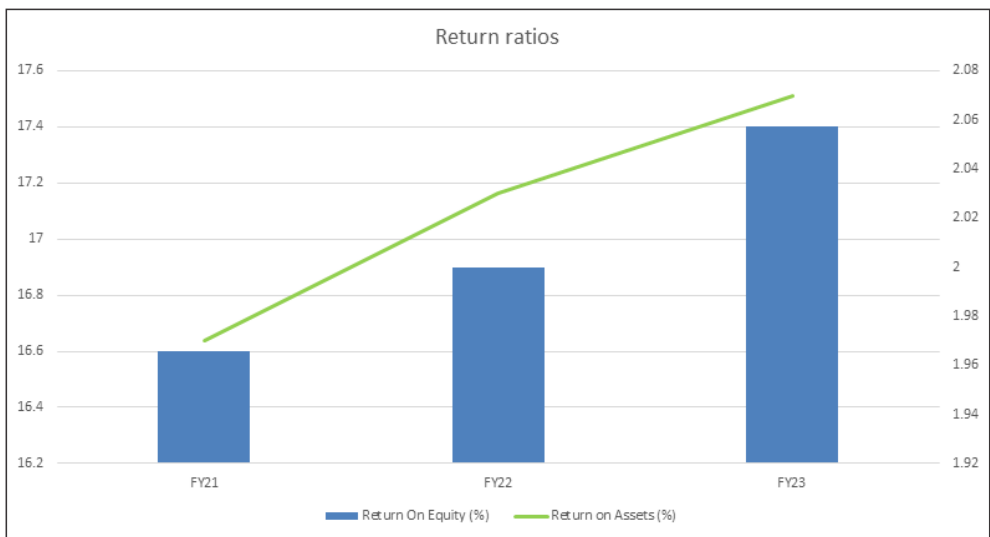
## STORY IN CHARTS



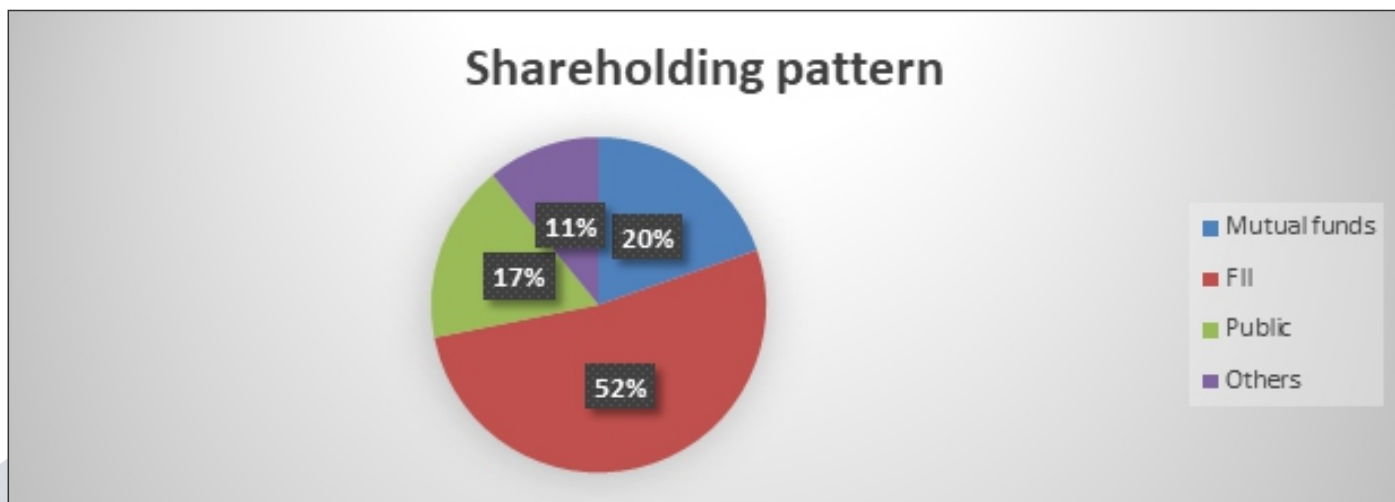
**HDFC Bank has managed to generate steady revenue at a rate which has been above the industry over the last ten years.**



**Steady growth in advances achieved by the bank's extensive branch networks including digital banking units.**



**HDFC Bank has been employing its funds efficiently over the last few years which is reflected in its return ratios-**





## INVESTMENT RATIONALE

- HDFC Bank is the industry leader in terms of market share in private banks
- At 19.3 %, the bank's capital adequacy ratio is well above the regulatory minimum requirement of 11.7%.
- The bank's retail advances grew by 22% and continued to increase during the quarter thereby enhancing the bank's asset quality
- At a PE of 16, its valuation is lower than its 5 and 10 year average PE ratio suggesting that investors can start accumulating at current levels
- HDFC Bank has delivered growth rate at a premium of atleast 5% cagr over the market rate in last ten years
- FII/FPI have increased holdings from 33.38% to 52.13% in Sep 2023 qtr.
- Mutual Funds have increased holdings from 17.60% to 19.71% in Sep 2023 qtr.
- Institutional Investors have increased holdings from 60.37% to 82.77% in Sep 2023 qtr.
- Through sustained investments in technology and talent, the company is expected to consolidate market leadership in digital banking

## TECHNICAL OUTLOOK

MACD crossover recently turned bullish. Stock shows bullishness in weekly charts were in we can see a bullish crossover around 1590-1600 levels. The present momentum in the stock as well as in the large cap stocks can take the stock prices higher towards previous medium term highs of 1750. We recommend adding the stock above 1635 for a short-medium term for a target of 1750 with a stop loss below 1570.

Web link for Standard & General Disclaimer:

<https://corporate.indbankonline.com/Standard%20and%20General%20Disclaimer.pdf>

**For live and real time updates on stock market  
Visit our website: [www.indbankonline.com](http://www.indbankonline.com)**



# Indbank

Merchant Banking Services Ltd  
(A Subsidiary of Indian Bank)

**Indbank Merchant Banking Services Ltd.**

I Floor, Khiviraj Complex I,  
No.480, Anna Salai, Nandanam, Chennai-600035.

Telephone No: 044 - 24313094 - 97.

Fax No: 044 - 24313093 [www.indbankonline.com](http://www.indbankonline.com)

Follow us on:

