

**BUY**  
 TP: Rs 2,008 | ▲ 21%

**HDFC BANK**

| Banking

| 23 January 2025

**A steady quarter**

- CD continued to decline, while advances growth is likely to be lower than system for FY25, in line for FY26 and faster in FY27
- Asset quality was impacted by agri slippages, credit cost stood at 50bps vs. 44bps in Q2FY25
- Tough macro-economic conditions may lead to growth moderation; focus remains on profitability. Maintain BUY with revised TP of Rs 2,008

Vijiya Rao

research@bobcaps.in

**3Q CD ratio continued to decline:** HDFCB reported muted earnings growth of 2% YoY (-0.5% QoQ) with PPop increasing by 6% YoY (1% QoQ). Credit growth continued to slow with advances growth at 3% YoY leading to further moderation of CD ratio which came in at 98.2% vs. 99.8% in Q2FY25 vs. 110.5% in Q3FY24. The bank is focusing on bringing down the CD ratio to a normalised level (less than 90%). Management reiterated that consequently, loan growth is likely to be lower than system for FY25, in line with system for FY26 and faster than system for FY27. The bank was at a CD ratio of 85-87% pre-merger and is expected to be at these levels in two to three years.

**Deposits growth stable sequentially:** Deposits grew 16% YoY and 3% QoQ. CASA deposits saw moderate growth of 4% YoY (down 1% QoQ) indicating tough macro-economic conditions. Hence, CASA ratio came in at 34% vs. 35.3% in Q2FY25 and 37.9% in Q3FY24.

**Lower NIMs:** NIMs contracted by 3bps QoQ (down 26bps YoY) to 3.43% in Q3FY25. This was primarily led by interest reversals in the agri book and limited growth in the retail portfolio. Faster decline in CD ratio may generate excess liquidity which may result in margin contraction going forward. About 70% of the book is floating rate loans, including 45% of repo-linked loans and the remaining 30% is the share of fixed loans.

**Maintain BUY:** We believe HDFCB has managed to outperform its large private sector peers in the past by effectively navigating business cycles, delivering stronger profitability and margins coupled with better asset quality. Amidst the noise on unsecured loans, tighter liquidity conditions and expectations of a CRR cut thus boosting liquidity, the bank is well-positioned to benefit. Hence, we maintain BUY on the stock with revised SOTP-based TP of Rs 2,008 (from Rs 1,872), valuing the core business at 2.5x its Dec'26 ABV.

**Key changes**

Target	Rating
▲	◀ ▶

Ticker/Price	HDFCB IN/Rs 1,666
Market cap	US\$ 145.4bn
Free float	100%
3M ADV	US\$ 319.0mn
52wk high/low	Rs 1,880/Rs 1,364
Promoter/FPI/DII	0%/47%/35%

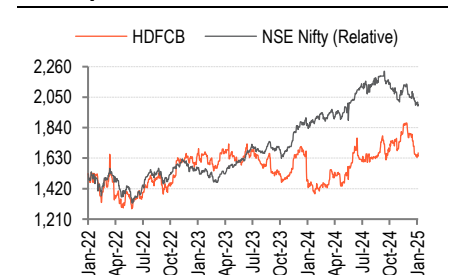
Source: NSE | Price as of 22 Jan 2025

**Key financials**

Y/E 31 Mar	FY24A	FY25E	FY26E
NII (Rs mn)	10,85,325	12,34,044	14,45,546
NII growth (%)	25.0	13.7	17.1
Adj. net profit (Rs mn)	6,08,123	6,66,692	8,18,711
EPS (Rs)	92.3	87.5	107.0
Consensus EPS (Rs)	92.3	92.0	107.0
P/E (x)	18.0	19.0	15.6
P/BV (x)	2.9	2.7	2.4
ROA (%)	2.0	1.8	2.0
ROE (%)	16.9	14.5	16.1

Source: Company, Bloomberg, BOBCAPS Research

**Stock performance**



Source: NSE



**Fig 1 – Quarterly snapshot: Income statement**

(Rs mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
<b>Income Statement</b>							
Interest Income	5,67,726	5,81,450	5,87,149	5,93,898	5,99,240	5.6	0.9
Income on investments	1,22,158	1,15,978	1,25,438	1,26,316	1,37,171	12.3	8.6
Int. on bal. with RBI & inter-bank funds & Others	15,943	17,300	17,744	19,955	23,658	48.4	18.6
<b>Interest income</b>	<b>7,05,826</b>	<b>7,14,728</b>	<b>7,30,331</b>	<b>7,40,169</b>	<b>7,60,069</b>	<b>7.7</b>	<b>2.7</b>
Interest expense	4,21,113	4,23,959	4,31,960	4,39,030	4,53,536	7.7	3.3
<b>Net interest income</b>	<b>2,84,713</b>	<b>2,90,768</b>	<b>2,98,371</b>	<b>3,01,139</b>	<b>3,06,533</b>	<b>7.7</b>	<b>1.8</b>
Growth YoY (%)	23.9	24.5	26.4	10.0	7.7		
Fee Income	69,400	79,900	70,500	81,400	81,800	17.9	0.5
Trading gains/(losses)	14,700	75,900	2,200	2,900	700	(95.2)	(75.9)
Forex Income	11,400	11,400	14,000	14,600	14,000	22.8	(4.1)
Others	15,870	14,463	19,981	15,927	18,036	13.6	13.2
<b>Non-interest income</b>	<b>1,11,370</b>	<b>1,81,663</b>	<b>1,06,681</b>	<b>1,14,827</b>	<b>1,14,536</b>	<b>2.8</b>	<b>(0.3)</b>
Growth YoY (%)	31.0	108.1	15.6	7.2	2.8		
<b>Total Income</b>	<b>3,96,084</b>	<b>4,72,431</b>	<b>4,05,053</b>	<b>4,15,966</b>	<b>4,21,068</b>	<b>6.3</b>	<b>1.2</b>
Growth YoY (%)	25.8	47.3	23.4	9.2	6.3		
Staff expenses	53,518	69,362	58,489	59,853	59,504	11.2	(0.6)
Other operating expenses	1,06,093	1,10,326	1,07,717	1,09,056	1,11,560	5.2	2.3
<b>Operating expenses</b>	<b>1,59,611</b>	<b>1,79,688</b>	<b>1,66,206</b>	<b>1,68,909</b>	<b>1,71,064</b>	<b>7.2</b>	<b>1.3</b>
<b>Pre-Provisioning Profit (PPoP)</b>	<b>2,36,473</b>	<b>2,92,742</b>	<b>2,38,846</b>	<b>2,47,057</b>	<b>2,50,004</b>	<b>5.7</b>	<b>1.2</b>
Growth YoY (%)	24.3	57.2	27.2	8.9	5.7		
Provisions	42,166	1,35,116	26,021	27,005	31,539	(25.2)	16.8
Growth YoY (%)	50.2	403.2	(9.0)	(7.0)	(25.2)		
PBT	1,94,307	1,57,626	2,12,826	2,20,053	2,18,466	12.4	(0.7)
Tax	30,581	(7,493)	51,078	51,843	51,111	67.1	(1.4)
<b>PAT</b>	<b>1,63,725</b>	<b>1,65,119</b>	<b>1,61,748</b>	<b>1,68,210</b>	<b>1,67,355</b>	<b>2.2</b>	<b>(0.5)</b>
Growth YoY (%)	33.5	37.1	35.3	5.3	2.2		
<b>Per Share</b>							
FV (Rs)	1	1	1	1	1	0.0	0.0
EPS (Rs)	22	22	21	22	22	1.4	(0.9)
Book Value (Rs)	557	581	604	608	633	13.5	4.0

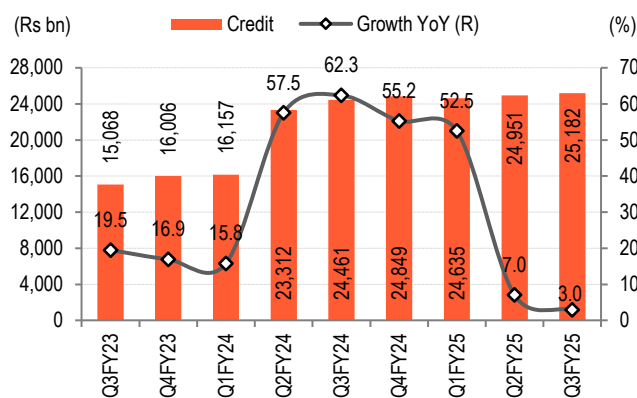
Source: Company, BOBCAPS Research

**Fig 2 – Quarterly snapshot: Balance sheet & other key metrics**

(Rs mn)	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	YoY (%)	QoQ (%)
Deposits	2,21,39,770	2,37,97,863	2,37,90,845	2,50,00,882	2,56,37,950	15.8	2.5
Growth YoY (%)	27.7	26.4	24.4	15.1	15.8		
Advances	<b>2,44,60,757</b>	<b>2,48,48,615</b>	<b>2,46,35,208</b>	<b>2,49,51,203</b>	<b>2,51,82,482</b>	<b>3.0</b>	<b>0.9</b>
Growth YoY (%)	62.3	55.2	52.5	7.0	3.0		
Investment	67,49,314	70,24,150	70,88,167	72,40,151	81,18,535	20.3	12.1
Equity	42,30,591	44,10,055	45,94,431	46,42,338	48,37,857	14.4	4.2
Assets	3,49,26,389	3,61,76,231	3,56,72,495	3,68,80,654	3,75,89,645	7.6	1.9
Growth YoY (%)	52.2	46.7	42.6	8.0	7.6		
<b>Yield (%)</b>							
Yield on Funds	8.63	8.53	8.64	8.67	8.65	2bps	(2bps)
Cost of Funds	5.77	5.66	5.74	5.79	5.83	7bps	4bps
Spread	2.87	2.87	2.90	2.88	2.82	(5bps)	(6bps)
Net Interest Margin (calc.)	<b>3.48</b>	<b>3.47</b>	<b>3.53</b>	<b>3.53</b>	<b>3.49</b>	<b>1bps</b>	<b>(4bps)</b>
<b>Ratios (%)</b>							
Other Income / Net Income	28.1	38.5	26.3	27.6	27.2	(92bps)	(40bps)
Cost to Income ratio	40.3	38.0	41.0	40.6	40.6	33bps	2bps
CASA ratio	37.9	38.2	36.3	35.3	34.0	(384bps)	(130bps)
C/D ratio	110.5	104.4	103.5	99.8	98.2	(1,226bps)	(158bps)
Investment to Assets	19.3	19.4	19.9	19.6	21.6	<b>227bps</b>	<b>197bps</b>
<b>Assets Quality</b>							
GNPA	3,10,117	3,11,733	3,30,257	3,42,506	3,65,376	17.8	6.7
NNPA	76,641	80,917	95,084	1,03,085	1,02,305	33.5	(0.8)
Provision	2,33,476	2,30,816	2,35,173	2,39,421	2,63,071	12.7	9.9
GNPA (%)	1.26	1.24	1.33	1.36	1.42	16bps	6bps
NNPA (%)	0.31	0.33	0.39	0.41	0.46	15bps	5bps
PCR (%)	75.29	74.04	71.21	69.90	72.00	(329bps)	210bps
<b>Others (Nos.)</b>							
Branches	8,091	8,738	8,851	9,092	9,143	13.0	0.6
ATMs	20,688	20,938	21,163	20,993	21,049	1.7	0.3
Employees	2,08,066	2,13,527	2,13,069	2,06,758	2,10,219	2,153	3,461

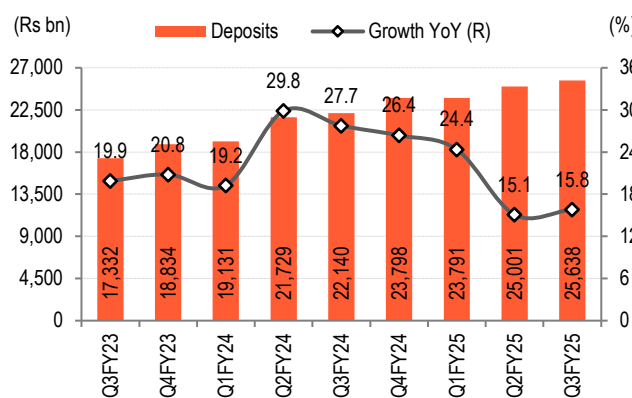
Source: Company, BOBCAPS Research

**Fig 3 – Credit growth moderated 3% YoY, retail was up 10% YoY**



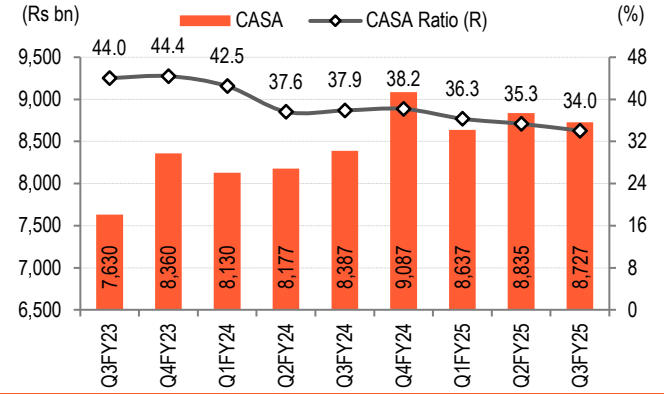
Source: Company, BOBCAPS Research

**Fig 4 – Deposits grew 3% QoQ, CASA deposits fell 1% QoQ**



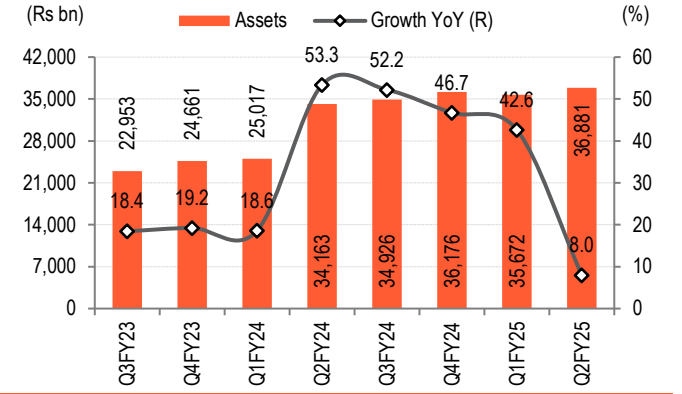
Source: Company, BOBCAPS Research

**Fig 5 – CASA declined 130bps QoQ**



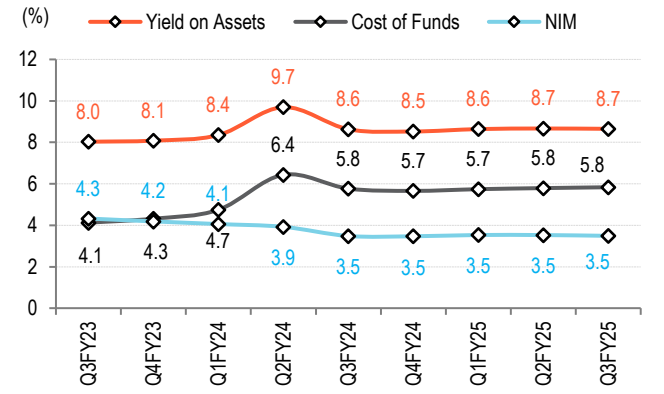
Source: Company, BOBCAPS Research

**Fig 6 – Asset growth remained moderate**



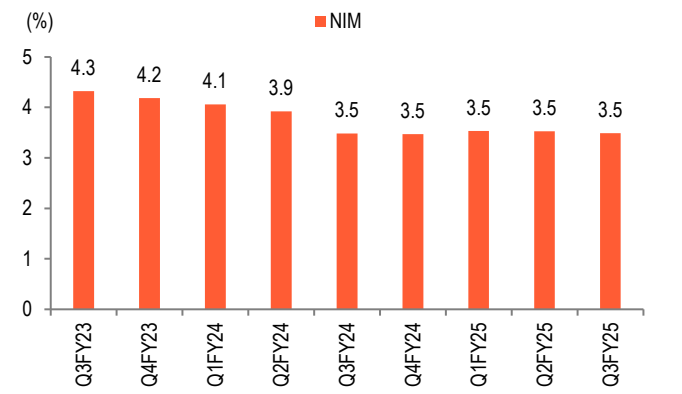
Source: Company, BOBCAPS Research

**Fig 7 – Stable margins**



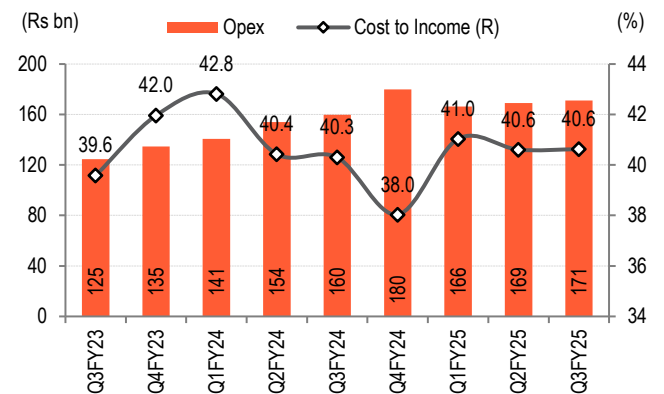
Source: Company, BOBCAPS Research

**Fig 8 – Margin to remain stable at current level with upward bias**



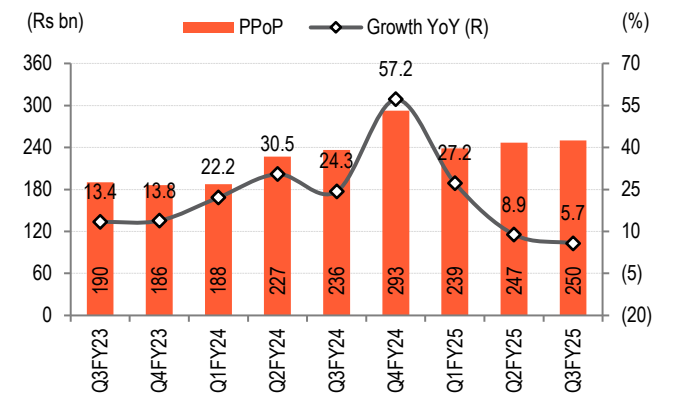
Source: Company, BOBCAPS Research

**Fig 9 – C/I to remain stable QoQ**



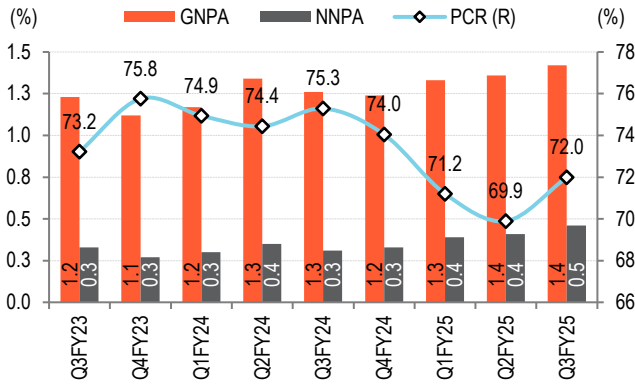
Source: Company, BOBCAPS Research

**Fig 10 – PPOp was moderate QoQ aided by lower other income**



Source: Company, BOBCAPS Research

**Fig 11 – Overall asset quality stable QoQ**



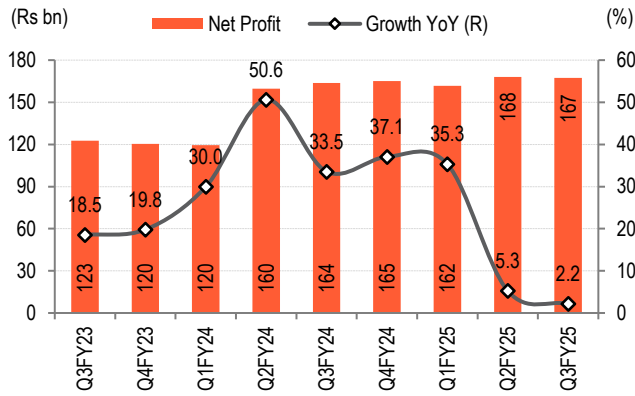
Source: Company, BOBCAPS Research

**Fig 12 – Credit cost increased by 6bps QoQ**



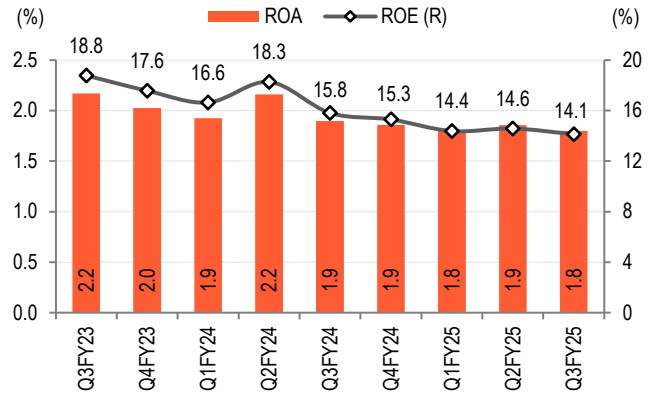
Source: Company, BOBCAPS Research

**Fig 13 – PAT remained muted led by higher credit cost**



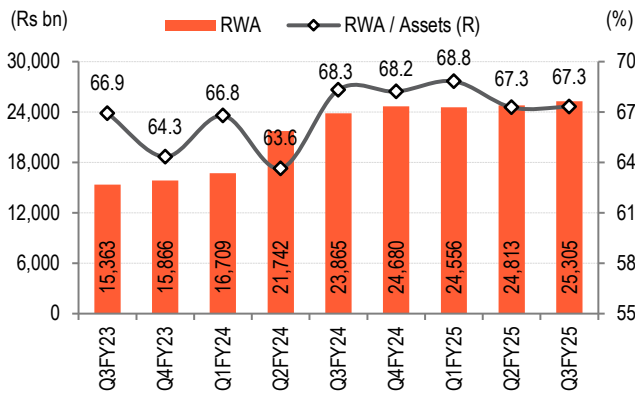
Source: Company, BOBCAPS Research

**Fig 14 – Return ratios tapered in line with profitability**



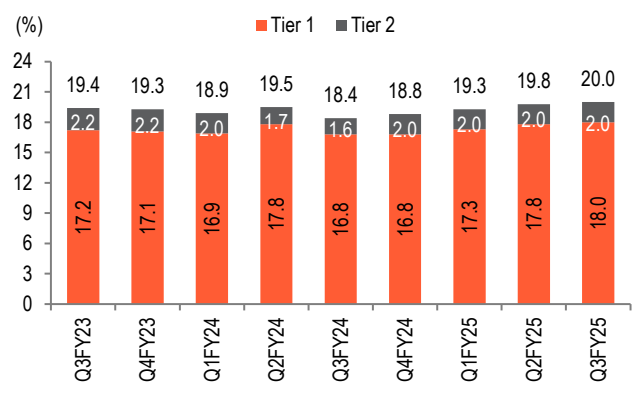
Source: Company, BOBCAPS Research

**Fig 15 – RWA/Assets remained stable**



Source: Company, BOBCAPS Research | RWA: Risk-Weighted Asset

**Fig 16 – Well capitalised with CAR of 19.3%**



Source: Company, BOBCAPS Research

## Earnings call takeaways

### Business performance

- Management opined that the current macro environment is challenging with tight liquidity conditions, signs of moderating urban demand and tepid private capital expenditure.
- However, rural demand and government spending are also picking up.
- PAT was up 2% YoY to Rs 167.4bn lower than our estimate of Rs 170bn, primarily on account of higher provisions. Provisions were higher at Rs 31.5bn vs. our estimate of Rs 27.6bn.

### Loan book

- HDFCB's loans grew sluggish 3% YoY and 1% QoQ. This was led by CRB portfolio (up 12% YoY, 2% QoQ) and retail book (up 10% YoY and 2% QoQ). While corporate and wholesale portfolio declined by 10% YoY (up 1% QoQ).
- We expect loan book to grow in the range of 8-12% in FY25E-FY27E.

### Deposits

- During Q3FY25, deposits grew 16% YoY and 3% QoQ with CASA deposits declining by 1% QoQ (up 4% YoY), whereas term deposits (TD) rose 23% YoY and 5% QoQ. This led to a decline in the CASA ratio to 34% vs. 35.3% in Q2FY25 and 37.9% in Q3FY24. However, management is targeting improved CASA mobilisation to support margin over FY25/FY26.

### Asset quality

- Credit cost stood at 50bps vs. 44bps in Q2FY25 and 70bps in Q3FY24, primarily due to agri portfolio slippages. Overall GNPA ratio increased to 1.42% vs. 1.36% in Q2FY25 and 1.26% in Q3FY24. Hence, PCR was at 68%, including the agri portfolio, in Q3FY25 and 77% excluding the agri portfolio.

### Other income

- Other income witnessed muted growth of 3% YoY (flat QoQ) to Rs 114.5bn on higher base.
- Consequently, total income grew 6% YoY and 1% QoQ, on lower other income.

### Opex

- Opex during the quarter was contained at 1% QoQ (up 7% YoY), while the C/I ratio remained stable at 40.6% sequentially.
- HDFCB added 52 branches during the quarter to total 9,143.

## Subsidiary performance

### HDB Financials

- HDB Financials loan book grew 22% YoY and 4% QoQ to Rs 1,021bn.
- Gross stage assets was stable at 2.2% YoY.

- NIM came in at 7.5% in Q3FY25.
- Net profit was at Rs 4.7bn, down 27% YoY.
- The company reported ROA of 1.8% and ROE of 12.5%.

#### **HDFC Life**

- HDFC Life sold 294,000 individual policies during Q3 and had an individual weighted received premium market share of 10.5% in Q3FY25.
- Net premium income was at Rs 168bn, up 10% YoY.
- New business premium was at Rs 79bn and VNB margin was at 26% in Q3FY25.
- PAT grew 14% YoY to Rs 4.1bn and the solvency ratio stood at 188% as at Dec'24.
- Embedded value was at Rs 532bn, improving 19% YoY.

#### **HDFC AMC**

- Quarterly average AUM totaled Rs 7.9tn, constituting 11.5% of market share. About 61% of quarterly average AUM is equity oriented.
- The AMC has 12.6mn unique investors.
- Total income stood at Rs 9.5bn in Q3, up 26% YoY, net profit at Rs 6.4bn, up 31% YoY, and EPS at Rs 30.

#### **HDFC ERGO**

- Gross written premium decreased by 29% YoY to Rs 33.5bn.
- Gross direct premium market share stood at 4.4% in overall industry and 6.9% among private sector.
- Retail mix in the business is 57%.
- The company has a distribution network of 300 branches and 608 digital offices.
- PAT came in at Rs 1.0bn vs. Rs 1.3bn in Q3FY24.

#### **HDFC Securities**

- HDFC Securities reported revenue of Rs 7.9bn and PAT of Rs 2.7bn for the quarter.
- The company has a network of 135 branches spread across 108 cities and towns.
- The client base totalled 6.5mn as of Q3FY25 with ~97% of active clients using the digital platform.

## Valuation methodology

According to management guidance on realigning business dynamics, considering the competitive intensity on both the asset and liability sides and challenges towards funding assets, we estimate deposits growth to be in the range of 17-19% in FY25-FY27E. Advances growth is likely to be lower in the range of 8-12% during FY25-FY27E. This would result in a lower CD ratio going forward.

Management strategically opted to avoid competitive intensity and prioritise profitability over growth, which are likely to aid margin over upcoming quarters. It is also keen to raise rates on the asset side to improve overall margin. It expects a change in borrowing mix through repayment of high-cost borrowings along with opting for other sources of funding like infrastructure bonds and affordable housing bonds (compared to plain vanilla borrowings) to somewhat alleviate the cost pressure on the liability side. We now model for NIM (calc.) of ~3.7%/3.9% for FY25E/FY26E vs. our earlier estimates of ~3.8%/3.9%.

We believe HDFCB has managed to outperform its large private sector peers in the past by effectively navigating business cycles, delivering stronger profitability and margins coupled with better asset quality. Amidst the noises on unsecured loans, tighter liquidity conditions and expectations of a CRR cut thus boosting liquidity, the bank is well-positioned to benefit. Hence, we maintain BUY on the stock with revised SOTP-based TP of Rs 2,008 (from Rs 1,872), valuing the core business at 2.5x its Dec'26 ABV.

**Fig 17 – Key operational assumptions**

(%)	FY24	FY25E	FY26E	FY27E
Advances growth	55.2	15.0	15.3	16.2
NII growth	25.0	21.6	20.0	19.8
PPoP growth	34.1	18.5	19.1	19.6
PAT growth	37.9	19.9	13.7	18.5
NIM	3.8	3.7	3.9	4.0
GNPA	1.2	1.4	1.3	1.3
CAR	18.8	18.1	17.4	16.7

Source: Company, BOBCAPS Research

**Fig 18 – Valuation assumptions**

Gordon growth model	Assumptions
Risk-free rate (%)	6.8
Equity risk premium (%)	4.9
Beta	1.2
Cost of equity (%)	12.9
Blended ROE (%)	16.0
Initial high growth period (yrs)	14.0
Payout ratio of high-growth phase (%)	10.0
Long-term growth (%)	8.8
Long term dividend payout ratio (%)	45.0
Justified P/BV Multiple (x)	2.5

Source: Company, BOBCAPS Research



**Fig 19 – Valuation summary**

Business	Valuation	Holdings	Rs/Share
HDFC Bank	2.5x FY26E ABV	100	1,787
HDFC Life	Mcap	50.3	75
HDFC AMC	Mcap	52.5	50
HDFC Ergo	33x FY26E EPS	50.5	47
HDB Financials	3.5x FY26E ABV	94.6	27
HDFC Securities	20x FY26E EPS	95.5	22
<b>Total</b>	-	-	<b>2,008</b>

Source: BOBCAPS Research

## Key risks

Key downside risks to our estimates are:

- a weak demand environment leading to a general slowdown in credit offtake,
- unexpected asset quality shocks leading to higher credit cost.

## Glossary

Glossary of Abbreviations			
<b>AUCA</b>	Advance Under Collection Account	<b>LCR</b>	Liquidity Coverage Ratio
<b>AIF</b>	Alternative Investment Fund	<b>MCLR</b>	Marginal Cost of Funds-based Lending Rate
<b>ARC</b>	Asset Reconstruction Company	<b>MTM</b>	Mark to Market
<b>BRDS</b>	Bills Rediscounting Scheme	<b>NII</b>	Net Interest Income
<b>CASA</b>	Current Account and Savings Account	<b>NIM</b>	Net Interest Margin
<b>CAR</b>	Capital Adequacy Ratio	<b>NNPA</b>	Net Non-Performing Assets
<b>CET1</b>	Common Equity Tier 1	<b>PCR</b>	Provision Coverage Ratio
<b>CD</b>	Credit-Deposit Ratio	<b>PPOP</b>	Pre-Provision Operating Profit
<b>C/I</b>	Cost-Income Ratio	<b>PSU</b>	Public Sector Unit
<b>CRB</b>	Commercial and Rural Banking	<b>RWA</b>	Risk-weighted Assets
<b>EBLR</b>	External Benchmark-based Lending Rate	<b>TD</b>	Term Deposits
<b>ECL</b>	Expected Credit Loss	<b>SLR</b>	Statutory Liquidity Ratio
<b>GNPA</b>	Gross Non-Performing Assets	<b>SMA</b>	Special Mention Account
<b>IBPC</b>	Interbank Participation Certificate	<b>SME</b>	Small and Medium-sized Enterprises

## Financials

### Income Statement

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Net interest income</b>	<b>8,68,422</b>	<b>10,85,325</b>	<b>12,34,044</b>	<b>14,45,546</b>	<b>17,22,420</b>
Nil growth (%)	20.6	25.0	13.7	17.1	19.2
Non-interest income	3,12,148	4,92,410	4,66,306	6,07,084	7,29,991
Total income	11,80,570	15,77,735	17,00,350	20,52,630	24,52,411
Operating expenses	4,76,521	6,33,860	6,81,694	7,93,433	9,22,593
PPOP	7,04,050	9,43,875	10,18,656	12,59,197	15,29,818
PPOP growth (%)	9.9	34.1	7.9	23.6	21.5
Provisions	1,19,197	2,34,921	1,27,356	1,64,663	1,86,587
PBT	5,84,853	7,08,953	8,91,299	10,94,534	13,43,230
Tax	1,43,766	1,00,830	2,24,607	2,75,822	3,38,494
<b>Reported net profit</b>	<b>4,41,087</b>	<b>6,08,123</b>	<b>6,66,692</b>	<b>8,18,711</b>	<b>10,04,736</b>
Adjustments	0	0	0	0	0
<b>Adjusted net profit</b>	<b>4,41,087</b>	<b>6,08,123</b>	<b>6,66,692</b>	<b>8,18,711</b>	<b>10,04,736</b>

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY23A	FY24A	FY25E	FY26E	FY27E
Equity capital	5,580	7,597	7,648	7,648	7,648
Reserves & surplus	27,96,410	43,94,861	47,76,663	53,98,883	61,62,483
Net worth	28,01,990	44,02,458	47,84,311	54,06,532	61,70,131
Deposits	1,88,33,946	2,37,97,863	2,77,48,308	3,28,81,745	3,87,67,577
Borrowings	20,67,656	66,21,531	56,81,273	46,58,644	38,20,088
Other liab. & provisions	9,57,222	13,54,379	13,88,627	11,86,259	13,01,390
<b>Total liab. &amp; equities</b>	<b>2,46,60,815</b>	<b>3,61,76,231</b>	<b>3,96,02,519</b>	<b>4,41,33,180</b>	<b>5,00,59,187</b>
Cash & bank balance	19,37,651	21,91,474	25,86,564	30,31,503	31,52,570
Investments	51,70,014	70,24,150	80,96,241	95,80,946	1,16,18,568
Advances	1,60,05,859	2,48,48,615	2,66,87,413	2,93,56,154	3,28,78,892
Fixed & Other assets	15,47,291	21,11,992	22,32,301	21,64,577	24,09,156
<b>Total assets</b>	<b>2,46,60,815</b>	<b>3,61,76,231</b>	<b>3,96,02,519</b>	<b>4,41,33,180</b>	<b>5,00,59,187</b>
Deposit growth (%)	20.8	26.4	16.6	18.5	17.9
Advances growth (%)	16.9	55.2	7.4	10.0	12.0

### Per Share

Y/E 31 Mar (Rs)	FY23A	FY24A	FY25E	FY26E	FY27E
EPS	79.3	92.3	87.5	107.0	131.4
Dividend per share	19.0	19.5	20.9	25.7	31.5
Book value per share	502.2	579.5	625.5	706.9	806.7

### Valuations Ratios

Y/E 31 Mar (x)	FY23A	FY24A	FY25E	FY26E	FY27E
P/E	21.0	18.0	19.0	15.6	12.7
P/BV	3.3	2.9	2.7	2.4	2.1
Dividend yield (%)	1.1	1.2	1.3	1.5	1.9

### DuPont Analysis

Y/E 31 Mar (%)	FY23A	FY24A	FY25E	FY26E	FY27E
Net interest income	3.8	3.6	3.3	3.5	3.7
Non-interest income	1.4	1.6	1.2	1.5	1.6
Operating expenses	2.1	2.1	1.8	1.9	2.0
Pre-provisioning profit	3.1	3.1	2.7	3.0	3.2
Provisions	0.5	0.8	0.3	0.4	0.4
PBT	2.6	2.3	2.4	2.6	2.9
Tax	0.6	0.3	0.6	0.7	0.7
ROA	1.9	2.0	1.8	2.0	2.1
Leverage (x)	8.7	8.4	8.2	8.2	8.1
ROE	17.0	16.9	14.5	16.1	17.4

### Ratio Analysis

Y/E 31 Mar	FY23A	FY24A	FY25E	FY26E	FY27E
<b>YoY growth (%)</b>					
Net interest income	20.6	25.0	13.7	17.1	19.2
Pre-provisioning profit	9.9	34.1	7.9	23.6	21.5
EPS	18.6	16.4	(5.2)	22.4	22.7
<b>Profitability &amp; Return ratios (%)</b>					
Net interest margin	4.1	3.8	3.5	3.7	3.9
Fees / Avg. assets	1.1	0.9	0.9	1.0	1.0
Cost-Income	40.4	40.2	40.1	38.7	37.6
ROE	17.0	16.9	14.5	16.1	17.4
ROA	1.9	2.0	1.8	2.0	2.1
<b>Asset quality (%)</b>					
GNPA	1.1	1.2	1.4	1.4	1.4
NNPA	0.3	0.3	0.4	0.4	0.4
Slippage ratio	1.8	2.5	1.3	1.5	1.5
Credit cost	0.8	1.2	0.5	0.6	0.6
Provision coverage	75.8	74.0	72.0	73.0	73.0
<b>Ratios (%)</b>					
Credit-Deposit	85.0	104.4	96.2	89.3	84.8
Investment-Deposit	27.5	29.5	29.2	29.1	30.0
CAR	19.3	18.8	18.4	18.1	17.7
Tier-1	17.1	16.8	16.7	16.9	16.9

Source: Company, BOBCAPS Research

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA ("US") OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

## Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**

Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

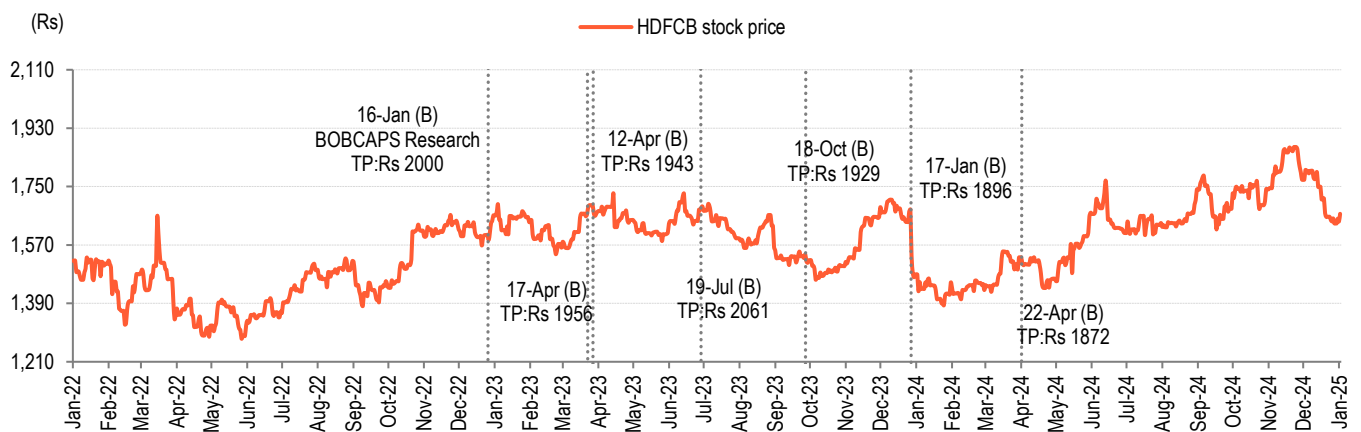
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): HDFC BANK (HDFCB IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

### Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOB Capital Markets Limited (BOBCAPS).

### General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

#### **Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014**

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company or third party in the past 12 months in connection with research report/activities. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.

#### **Other disclaimers**

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an “as is” basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS's judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the “Losses”) which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

#### **Distribution into the United Kingdom (“UK”):**

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd (“MSL”) who is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (MSL and its affiliates are collectively referred to as “MAYBANK”). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK's legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the “Order”), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as “relevant persons”).

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

#### **No distribution into the US:**

This report will not be distributed in the US and no US person may rely on this communication.

#### **Other jurisdictions:**

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.