

HDFC Bank

BUY

NIMs remain range bound; CD ratio below 97%

Summary

HDFC Bank reported slower credit growth at 5% YoY (4% QoQ) while deposit growth stood at 14% YoY (6% QoQ) led by focus on lowering of CD ratio; at 96.5% vs 98.2% QoQ. Management maintained guidance for improvement in credit growth similar to industry average during FY26 and higher than industry during FY27. NIMs remain range bound at 3.46% (adjusted for income tax refund) vs 3.43%; however, we need to watch out for impact of rate cut on NIMs as ~70% loan book is linked to EBLR. Asset quality slightly improved as GNPA stood at 1.33% vs 1.42% QoQ led by lower slippages. NII grew by 10% YoY led by improvement in NIMs while PPoP declined by 9% YoY due to lower other income (down 34% YoY). PAT grew by 7% YoY led by lower provisions. We have revised estimates upwards slightly. We maintain BUY rating with the target price of Rs2,200 (Rs1,970) valuing parent business at Rs1,992 at 2.3x P/ABV FY27E.

Key Highlights and Investment Rationale

- Deposits grew 14% YoY:** Deposits grew by 14% YoY led by strong term deposits. On merged basis, gross advances grew by 4% QoQ led by corporate book (up 7% QoQ). Retail book grew by 2% QoQ, while CRB book grew by 4% QoQ.
- NIMs and Asset quality improved slightly:** NIMs improved to 3.46% (vs 3.43% QoQ) backed by improvement in yields, while cost of funds inched up. Cost to income ratio improved to 40% QoQ. Asset quality improved slightly with GNPA at 1.33% vs 1.42% QoQ led by lower slippages due to seasonality.
- Outlook:** Post merger, focus has been to reduce the CD ratio to pre-merger average which resulted in credit slowdown to the lowest in history. Also, NIMs have declined due to higher borrowings on the books. We remain structurally positive on HDFCB given its superior credit underwriting, and the ability to maintain stable RoA around 1.8% post-merger.

TP	Rs2,200		Key Stock Data		
CMP	Rs1,907				
Potential upside/downside		15%			
Previous Rating		BUY			
Price Performance (%)					
	-1m	-3m	-12m		
Absolute	11.8	15.4	26.3		
Rel to Sensex	5.4	13.4	18.6		
V/s Consensus			Shareholding Pattern (%)		
EPS (Rs)	FY26E	FY27E	Promoters	--	
IDBI Capital	98.0	111.4	FII	48.3	
Consensus	97.4	112.6	DII	33.2	
% difference	0.6	(1.0)	Public	18.5	
Financial snapshot (Rs mn)					
Year	FY2023	FY2024*	FY2025*	FY2026E*	FY2027E*
NII	8,68,422	10,85,325	12,26,701	13,48,107	15,25,253
Net Profit	4,41,087	6,08,123	6,73,474	7,49,541	8,52,150
EPS (Rs)	79.1	80.0	88.1	98.0	111.4
ABV (Rs)	489.4	585.1	657.0	748.8	853.9
PER (x)	24.1	23.8	21.7	19.5	17.1
P/ABV (x)	3.9	3.3	2.9	2.5	2.2
ROE (%)	17.0	16.9	14.3	14.0	13.9
ROA (%)	1.9	2.0	1.8	1.8	1.9
GNPA (%)	1.3	1.2	1.3	1.4	1.4
NNPA (%)	0.4	0.3	0.4	0.4	0.4
CAR (%)	21.2	18.8	19.6	19.7	19.7

Source: IDBI Capital Research: Note: * Merged figures

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Conference Call Highlights

Macro Picture

- The bank expects the FY26 GDP to be supported by a pickup in rural spending, discretionary consumer demand and investment activity.
- However, the goods' exports may be impacted until the global trade and tariff situation becomes far clearer.
- The recent tariff related measures will potentially impact global inflation leading to lower growth across economies.
- Corporates have adopted a 'wait and watch' stance as they wait for more clarity due to the volatility in the global markets.

Operational Aspects

- Credit deposit ratio has been brought down from the highs at the time of merger, which was at about ~110% to around ~96% as of March 2025.
- The bank is able to meet the PSL requirement at an aggregate level. However, the bank is falling short on the small and marginal farmer segment as well as the weaker section (around 1%).
- The bank will meet the shortfall by way of various instruments like IBPC, PTCs or even RIDF.
- The AIF-related provision now fluctuates slightly based on the movement in investment volumes, but nothing significant changed recently. The AIF provision stock is Rs.2.88 bn, down from Rs.3.50 bn in the previous quarter.
- The reduction wasn't due to a reversal showing up in P&L, but because some AIF investments matured, so no provision was required. However, other provisions increased by about Rs.0.60 bn, so overall, the net impact on P&L was neutral.
- The bank is focusing on improving the productivity and efficiency across branches.
- Once the legacy borrowings (HDFC bond borrowings) mature, there will be ample scope to raise new funds especially via infrastructure borrowings which is cost effective.

Advances and Deposits

- Credit policies will not be changed to pick up volumes. They remain consistent through the cycle.
- The bank has not started cutting rates on fixed rate loan segments. The bank follows risk based pricing model for a given risk profile of a customer.
- The bank's unsecured personal loan book is ~Rs.2 tn. Around 75–80% of this is to salaried customers (either existing or sourced from the market) and the rest are non-salaried, including self-employed professionals and business owners.
- Deposits have grown faster than the system and so has it grown faster than our loans as well.
- The bank is seeing competition from PSU institutions with respect to higher ticket corporate loans as well as SME loans. They have been able to offer lower rates, thereby compromising on margins, and growth the business.
- Based on historical trends, CASA should recover as rates ease—but not immediately.
- The bank's market share in Time Deposit is ~11.5% and CASA is around ~10.5%.

Margins

- Borrowing mix have come down from 21% in Dec-23 to 14% in Mar-25, which will provide cushion to the cost of funds.
- The revision in the deposit rates is part of the rate transmission process.
- The number of days in a month/quarter does have an impact on margins.

Asset Quality

- The bank has not seen any signs of stress in unsecured personal loan portfolio so far – performance remains strong and stable.
- The bank's long-term data shows their credit losses have remained flat, highlighting consistency in underwriting.

Future Guidance

- The management maintained the guidance of growing the loan book in line with the industry in FY26.
- The bank's focus remains on mobilising deposits at the right price to maintain market leadership, while gradually bringing the LDR down.
- The bank plans to bring down LDR to the pre-merger range of 85–90% by FY27.
- The impact of 50 bps repo rate cut will be reflected in Q1FY26.
- In FY26, the adjustment in CD ratio will not be so steep supporting the loan growth for the bank, but it will be on a downward path.
- ROA is expected to remain range bound going ahead.
- While margins may fluctuate on a quarterly basis, the bank expects it to remain in the targeted narrow range on a full year basis.

Exhibit 1: Quarterly Snapshot

(Rs mn)

Year-end: March	Q4FY25	Q4FY24	Q3FY25	YoY (%)	QoQ (%)
Interest Income	7,74,601	7,14,728	7,60,069	8.4	1.9
Interest Expenses	4,53,943	4,23,959	4,53,536	7.1	0.1
Net Interest Income	3,20,658	2,90,768	3,06,533	10.3	4.6
NIM (%)	3.54	3.44	3.43	10 bps	11 bps
Non Interest Income	1,20,279	1,81,663	1,14,536	-33.8	5.0
Operating Income	4,40,937	4,72,431	4,21,068	-6.7	4.7
Staff Cost	61,159	69,362	59,504	-11.8	2.8
Other Op Exp	1,14,410	1,10,326	1,11,560	3.7	2.6
Total Operating Expenses	1,75,570	1,79,688	1,71,064	-2.3	2.6
<i>Cost to Income (%)</i>	<i>39.82</i>	<i>38.03</i>	<i>40.63</i>	<i>178 bps</i>	<i>-81 bps</i>
Operating Profit	2,65,367	2,92,742	2,50,004	-9.4	6.1
Provisions	31,931	1,35,116	31,539	-76.4	1.2
PBT	2,33,437	1,57,626	2,18,466	48.1	6.9
Tax	57,275	-7,493	51,111	-864.4	-212.1
<i>-effective tax rate</i>	<i>24.5</i>	<i>-4.8</i>	<i>23.4</i>	<i>2929 bps</i>	<i>114 bps</i>
PAT	1,76,161	1,65,119	1,67,355	6.7	5.3
EPS (Rs)	23.0	21.7	21.9	5.9	5.2
BV (Rs)	655.3	579.5	631.5	13.1	3.8
Deposits	2,71,47,149	2,37,97,863	2,56,37,950	14.1	5.9
Advances	2,61,96,086	2,48,48,615	2,51,82,482	5.4	4.0

Source: Company; IDBI Capital Research

Exhibit 2: One-year forward P/ABV (FY14-19)

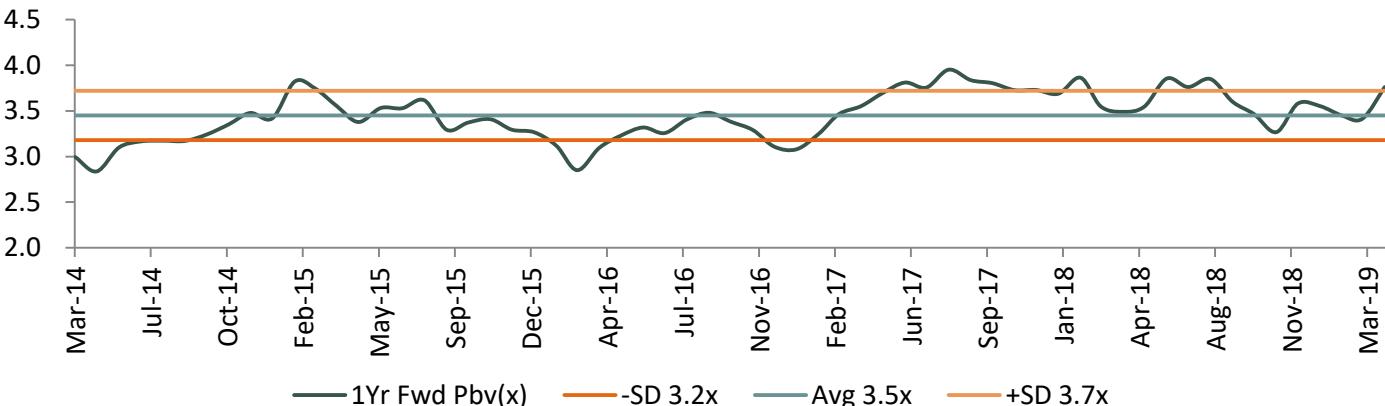


Exhibit 3: One-year forward P/ABV (FY16-25)

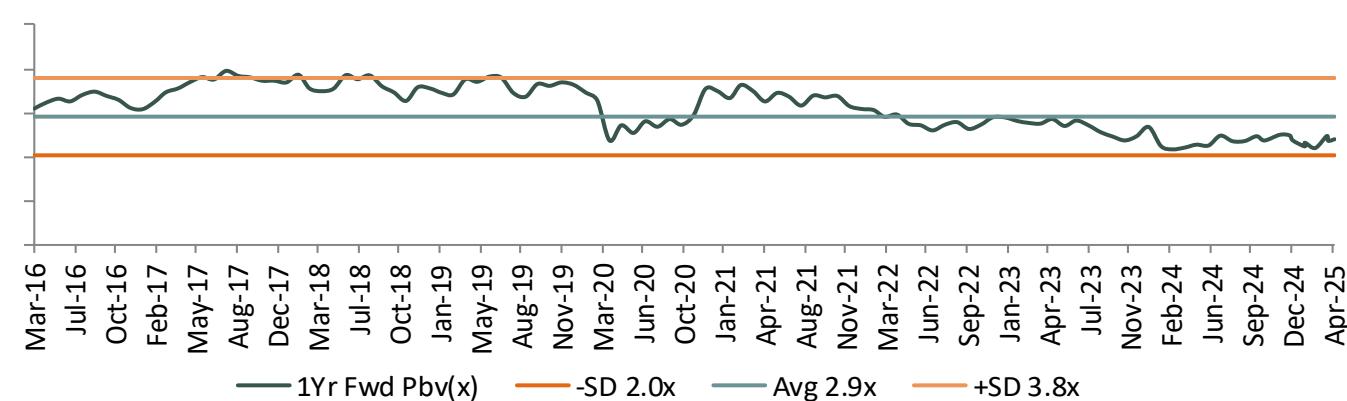
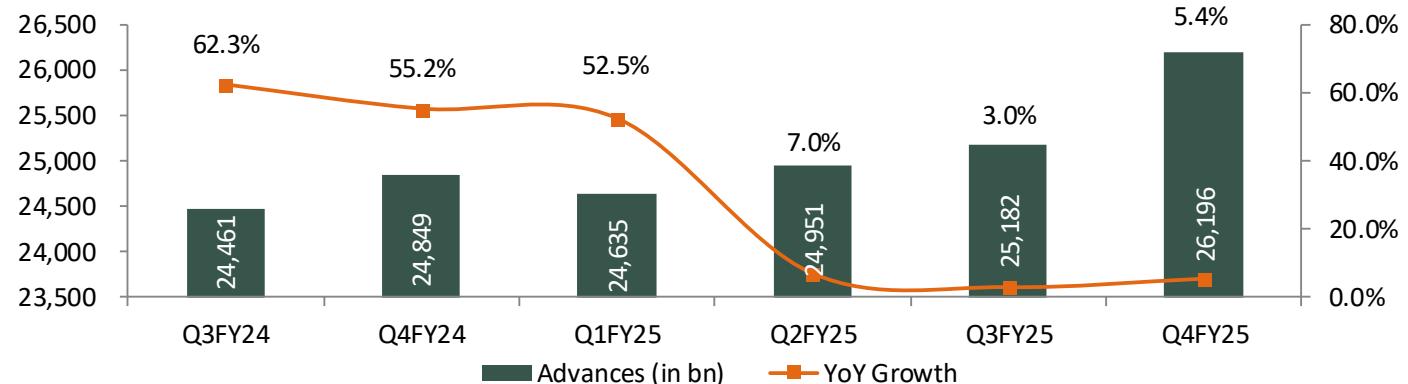
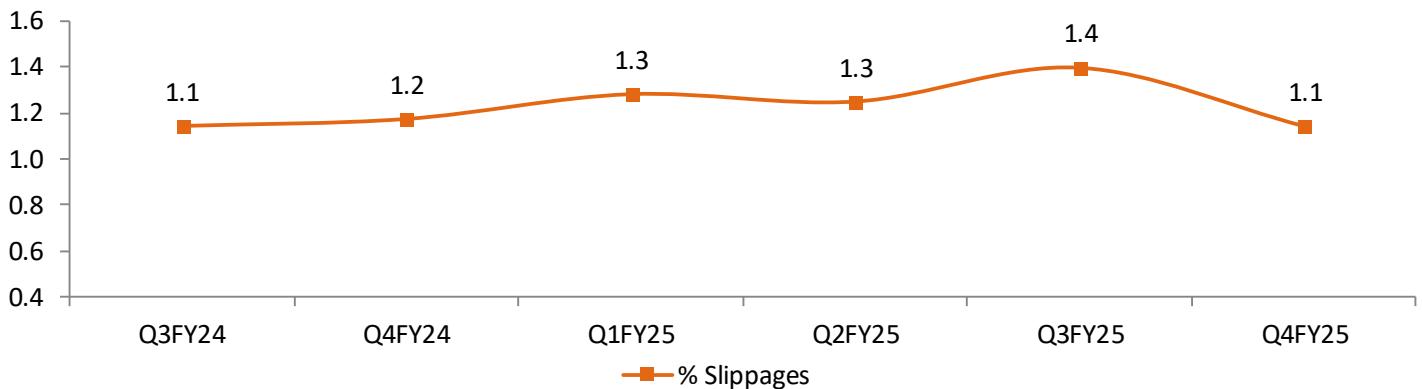


Exhibit 4: Advances growth improved during the quarter


Source: Company; IDBI Capital Research; Figures for the FY24 and Q1FY25 includes the impact of the merger

Exhibit 5: Slippage ratio slight decreased QoQ


Source: Company; IDBI Capital Research

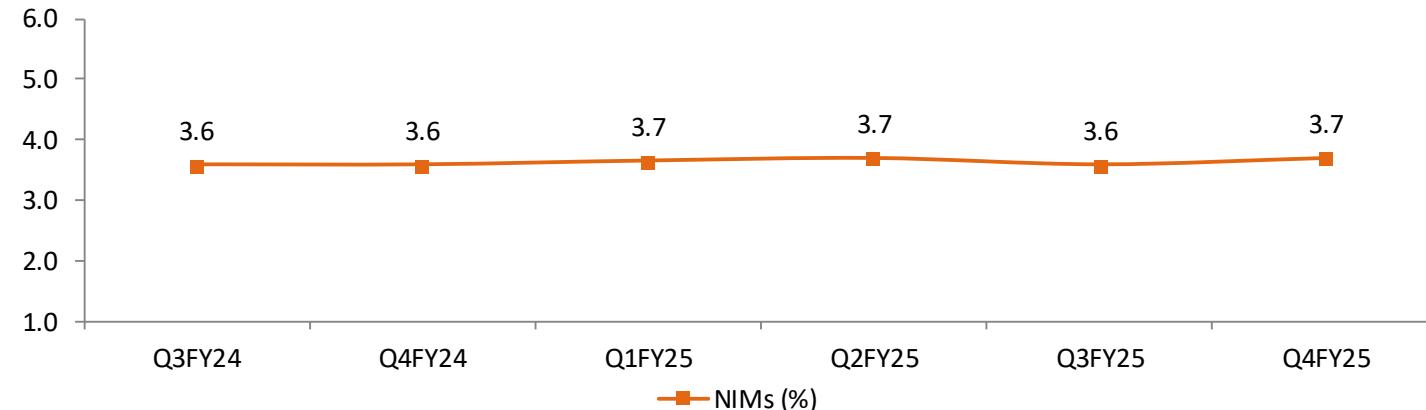
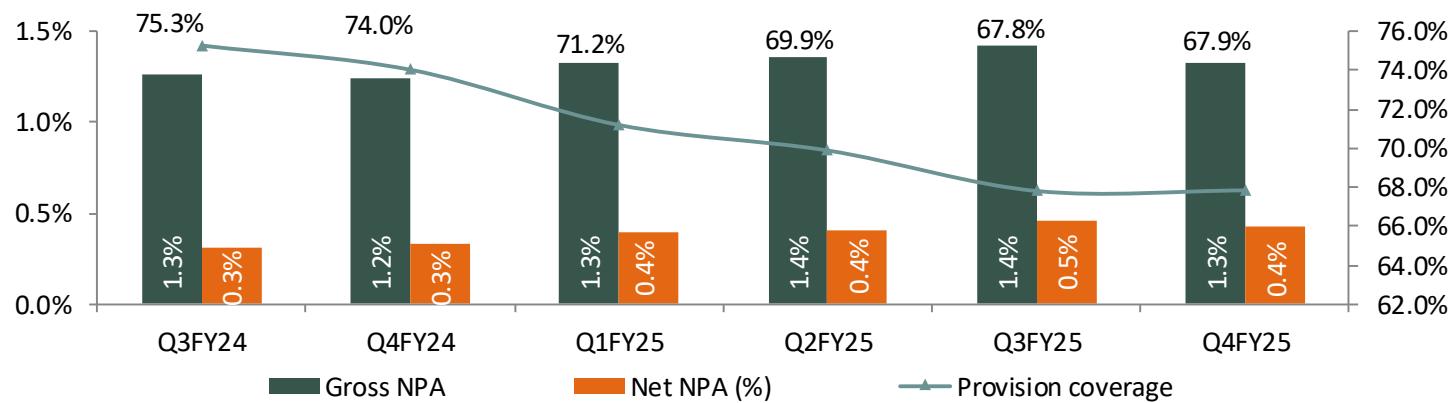
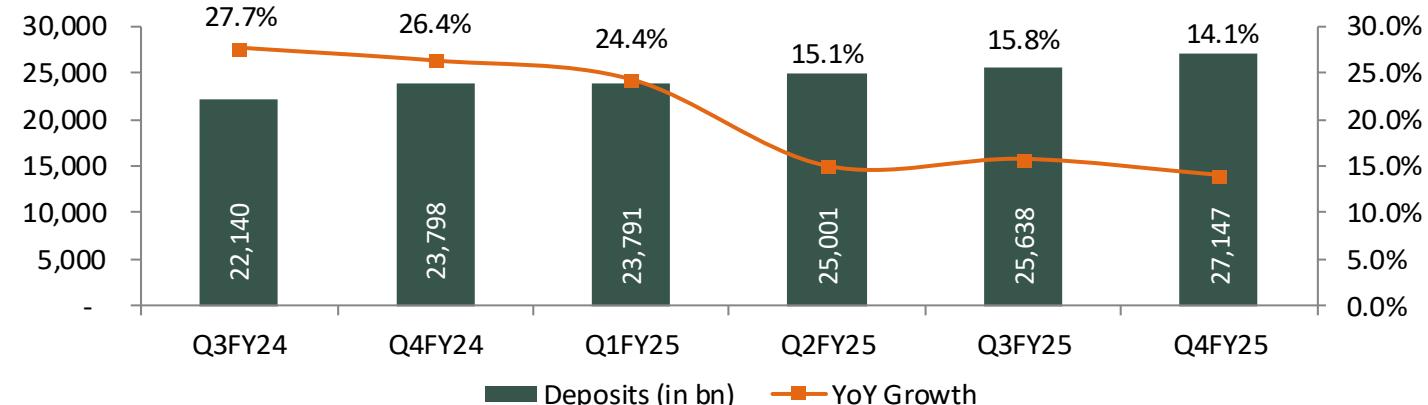
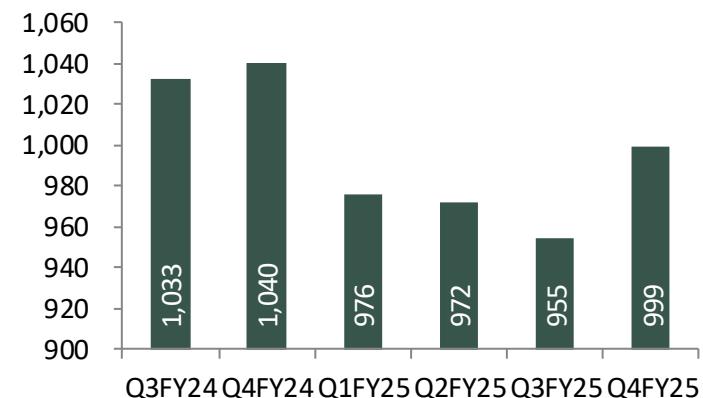
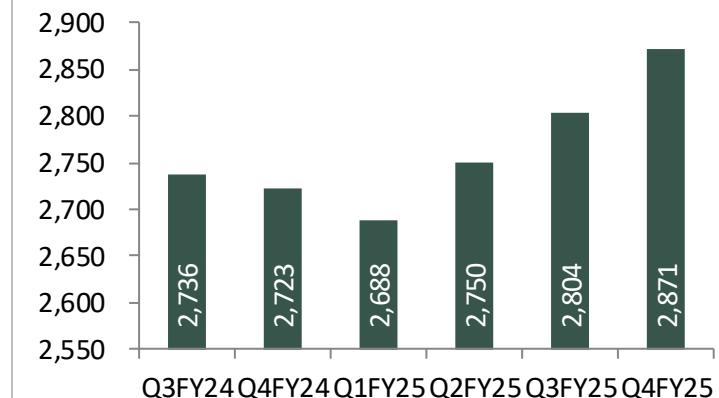
Exhibit 6: Net Interest margins on Interest earning assets increased sequentially

Source: Company; IDBI Capital Research
Exhibit 7: Asset Quality slightly improved on a sequential basis

Source: Company; IDBI Capital Research

Exhibit 8: Deposits growth slightly slowed on a sequential basis


Source: Company; IDBI Capital Research

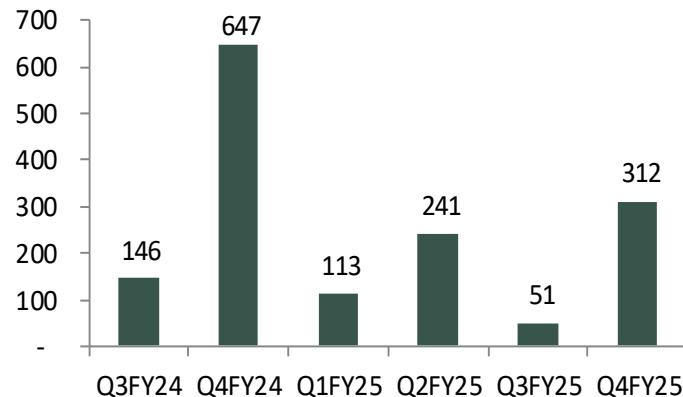
Exhibit 9: CASA per branch (In Mn) increased on a QoQ basis


Source: Company; IDBI Capital Research

Exhibit 10: Deposit per branch (In Mn) increased on a QoQ basis


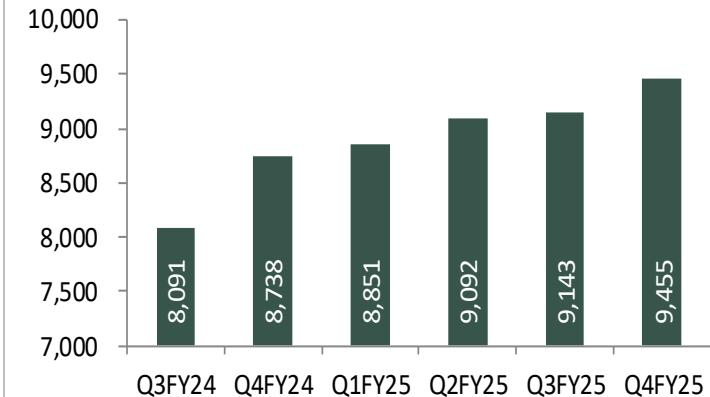
Source: Company; IDBI Capital Research

Exhibit 11: Branch addition higher than previous quarter



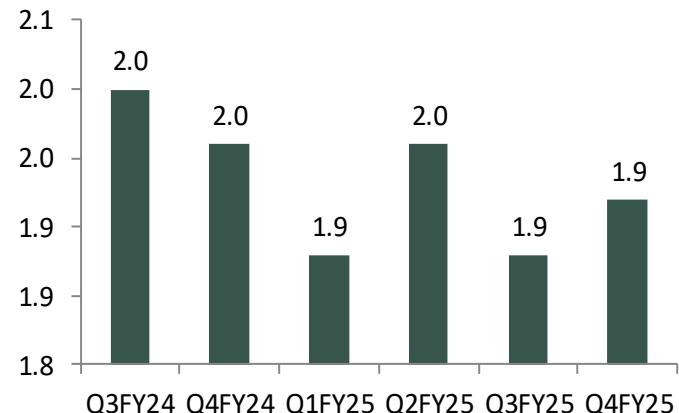
Source: Company; IDBI Capital Research

Exhibit 12: Branch addition to further strengthen presence across key geographies



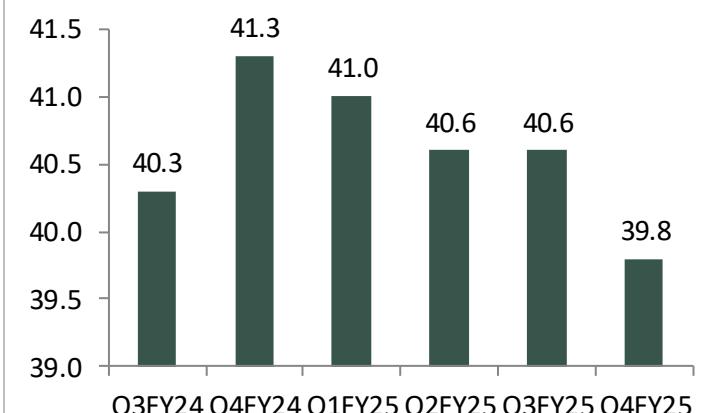
Source: Company; IDBI Capital Research

Exhibit 13: RoA to remain rangebound; saw slight increase in Q4FY25

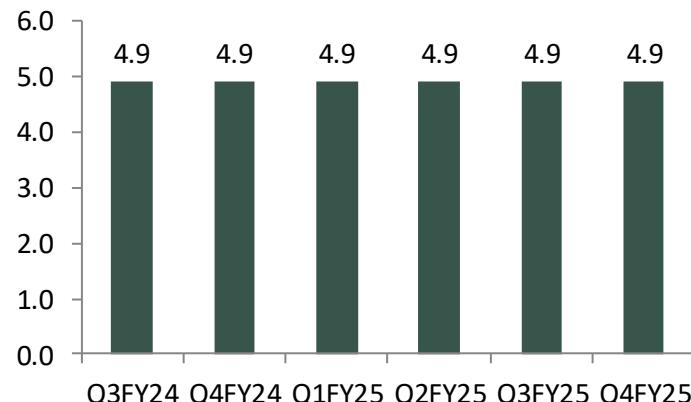


Source: Company; IDBI Capital Research

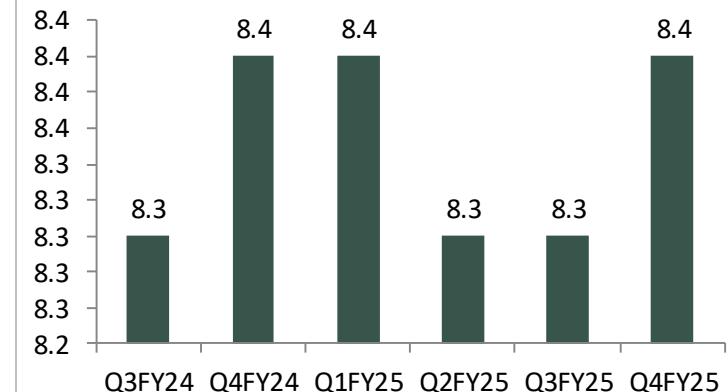
Exhibit 14: Cost to Income Ratio improved on a QoQ basis



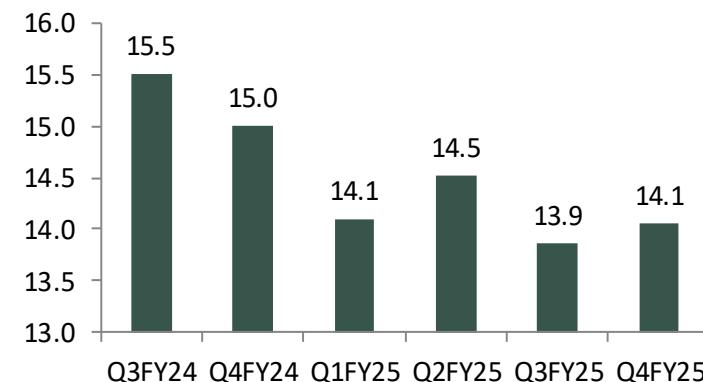
Source: Company; IDBI Capital Research

Exhibit 15: Cost of Funds remained stable sequentially

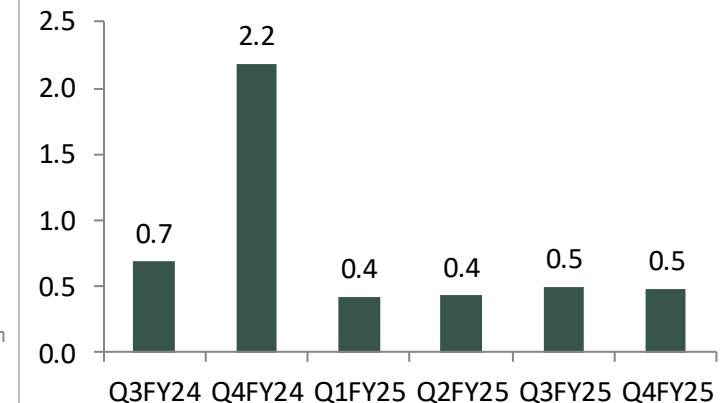
Source: Company; IDBI Capital Research

Exhibit 16: Yield on Advance increased sequentially

Source: Company; IDBI Capital Research

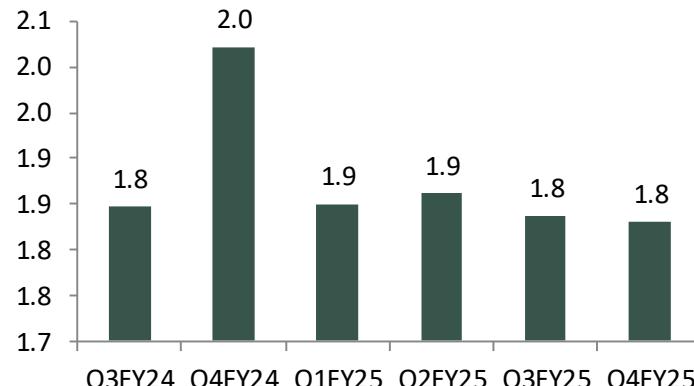
Exhibit 17: Return on Equity increased sequentially

Source: Company; IDBI Capital Research

Exhibit 18: Credit Cost (annualised) remained stable sequentially

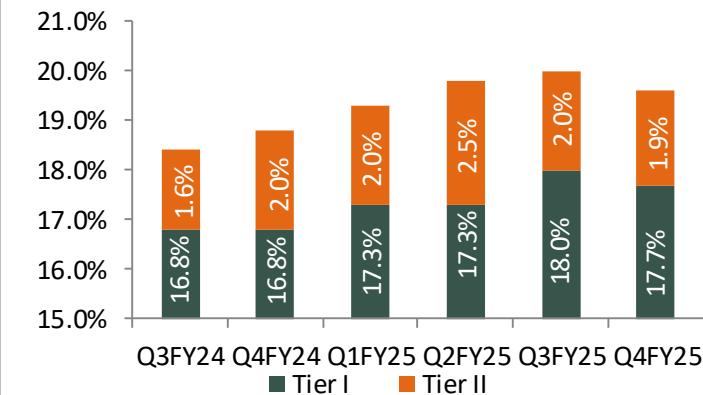
Source: Company; IDBI Capital Research

Exhibit 19: Cost to Assets were stable QoQ



Source: Company; IDBI Capital Research

Exhibit 20: CAR continues to remain strong



Source: Company; IDBI Capital Research

Exhibit 21: Composition of Gross Advances (Product Wise)

Product Wise Advances (In Mn)	Q4FY25	Q4FY24	Q3FY25	YoY (%)	QoQ (%)
Retail Asset	1,37,57,000	1,26,28,000	1,34,25,000	8.9	2.5
Personal Loans	19,93,000	18,46,000	19,44,000	8.0	2.5
Auto Loans	14,57,000	13,11,000	13,99,000	11.1	4.1
Home Loans	83,57,000	77,44,000	81,71,000	7.9	2.3
Payment Products	11,36,000	10,02,000	11,23,000	13.4	1.2
Two Wheelers	1,24,000	1,18,000	1,22,000	5.1	1.6
Gold Loans	1,77,000	1,38,000	1,67,000	28.3	6.0
Other Retail Loans	5,13,000	4,69,000	4,99,000	9.4	2.8
Commercial & Rural Banking	78,65,000	69,69,000	75,32,000	12.9	4.4
Agriculture	11,84,000	10,53,000	10,76,000	12.4	10.0
Corporate & Other Wholesale	36,29,000	45,92,790	33,93,000	(21.0)	7.0
Total Advances	2,64,35,000	2,50,79,000	2,54,26,000	5.4	4.0

Source: Company; IDBI Capital Research; Note: Total advances is including IBPC/BRDS/Securitisation figures

Exhibit 22: Changes in Product Mix (Advances)

Product Wise Advances Mix (In %)	Q4FY25	Q3FY24	Q2FY25	YoY (%)	QoQ (%)
Retail Asset	52.0	50.4	52.8	169 bps	-76 bps
Personal Loans	7.5	7.4	7.6	18 bps	-11 bps
Auto Loans	5.5	5.2	5.5	28 bps	1 bps
Home Loans	31.6	30.9	32.1	73 bps	-52 bps
Payment Products	4.3	4.0	4.4	30 bps	-12 bps
Two Wheelers	0.5	0.5	0.5	0 bps	-1 bps
Gold Loans	0.7	0.6	0.7	12 bps	1 bps
Other Retail Loans	1.9	1.9	2.0	7 bps	-2 bps
Commercial & Rural Banking	29.8	27.8	29.6	196 bps	13 bps
Agriculture	4.5	4.2	4.2	28 bps	25 bps
Corporate & Other Wholesale	13.7	18.3	13.3	-459 bps	38 bps
Total Advances	100	100	100		

Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY22	FY23	FY24*	FY25*	FY26*	FY27E*
Net interest income	7,20,096	8,68,422	10,85,325	12,26,701	13,48,107	15,25,253
<i>Change (yoY, %)</i>	11%	21%	25%	13%	10%	13%
Fees	2,71,566	3,22,524	3,75,165	3,19,000	3,45,429	3,87,061
Other Income	23,533	-10,375	1,17,245	1,37,323	1,57,019	1,73,785
Net Revenue	10,15,195	11,80,570	15,77,735	16,83,024	18,50,555	20,86,099
Operating expenses	3,74,422	4,76,521	6,33,860	6,81,749	7,37,848	8,20,478
Employee expenses	1,20,317	1,55,124	2,22,402	2,39,005	2,58,423	2,83,272
Other expenses	2,54,105	3,21,397	4,11,458	4,42,744	4,79,425	5,37,206
Pre-Provision Profit	6,40,773	7,04,050	9,43,875	10,01,275	11,12,708	12,65,622
<i>Change (yoY, %)</i>	12%	10%	34%	6%	11%	14%
Provision	1,50,618	1,19,197	2,34,922	1,16,494	1,24,259	1,41,858
PBT	4,90,155	5,84,853	7,08,953	8,84,781	9,88,449	11,23,764
Taxes	1,20,541	1,43,766	1,00,830	2,11,307	2,38,908	2,71,614
<i>Effective tax rate (%)</i>	25%	25%	14%	24%	24%	24%
Net profit	3,69,614	4,41,087	6,08,123	6,73,474	7,49,541	8,52,150
<i>Change (yoY, %)</i>	19%	19%	38%	11%	11%	14%
EPS	66.7	79.1	80.0	88.1	98.0	111.4
ROE	16.7	17.0	16.9	14.3	14.0	13.9
ROA	1.9	1.9	2.0	1.8	1.8	1.9

Note: * Merged figures

Balance Sheet							(Rs mn)
Year-end: March	FY22	FY23	FY24*	FY25*	FY26*	FY27E*	
Capital	5,546	5,580	7,597	7,648	7,648	7,648	7,648
Reserves	23,95,384	27,96,410	43,94,861	50,06,594	57,20,211	65,36,437	
Networth	24,00,929	28,01,990	44,02,458	50,14,242	57,27,859	65,44,085	
Deposits	1,55,92,174	1,88,33,946	2,37,97,863	2,71,47,149	3,11,81,346	3,60,95,470	
Current deposits	23,93,106	27,34,961	31,00,157	31,41,000	37,41,762	46,92,411	
Saving deposits	51,17,385	56,24,927	59,87,473	63,05,000	74,83,523	90,23,868	
Term deposit	80,81,683	1,04,74,058	1,47,10,233	1,77,01,149	1,99,56,062	2,23,79,191	
Borrowings	18,48,172	20,67,656	66,21,531	54,79,309	48,56,651	44,84,325	
Other liabilities	8,44,075	9,57,222	13,54,379	14,61,289	14,47,352	14,10,984	
Total Liab. & Equity	2,06,85,351	2,46,60,815	3,61,76,231	3,91,01,989	4,32,13,208	4,85,34,864	
 Assets	 	 	 	 	 	 	
Cash	15,23,269	19,37,651	21,91,474	23,95,707	26,50,414	30,68,115	
Advances	1,36,88,209	1,60,05,859	2,48,48,615	2,61,96,086	2,90,77,656	3,28,57,751	
Investments	45,55,357	51,70,014	70,24,150	83,63,597	92,31,208	1,02,42,372	
Fixed Assets	60,837	80,165	1,13,990	1,36,554	1,43,382	1,50,551	
Other Assets	8,57,678	14,67,125	19,98,002	20,10,046	21,10,548	22,16,075	
Total assets	2,06,85,351	2,46,60,815	3,61,76,231	3,91,01,989	4,32,13,208	4,85,34,864	

Note: * Merged figures

Financial Ratios (%)						
Year-end: March	FY22	FY23	FY24*	FY25*	FY26E*	FY27E*
Growth						
Deposits	16.8	20.8	26.4	14.1	14.9	15.8
Advances	20.8	16.9	55.2	5.4	11.0	13.0
NII	11.0	20.6	25.0	13.0	9.9	13.1
Pre-Provision Profit	11.7	9.9	34.1	6.1	11.1	13.7
Net Profit	18.8	19.3	37.9	10.7	11.3	13.7
Spreads						
Yield on Assets	7.3	7.8	9.4	8.8	8.6	8.5
Cost of Funds	3.5	3.9	5.8	5.6	5.5	5.4
NIM	3.8	3.9	3.5	3.6	3.6	3.6
CASA	48.2	44.4	38.2	34.8	36.0	38.0
Operating Efficiency						
Cost-to-Income	36.9	40.4	40.2	40.5	39.9	39.3
Cost-to-Assets	2.0	2.1	2.1	1.8	1.8	1.8
Asset Quality						
GNPA	0.8	1.3	1.2	1.3	1.4	1.4
NNPA	0.2	0.4	0.3	0.4	0.4	0.4
Provision Coverage	72.7	71.5	82.4	67.8	68.6	70.0
Credit Cost	0.6	0.5	0.5	0.4	0.4	0.4
Capital Adequacy						
CAR	17.9	19.0	16.8	17.7	18.2	18.4
Tier I	18.9	21.2	18.8	19.6	19.7	19.7
Valuation						
EPS	66.7	79.1	80.0	88.1	98.0	111.4
ABV	427.6	489.4	585.1	657.0	748.8	853.9
P/E	28.6	24.1	23.8	21.7	19.5	17.1
P/ABV	4.5	3.9	3.3	2.9	2.5	2.2
ROE	16.7	17.0	16.9	14.3	14.0	13.9
ROA	1.9	1.9	2.0	1.8	1.8	1.9
RORWA	2.7	2.1	2.5	2.5	2.5	2.6

Source: Company; IDBI Capital Research; Note: * Merged figures

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