



CMP: ₹1570-1630

BUY

TP: ₹2000

Upside: 25%

- HDFC Bank is the largest private sector bank in India with a market share of ~10.3% in system loans as of FY21. It has a strong national network of 5,608 branches spread across urban and rural markets, a high-quality deposit franchise, well-diversified revenue mix, strong asset quality, and consistent financial performance.
- We see some greenshoots of high yielding retail/SME loan growth improving and asset quality stabilizing, giving room to HDFC Bank to invest in tech and franchise in a highly competitive environment.
- NIMs stable QoQ at 4.1% , Fees (incl. forex income) grew 14/29% QoQ/YoY and Opex grew 14/15% QoQ/YoY led by additional ESOP prov. of Rs830mn.
- GNPA ratio in the corporate segment is low at 0.55% reflecting strong asset quality, while it is also low in the retail segment at 1.37% driven by stronger underwriting.
- HDFC Bank continued to scale-up its branch network in 2QFY22, adding 33 branches. Further, ~400 branches are in various stages of readiness and would be opened shortly.
- Credit card spends grew 36% YoY and 27% QoQ in the quarter. The ban on issuance of new credit cards was lifted by the RBI on August 18, 2021 post which they issued ~416k cards in the last 5 weeks of 2QFY22 which they expect to sustain.
- We expect trend to improve going forward. Best-in-class CAR of ~20% and CET 1 of ~17.4% shall ensure dilution-free growth ahead, and liquidity levels should help the Bank. ROA/ROE is expected to be best in class at ~2/18%.

Financial Summary

Consolidated (₹bn)	Revenue	CAR (%)	EPS	EPS growth (%)	P/E (x)	RoE (%)
FY22E	1040.7	19.2	66	17.5	25.4	16.7
FY23E	1208.0	19.4	78	18.2	21.5	17.3



Disclaimer:

Recommendation Parameters for Fundamental/Technical Reports:

Buy – Absolute return of over +10%

Accumulate – Absolute return between 0% to +10%

Reduce – Absolute return between 0% to -10%

Sell – Absolute return below -10%

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Investment

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