

Estimate change 

TP change 

Rating change 

| Bloomberg | HDFCB IN |
|-----------------------|-----------------|
| Equity Shares (m) | 7631 |
| M.Cap.(INRb)/(USD\$b) | 12833.8 / 152.6 |
| 52-Week Range (INR) | 1794 / 1363 |
| 1, 6, 12 Rel. Per (%) | 1/0/-16 |
| 12M Avg Val (INR M) | 33540 |

Financials & Valuations (INR b)

| Y/E | FY24 | FY25E | FY26E |
|---------------|-------|-------|-------|
| NII | 1,085 | 1,217 | 1,367 |
| OP | 944 | 994 | 1,138 |
| NP | 608 | 670 | 761 |
| NIM (%) | 3.4 | 3.4 | 3.5 |
| EPS (INR) | 80.0 | 88.2 | 100.1 |
| EPS Gr. (%) | 1.0 | 10.2 | 13.5 |
| BV/Sh. (INR) | 580 | 648 | 727 |
| ABV/Sh. (INR) | 555 | 619 | 695 |

Ratios

| | | | |
|---------|------|------|------|
| RoA (%) | 1.8 | 1.8 | 1.8 |
| RoE (%) | 14.6 | 14.4 | 14.6 |

Valuations

| | | | |
|------------|------|------|------|
| P/E(X) | 21.0 | 19.1 | 16.8 |
| P/E(X)* | 17.3 | 15.7 | 13.8 |
| P/BV (X) | 2.9 | 2.6 | 2.3 |
| P/ABV (X)* | 2.5 | 2.2 | 2.0 |

* adjusted for subs

Shareholding pattern (%)

| As On | Sep-24 | Jun-24 | Sep-23 |
|----------|--------|--------|--------|
| Promoter | 0.0 | 0.0 | 0.0 |
| DII | 30.6 | 30.7 | 26.5 |
| FII | 55.0 | 54.3 | 58.6 |
| Others | 14.4 | 15.0 | 14.9 |

FII Includes depository receipts

CMP: INR1,682

TP: INR2,050 (+22%)

Buy

Steadily moving towards improved growth and profitability NIMs stable despite liquidity built-up; CD ratio, LCR improves sharply

- HDFC Bank (HDFCB) reported steady performance in 2QFY25, with net earnings of INR168.2b (~3% beat).
- NIMs declined 1bp QoQ to 3.46%, while the C/D ratio declined sharply by ~4% QoQ to 99.8%.
- Provisions were 5% higher than MOFSLe at INR27b. The bank utilized INR7b of contingent provisions pursuant to the reversal of AIF provisions. HDFCB is holding total provisions (floating and contingent) of INR262b.
- GNPA ratio increased 3bp QoQ to 1.36%, while PCR remained stable at 71.2%. Fresh slippages stood at INR78b (1.3% of loans).
- Given that the bank is focusing on bringing C/D to a normalized level, we trim our loan growth estimates to 7%/10% for FY25/FY26. Thus, we estimate C/D to improve to 97.1%/92.2% in FY25/FY26.
- **We estimate HDFCB to report gradual recovery in loan growth over FY25-27E with earnings growth accelerating faster. We thus estimate HDFCB to deliver FY26E RoA/RoE of 1.8%/14.6%. We reiterate our BUY rating with a TP of INR2,050 (2.4x Sep'26E ABV + INR295 for subs).**

Credit growth modest; fresh slippages remain under control

- NII grew 10% YoY to INR301.1b (in line), while NIMs saw a marginal decline of 1bp QoQ to 3.46% despite a rise in cash and bank balances. Other income grew 7.2% YoY/7.6% QoQ amid better core fee income. In 1HFY25, earnings grew 18% YoY to INR329b and we estimate 2HFY25 earnings to grow ~5.7% YoY to INR340b.
- Opex rose 1.6% QoQ to INR168.9b (in line). The C/I ratio, thus, declined to 40.6%. PPop grew by 3.4% QoQ to INR247.1b (in line).
- Loans grew at a modest 1.3% QoQ amid slower growth in home loans and a 3% QoQ dip in corporate book, while most of the other segments continued to do well. Deposit growth was robust at 5.1% QoQ, while the CASA ratio declined 70bp QoQ to 35.3%. We estimate a gradual recovery in loan growth at 7%/10%/13% YoY over FY25/FY26/27 respectively and expect a ~15% deposit CAGR over FY24-26.
- C/D declined sharply by 375bp QoQ to 99.8% as the bank aims to bring down C/D ratio at an accelerated pace while also focusing on profitability. We estimate C/D to decline to ~92% by FY26.
- GNPA/NNPA ratios increased 3bp/2bp QoQ to 1.36%/0.41%. PCR was broadly stable at 71.2%. HDFCB holds total provisions (contingent + floating) of INR262b or 1.1% of loans. CAR improved to 19.8%, with Tier 1 at 17.8% (CET1 at 17.3%).
- **Subsidiary performance: HDB Financial** reported loan growth of 27% YoY/3% QoQ to INR986b, while PAT stood at INR5.9b vs. INR6.0b in 2QFY24. GS3 assets increased to 2.1%, while CAR was 19.3%. **HDFC Securities:** Revenue jumped 52% YoY to INR9.1b, while PAT rose 49.5% YoY to INR3.2b.

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Highlights from the management commentary

- AIF provisions were fully provided at 100% for the bank's contribution to the AIF, eliminating the need for proportionate provisioning, which led to a reduction in contingent provisions.
- The bank's LCR target is 100-120%, with a historical average of 115%. In 2Q, LCR reached 128%, driven by granular retail deposits. The bank aims to optimize deposits.
- **Loan mix:** 69-70% is EBLR, with MCLR being a small part of EBLR. The remaining 30% of the book is fixed-rate. The corporate book accounts for 19% of total loans, with a majority potentially under MCLR.

Valuation and view: Reiterate BUY with a TP of INR 2,050

HDFCB posted an in-line performance in 2QFY25, characterized by stable margins and healthy asset quality. Deposit growth was strong, while advances growth was tepid, aligning with the bank's strategy to reduce C/D in an accelerated manner. Asset quality witnessed a slight deterioration, while PCR was broadly stable at ~71.2%. However, HDFCB holds healthy provisions (floating + contingent) of INR262b or 1.1% of loans. Given that the bank is focusing on bringing down C/D in an accelerated manner, we factor in a moderation in loan growth in FY25/FY26 to 7%/10%. However, the gradual retirement of high-cost borrowings, along with an improvement in operating leverage, will support return ratios over the coming years. **We estimate HDFCB to report gradual recovery in loan growth over FY25-27E with earnings growth accelerating faster. We thus estimate HDFCB to deliver FY26E RoA/RoE of 1.8%/14.6%. We reiterate our BUY rating with a TP of INR2,050 (2.4x Sep'26E ABV + INR295 for subs).**

Quarterly performance**(INR b)**

| | FY24 | | | | FY25E | | | | FY24 | FY25E | FY25E | V/s our |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|----------------|--------------|-------------|
| | 1Q | 2Q | 3Q | 4Q | 1QE | 2Q | 3QE | 4QE | | 2QE | Est (%) | |
| Net Interest Income | 236.0 | 273.9 | 284.7 | 290.8 | 298.4 | 301.1 | 305.4 | 311.9 | 1,085.3 | 1,216.8 | 298.1 | 1.0% |
| % Change (Y-o-Y) | 21.1 | 30.3 | 23.9 | 24.5 | 26.4 | 10.0 | 7.3 | 7.3 | 25.0 | 12.1 | 8.9 | |
| Other Income | 92.3 | 107.1 | 111.4 | 181.7 | 106.7 | 114.8 | 118.0 | 123.3 | 492.4 | 462.9 | 114.6 | 0.2% |
| Total Income | 328.3 | 380.9 | 396.1 | 472.4 | 405.1 | 416.0 | 423.4 | 435.2 | 1,577.7 | 1,679.7 | 412.8 | 0.8% |
| Operating Expenses | 140.6 | 154.0 | 159.6 | 179.7 | 166.2 | 168.9 | 172.9 | 178.0 | 633.9 | 686.0 | 169.0 | -0.1% |
| Operating Profit | 187.7 | 226.9 | 236.5 | 292.7 | 238.8 | 247.1 | 250.6 | 257.2 | 943.9 | 993.7 | 243.7 | 1.4% |
| % Change (Y-o-Y) | 22.2 | 30.5 | 24.3 | 57.2 | 27.2 | 8.9 | 6.0 | -12.1 | 34.1 | 5.3 | 7.4 | |
| Provisions | 28.6 | 29.0 | 42.2 | 135.1 | 26.0 | 27.0 | 27.4 | 25.8 | 234.9 | 106.2 | 25.7 | 5.2% |
| Profit before Tax | 159.1 | 197.9 | 194.3 | 157.6 | 212.8 | 220.1 | 223.2 | 231.4 | 709.0 | 887.4 | 218.1 | 0.9% |
| Tax | 39.6 | 38.1 | 30.6 | -7.5 | 51.1 | 51.8 | 54.9 | 59.6 | 100.8 | 217.4 | 54.5 | |
| Net Profit | 119.5 | 159.8 | 163.7 | 165.1 | 161.7 | 168.2 | 168.3 | 171.8 | 608.1 | 670.0 | 163.5 | 2.9% |
| % Change (Y-o-Y) | 30.0 | 50.6 | 33.5 | 37.1 | 35.3 | 5.3 | 2.8 | 4.0 | 37.9 | 10.2 | 2.4 | |
| Operating Parameters | | | | | | | | | | | | |
| Deposit | 19,131 | 21,729 | 22,140 | 23,798 | 23,791 | 25,001 | 25,846 | 27,391 | 23,798 | 27,391 | 24,695 | |
| Loan | 16,157 | 23,312 | 24,461 | 24,849 | 24,635 | 24,951 | 25,718 | 26,588 | 24,849 | 26,588 | 25,144 | |
| Deposit Growth (%) | 19.2 | 29.8 | 27.7 | 26.4 | 24.4 | 15.1 | 16.7 | 15.1 | 26.4 | 15.1 | 13.7 | |
| Loan Growth (%) | 15.8 | 57.5 | 62.3 | 55.2 | 52.5 | 7.0 | 5.1 | 7.0 | 55.2 | 7.0 | 7.9 | |
| Asset Quality | | | | | | | | | | | | |
| Gross NPA (%) | 1.2 | 1.3 | 1.3 | 1.2 | 1.3 | 1.4 | 1.4 | 1.3 | 1.2 | 1.3 | 1.3 | |
| Net NPA (%) | 0.3 | 0.4 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 | 0.3 | 0.4 | 0.4 | |
| PCR (%) | 74.9 | 74.4 | 75.3 | 74.0 | 71.2 | 71.2 | 71.3 | 71.4 | 74.0 | 71.4 | 71.5 | |

E: MOFSL Estimates

Quarterly snapshot

| Profit and Loss (INR b) | FY24 | | | | FY25 | | Change (%) | |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|-----------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | YoY | QoQ |
| Interest Income | 485.9 | 677.0 | 705.8 | 714.7 | 730.3 | 740.2 | 9.3 | 1.3 |
| Interest Expenses | 249.9 | 403.1 | 421.1 | 424.0 | 432.0 | 439.0 | 8.9 | 1.6 |
| Net Interest Income | 236.0 | 273.9 | 284.7 | 290.8 | 298.4 | 301.1 | 10.0 | 0.9 |
| Other Income | 92.3 | 107.1 | 111.4 | 181.7 | 106.7 | 114.8 | 7.2 | 7.6 |
| Trading profits | 5.5 | 10.4 | 14.7 | 75.9 | 2.2 | 2.9 | -72.1 | 31.8 |
| Total Income | 328.3 | 380.9 | 396.1 | 472.4 | 405.1 | 416.0 | 9.2 | 2.7 |
| Operating Expenses | 140.6 | 154.0 | 159.6 | 179.7 | 166.2 | 168.9 | 9.7 | 1.6 |
| Employee | 47.8 | 51.7 | 53.5 | 69.4 | 58.5 | 59.9 | 15.8 | 2.3 |
| Others | 92.7 | 102.3 | 106.1 | 110.3 | 107.7 | 109.1 | 6.6 | 1.2 |
| Operating Profits | 187.7 | 226.9 | 236.5 | 292.7 | 238.8 | 247.1 | 8.9 | 3.4 |
| Core Operating Profits | 182.2 | 216.5 | 221.8 | 216.8 | 236.6 | 244.2 | 12.8 | 3.2 |
| Provisions | 28.6 | 29.0 | 42.2 | 135.1 | 26.0 | 27.0 | -7.0 | 3.8 |
| PBT | 159.1 | 197.9 | 194.3 | 157.6 | 212.8 | 220.1 | 11.2 | 3.4 |
| Taxes | 39.6 | 38.1 | 30.6 | -7.5 | 51.1 | 51.8 | 35.9 | 1.5 |
| PAT | 119.5 | 159.8 | 163.7 | 165.1 | 161.7 | 168.2 | 5.3 | 4.0 |
| Balance Sheet (INR t) | | | | | | | | |
| Loans | 16.2 | 23.3 | 24.5 | 24.8 | 24.6 | 25.0 | 7.0 | 1.3 |
| Advances inc IBPC | 17.1 | 24.5 | 25.3 | 25.8 | 25.8 | 26.3 | 7.3 | 2.3 |
| Advances exc IBPC | 16.3 | 23.5 | 24.7 | 25.1 | 24.9 | 25.2 | 7.0 | 1.3 |
| Deposits | 19.1 | 21.7 | 22.1 | 23.8 | 23.8 | 25.0 | 15.1 | 5.1 |
| CASA Deposits | 8.1 | 8.2 | 8.4 | 9.1 | 8.6 | 8.8 | 8.1 | 2.3 |
| - Savings | 5.6 | 5.7 | 5.8 | 6.0 | 6.0 | 6.1 | 6.7 | 2.0 |
| - Current | 2.5 | 2.5 | 2.6 | 3.1 | 2.7 | 2.8 | 11.2 | 3.0 |
| Loan mix (%) | | | | | | | | |
| Retail | 38.6 | 48.9 | 48.2 | 49.0 | 49.8 | 50.0 | 109 | 18 |
| -Home loan | 6.4 | 29.2 | 29.4 | 30.1 | 30.6 | 30.5 | 127 | -12 |
| -Personal loan | 10.4 | 7.3 | 7.2 | 7.2 | 7.2 | 7.2 | -8 | -2 |
| Commercial and Rural | 33.0 | 25.8 | 26.9 | 27.2 | 27.7 | 28.2 | 238 | 53 |
| Agriculture | 4.7 | 3.7 | 3.7 | 4.1 | 3.9 | 4.1 | 42 | 22 |
| Wholesale | 23.7 | 21.6 | 21.2 | 19.7 | 18.7 | 17.7 | -389 | -92 |
| Asset Quality (INR b) | | | | | | | | |
| GNPA | 190.6 | 315.8 | 310.1 | 311.7 | 330.3 | 342.5 | 8.5 | 3.7 |
| NNPA | 47.8 | 80.7 | 76.6 | 80.9 | 95.1 | 103.1 | 27.7 | 8.4 |
| Slippages | 58.0 | 78.0 | 70.0 | 73.0 | 79.0 | 78.0 | 0.0 | -1.3 |
| Asset Quality Ratios (%) | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | YoY (bp) | QoQ (bp) |
| GNPA | 1.17 | 1.34 | 1.26 | 1.24 | 1.33 | 1.36 | 2 | 3 |
| NNPA | 0.30 | 0.35 | 0.31 | 0.33 | 0.39 | 0.41 | 6 | 2 |
| PCR (Calc.) | 74.9 | 74.4 | 75.3 | 74.0 | 71.2 | 69.9 | -453 | -131 |
| Slippage ratio | 1.4 | 1.9 | 1.2 | 1.2 | 1.5 | 1.3 | -64 | -26 |
| Business Ratios (%) | | | | | | | | |
| CASA (Reported) | 42.5 | 37.6 | 37.7 | 38.2 | 36.0 | 35.3 | -230 | -70 |
| Loan/Deposit | 84.5 | 107.3 | 110.5 | 104.4 | 103.5 | 99.8 | -749 | -375 |
| Other income/Total Income | 28.1 | 28.1 | 28.1 | 38.5 | 26.3 | 27.6 | -50 | 127 |
| Cost to Income | 42.8 | 40.4 | 40.3 | 38.0 | 41.0 | 40.6 | 18 | -43 |
| Cost to Assets | 2.4 | 2.2 | 2.2 | 2.4 | 2.2 | 1.9 | -28 | -29 |
| Tax Rate | 24.9 | 19.3 | 15.7 | -4.8 | 24.0 | 23.6 | 429 | -44 |
| Capitalisation Ratios (%) | | | | | | | | |
| Tier-1 | 16.9 | 17.8 | 16.8 | 16.8 | 17.3 | 17.8 | 0 | 50 |
| - CET 1 | 16.2 | 17.3 | 16.3 | 16.3 | 16.8 | 17.3 | 0 | 50 |
| CAR | 18.9 | 19.5 | 18.4 | 18.8 | 19.3 | 19.8 | 30 | 50 |
| RWA / Total Assets | 66.8 | 63.6 | 68.0 | 68.0 | 69.0 | 67.0 | 336 | -200 |
| LCR | 125.7 | 120.5 | 109.8 | 115.2 | 123.3 | 128.0 | 750 | 466 |
| Profitability Ratios (%) | | | | | | | | |
| Yield on loans | 10.1 | 11.4 | 11.5 | 11.4 | 11.5 | 9.8 | -155 | -167 |
| Yield on funds | 9.5 | 10.7 | 11.0 | 10.8 | 10.9 | 9.4 | -128 | -147 |
| Cost of funds | 4.0 | 4.8 | 4.9 | 4.9 | 4.9 | 4.9 | 10 | 0 |
| Margins | 4.10 | 3.40 | 3.40 | 3.44 | 3.47 | 3.46 | 6 | -1 |
| Other Details | | | | | | | | |
| Branches | 7,860 | 7,945 | 8,091 | 8,738 | 8,851 | 9,092 | 1,147 | 241 |
| Employees (K) | 181.7 | 197.9 | 208.1 | 213.5 | 213.1 | 206.8 | 8.9 | -6.3 |



Highlights from the management commentary

Opening remarks by MD and CEO Mr. Sashidhar Jagdishan

- Liquidity has been improving over the past few months, while deposit rates remain stable. Credit growth across the system continues to outpace expectations.
- The bank has seen robust deposit growth, with 84% of total deposits coming from retail branches.
- Growth in FY25 is expected to be slower than that of the system, but by FY26E, it will align with system growth.
- Loan and deposit growth across the system should converge in FY25.
- NIMs have remained steady within the 3.4-3.5% range.
- GNPA was steady at 1.4%. PAT grew 5.3% YoY to INR168b.

Yields, cost and margins

- Loan yields currently stand at 8-10%, with the legacy bank having 50bp higher yields than other banks.
- In CRB and rural banking, the bank has adopted a flexible approach to drive both growth and yields. However, on the wholesale side, loan spreads are not aligning with bond spreads.
- The bank has maintained a matched modified duration for its balance sheet, ensuring that NIMs remain stable.
- The bank holds hedges on its liability side, which originated from former HDFC Ltd.

Deposits

- The deposit momentum is stable, and the bank does not want to disrupt it in the highly competitive market.
- The bank has continued to outperform the industry in deposit growth, resulting in market share gains without setting a specific target for deposit growth.
- Changes in interest rates are inelastic when it comes to building savings balances, and the bank cannot act independently; it must monitor how the broader system evolves. The bank will adopt a wait-and-see approach to rates.
- HDFCB will be opportunistic in bringing down borrowings in the future.

Loans

- Growth in unsecured loans has slowed to 9-10% from 19% in FY24. The bank anticipated this and used it as an opportunity to adjust.
- Among private banks, HDFCB holds the highest market share in personal loans, is a leader in auto loans, and also dominates the credit card market.
- Among customers with a credit score above 750, the bank has the highest share of applications. The bank plans to carefully select the right customers and grow at the right time.
- In emerging loans, customers are more rate-sensitive, requiring a balance between interest rates and growth.
- RWA density has decreased from 69% to 67%, due to holding higher liquid assets.

- Loan mix: 69-70% is EBLR, with MCLR being a small part of EBLR. The remaining 30% of the book is fixed-rate loans. The corporate book accounts for 19%, with a majority potentially under MCLR.
- The bank aims to secure as many loans as possible, but only at efficient pricing.

Other income

- Fees reached INR80b, up 17% YoY. Distribution products performed strongly, with 32% YoY growth. Retail categories combined grew by 15.5%, while wholesale grew by 5%, contributing to overall fee growth of 17%. Fee income is expected to grow in the 14-17% range.
- Securitization: The excess spread is not considered a fee and will be amortized over the life of the loan. Securitization of loans does not impact fee income.

Contingent provisions

- AIF provisions were fully provided at 100% for the bank's contribution to AIF, eliminating the need for proportionate provisioning, which led to a reduction in contingent provisions.

PSL

- The bank is nearing 50% of the aggregate target level. SMF was slightly lower, around 1%.
- The bank's PSL efforts are primarily focused on SMF and weaker sections. The bank is committed to maximizing its original approach to these areas.

C/D and LCR

- The bank's C/D was around 86% prior to the merger, funded through longer-term borrowings. The borrowings mix was 7-8%, but for better alignment, it has increased to 16%.
- Initially, the bank expected the C/D to reach 85-90% over 5-6 years, but with current opportunities, the strategy has shifted to achieving this target within 2-3 years with an accelerated pace.
- On the loan side, the bank is moving cautiously with larger ticket sizes and does not have a specific target in mind.
- The bank's LCR target is 100-120%, with a historical average of 115%. In 2Q, LCR reached 128%, driven by granular retail deposits. The bank aims to optimize deposits.
- Feedback on the draft LCR guidelines has been submitted, but there is uncertainty regarding the final outcome. The bank remains in a strong position to capture a good share of deposits.
- The elevated LCR of 129% is a temporary situation caused by timing differences, and the bank will adjust as the regulatory framework normalizes.

Asset quality

- For the past couple of years, the bank has been cautious in its developments. Retail disbursements are increasing, and the bank is positioning itself ahead of the curve. It remains watchful of the broader ecosystem, not identifying any red flags while calibrating its growth.

- In 1Q, slippages are typically higher due to seasonality, but 2Q has seen a stable slippage ratio. While NPAs remain stable, 2Q has historically shown some improvement due to seasonality, though seasonal patterns vary from year to year.

Opex

- Total expenses grew 10%. The bank reduced headcounts to some extent. There is no specific strategy around the same and may look more closely at this.

Branch expansion

- The bank added 240 branches in 2Q and 350 so far in 1HFY25 (vs. 917 in FY24). HDFCB plans to grow its branch network as credit growth has been benign.

RBI draft circular's impact on HDB Financials

- Comments are required by Nov'24. HDB is a regulated entity operating under the RBI and meets all the conditions of the license. Its policy and procedure are in line with the bank's principals.
- HDFCB operates on a program basis and HDB works on a touch-and-feel basis. Both operate in a different model. The credit evaluation is at a draft stage.
- The upper layer circular had come a few years ago, which required the bank to list HDB in a time frame. The process is now kicked off.

Loan growth modest at 1.3% QoQ amid a decline in wholesale book

- The merged entity's loan book grew modestly by 1.3% QoQ to ~INR24.95t, while deposits grew strongly to ~INR25t on a merged basis. As a result, the C/D ratio for the merged entity moderated sharply to 99.8% in 2QFY25.
- As per its internal classification, retail loans grew 2.6% QoQ, commercial and rural banking (excluding Agri) rose 4.2% QoQ, agri grew 8% QoQ, and wholesale advances declined 2.8% QoQ.
- The share of retail loans increased to 50% in 2QFY25.

Exhibit 1: Loan growth was modest at 1.3% QoQ amid moderate growth in home loans and decline in corporate book (INR b)

| Gross Loan composition - Internal (INR b) | 2Q24 | 1Q25 | 2Q25 | YoY (%) | QoQ (%) |
|---|---------------|---------------|---------------|-------------|-------------|
| Auto Loans | 1,255 | 1,330 | 1,375 | 9.5% | 3.4% |
| 2 wheeler loans | 109.57 | 120 | 125 | 14.1% | 4.2% |
| Personal loans | 1,787 | 1,859 | 1,896 | 6.1% | 2.0% |
| Payment Products | 909.07 | 1034 | 1,097 | 20.7% | 6.1% |
| Home loans | 7,171 | 7,880 | 8,028 | 12.0% | 1.9% |
| Gold Loans | 126.04 | 149 | 159 | 26.2% | 6.7% |
| Other Retail | 637.6 | 445 | 475 | -25.5% | 6.7% |
| Retail Total | 11,995 | 12,817 | 13,155 | 9.7% | 2.6% |
| Commercial and Rural Banking | 6,339 | 7,127 | 7,427 | 17.2% | 4.2% |
| Agriculture | 904.87 | 1001 | 1,081 | 19.5% | 8.0% |
| Corporate & Other wholesale | 4,281 | 4,805 | 4,671 | 9.1% | -2.8% |
| eHDFCL Non-Individual | 1027.55 | 0 | 0 | 0.0% | 0.0% |
| Total Gross Advances | 24,548 | 25,750 | 26,334 | 7.3% | 2.3% |
| IBPC/BRDS | -809.5 | -881 | -1144 | | |
| Gross Advances exc. IBPC/BRDS | 23,546 | 24,869 | 25,190 | 7.0% | 1.3% |

*standalone numbers

Source: MOFSL, company

CASA grew ~2% QoQ; term deposits grew ~7% QoQ

NIM at 3.46% (down 1bp QoQ), CASA ratio declines 70bp QoQ to 35%

- Reported NIM declined 1bp QoQ to 3.46% in 2QFY25.
- CASA deposits grew 2% QoQ (+8.1% YoY); CA/SA deposits improved 3%/2% QoQ during the quarter.
- Term deposits grew 19.3% YoY and 6.7% QoQ, resulting in a 70bp QoQ decline in CASA ratio to 35.3% during the quarter.

Fee income up 15.5% QoQ

- Core fee income grew 17.4% YoY/15.5% QoQ to INR81.4b amid steady retail growth.
- Total other income grew 2.7% QoQ (+9.2% YoY).
- Opex grew 9.7% YoY and 1.6% QoQ. The C/I ratio came in at 40.6% vs. 40.4% in 2QFY24.

PCR stable at ~71% in 2QFY25

Asset quality ratios see a marginal uptick; PCR at 72% for the merged entity

- The asset quality ratio deteriorated, with GNPA/NNPA ratios at 1.36%/0.41%. Fresh slippages stood at INR78b (1.3%). The coverage ratio stood at ~71%.
- Recoveries stood at INR36b, whereas write-offs were at INR29b as of 2QFY25.
- Contingent and floating provisions amounted to INR262b/1.1% as of 2QFY25.

Story in charts

Exhibit 2: Loans/deposits grew 1.3%/5.1% QoQ in 2QFY25

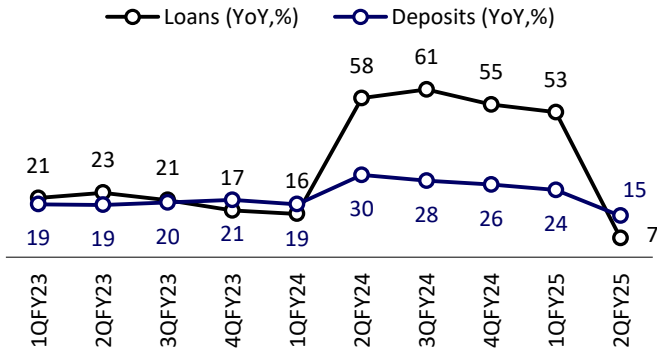


Exhibit 3: Mix of Retail loans improved to 50% during 2Q

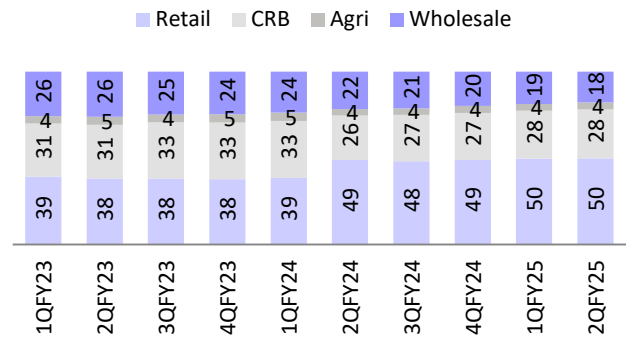


Exhibit 4: NIM declined 1bp; CASA mix declines 70bp QoQ

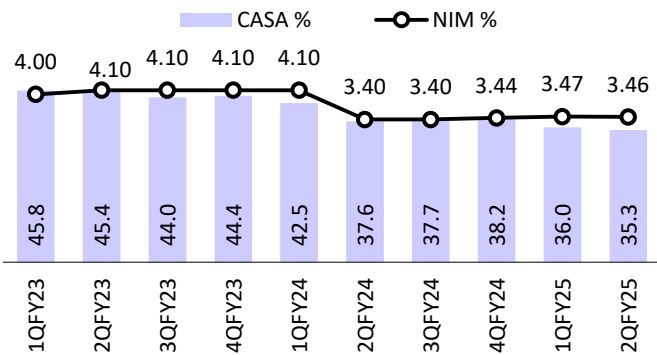


Exhibit 5: Bank added 241 branches in 2QFY25

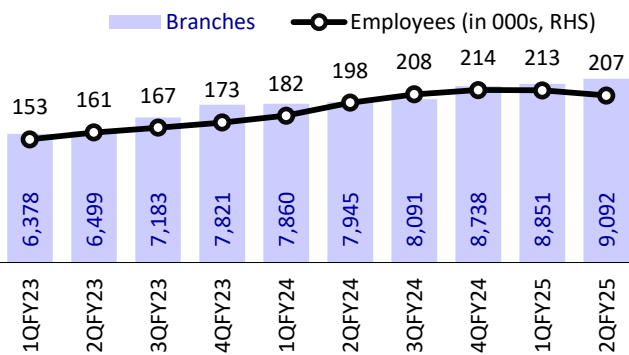


Exhibit 6: C/I ratio stood at 40.6% in 2QFY25

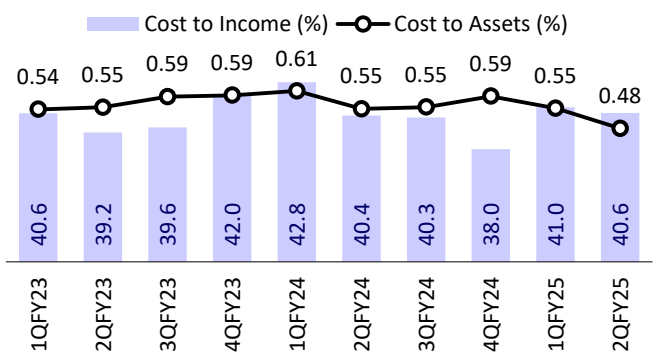


Exhibit 7: CD/LCR ratio improved to 99.8%/128% in 2QFY25

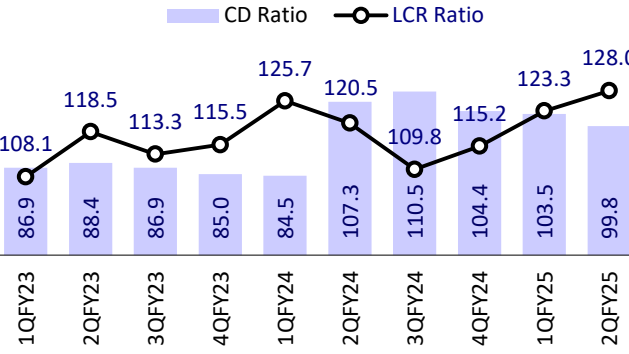


Exhibit 8: Slippages ratio decreased to ~1.29%

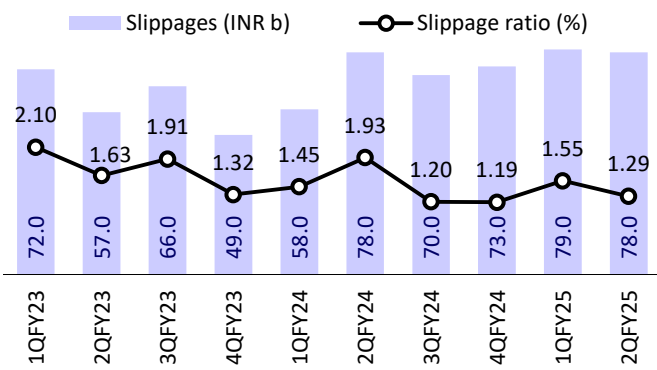
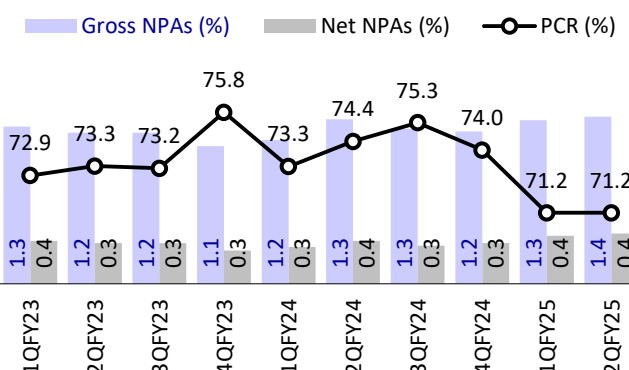


Exhibit 9: GNPA/NNPA ratio stood at 1.4%/0.4% in 2QFY25



Source: MOFSL, Company

Source: MOFSL, Company

Subsidiary performance and consolidated snapshot

Exhibit 10: HDB Financials' loans grew 27% YoY...

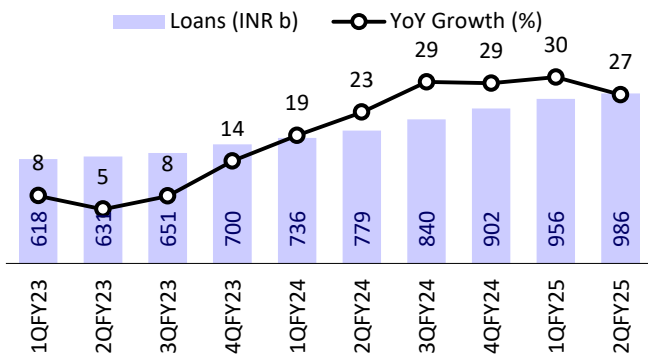


Exhibit 11: ...while PAT declined 1.8% YoY

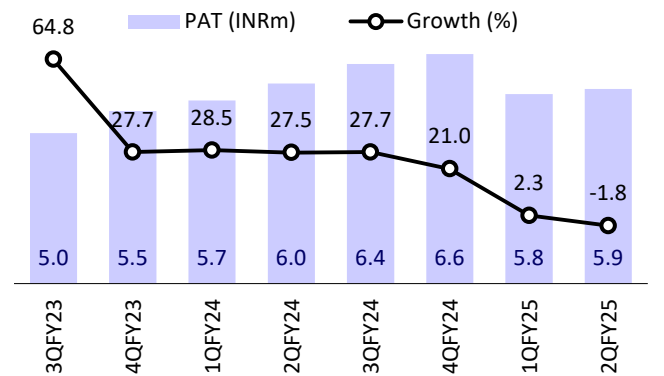


Exhibit 12: HDFC Life's NBP margin stood at 24%

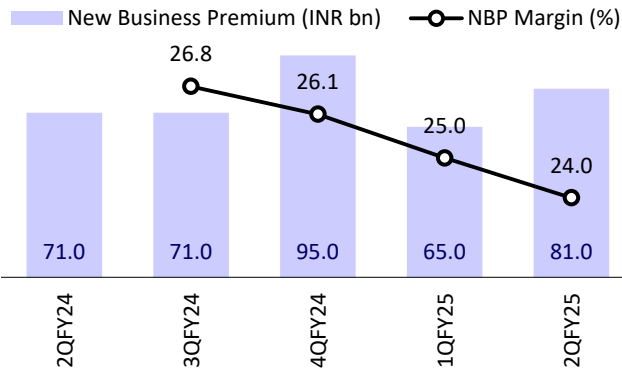


Exhibit 13: HDFC Life's AUM reached INR3.2t

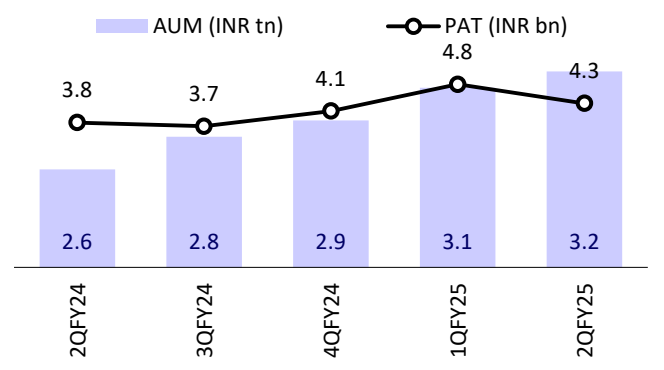


Exhibit 14: HDFC AMC: PAT stood at 5.8b in 2QFY25

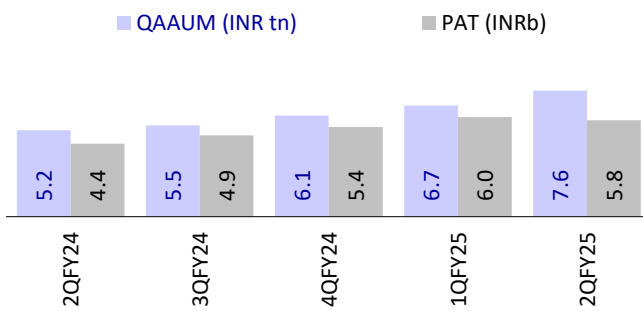


Exhibit 15: HDFC Sec: Both revenue & PAT grew healthy

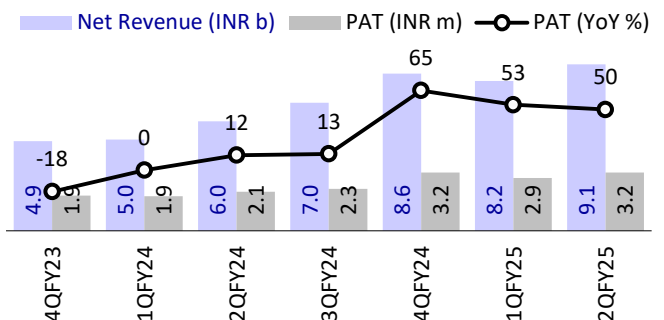


Exhibit 16: HDFC Ergo's PAT stood at 2b

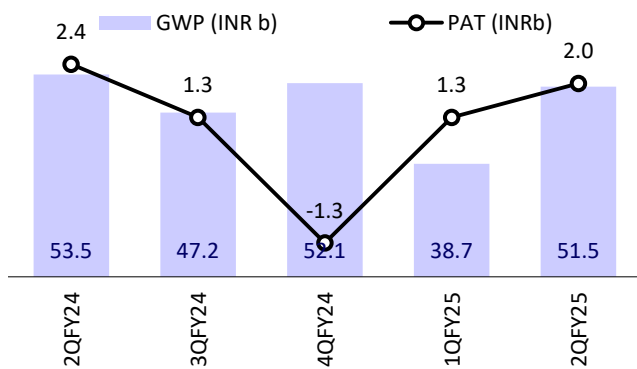


Exhibit 17: HDFC Bank's Consol. PAT overview

| INR b | 2QFY24 | 1QFY25 | 2QFY25 | YoY (%) | QoQ (%) |
|-----------------------|--------------|--------------|--------------|--------------|--------------|
| Stand Bank | 159.8 | 161.7 | 168.2 | 5% | 4% |
| HDB Financials | 6.0 | 5.8 | 5.9 | -2% | 2% |
| HDFC Life | 3.8 | 4.8 | 4.3 | 13% | -10% |
| HDFC AMC | 4.4 | 6.0 | 5.8 | 32% | -3% |
| HDFC Securities | 2.1 | 2.9 | 3.2 | 50% | 10% |
| HDFC Ergo | 2.4 | 1.3 | 2.0 | -17% | 54% |
| Reported Total | 168.1 | 164.7 | 189.4 | 12.7% | 15.0% |
| Stand. EPS | 21.1 | 21.3 | 21.3 | | |
| Consol. EPS | 22.2 | 21.7 | 21.7 | | |

Source: MOFSL, Company

Source: MOFSL, Company

Valuation and view: Reiterate Buy with a TP of INR2,050

- HDFCB posted an in-line performance in 2QFY25, characterized by stable margins and healthy asset quality. Deposit growth was strong, while advances growth was tepid, aligning with the bank's strategy to reduce C/D in an accelerated manner.
- Asset quality witnessed a slight deterioration, while PCR was broadly stable at ~71.2%. However, HDFCB holds healthy provisions (floating + contingent) of INR262b or 1.1% of loans.
- Given that the bank is focusing on bringing down the C/D ratio in an accelerated manner, we factor in a moderation in loan growth in FY25/FY26 to 7%/10%. However, the gradual retirement of high-cost borrowings, along with an improvement in operating leverage, will support return ratios over the coming years.
- **We estimate HDFCB to report gradual recovery in loan growth over FY25-27E with earnings growth accelerating faster. We thus estimate HDFCB to deliver FY26E RoA/RoE of 1.8%/14.6%. We reiterate our BUY rating with a TP of INR2,050 (2.4x Sep'26E ABV + INR295 for subs).**

Exhibit 18: Changes to our estimates

| INR b | Old Estimates | | New Estimates | | Change (%/bps) | |
|--------------------------|----------------|----------------|----------------|----------------|----------------|-------------|
| | FY25 | FY26 | FY25 | FY26 | FY25 | FY26 |
| Net Interest Income | 1,237.0 | 1,374.6 | 1,216.8 | 1,366.5 | -1.6 | -0.6 |
| Other Income | 477.6 | 549.3 | 462.9 | 532.3 | -3.1 | -3.1 |
| Total Income | 1,714.7 | 1,923.9 | 1,679.7 | 1,898.8 | -2.0 | -1.3 |
| Operating Expenses | 698.1 | 777.6 | 686.0 | 760.3 | -1.7 | -2.2 |
| Operating Profits | 1,016.6 | 1,146.3 | 993.7 | 1,138.5 | -2.3 | -0.7 |
| Provisions | 118.3 | 133.3 | 106.2 | 131.2 | -10.2 | -1.6 |
| PBT | 898.3 | 1,012.9 | 887.4 | 1,007.3 | -1.2 | -0.6 |
| Tax | 220.1 | 248.2 | 217.4 | 246.8 | -1.2 | -0.6 |
| PAT | 678.2 | 764.8 | 670.0 | 760.5 | -1.2 | -0.6 |
| Loans | 26,961 | 29,711 | 26,588 | 29,247 | -1.4 | -1.6 |
| Deposits | 27,249 | 31,390 | 27,391 | 31,719 | 0.5 | 1.0 |
| Margins (%) | 3.5 | 3.5 | 3.4 | 3.5 | -5 | 0 |
| Credit Cost (%) | 0.45 | 0.46 | 0.41 | 0.46 | -4 | 0 |
| RoA (%) | 1.80 | 1.84 | 1.78 | 1.84 | -2 | 0 |
| RoE (%) | 14.5 | 14.6 | 14.4 | 14.6 | -16 | -5 |
| EPS | 89 | 101 | 88 | 100 | -1.2 | -0.6 |
| BV | 649 | 728 | 648 | 727 | -0.2 | -0.2 |
| ABV | 622 | 698 | 619 | 695 | -0.4 | -0.5 |

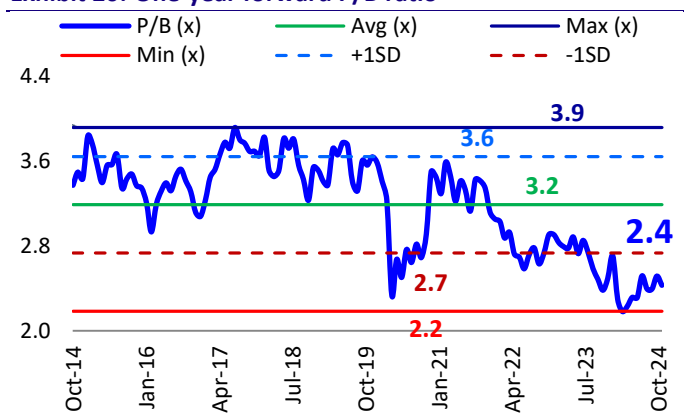
E: MOFSL Estimates

Exhibit 19: SOTP table for HDFCB

| | Stake (%) | Proportionate Value (INRb) | Value USD b | Per Shar (INR) | % of Total | Rationale |
|--|-----------|----------------------------|--------------|----------------|-------------|-------------------------|
| HDFC Bank | | 13,336.9 | 159.7 | 1,756 | 85.6 | 2.4x Sep'26E ABV |
| HDB Financial Ser | 94.6 | 954.4 | 11.4 | 126 | 6.1 | 4.5x Sep'26E Net worth |
| HDFC Securities | 95.1 | 310.2 | 3.7 | 41 | 2.0 | 18x Sep'26E PAT |
| HDFC Life Insurance | 50.4 | 989.4 | 11.8 | 130 | 6.4 | 2.8x Sep'26E EV |
| HDFC Ergo General Insurance | 50.5 | 132.1 | 1.6 | 17 | 0.8 | 25x Sep'26E PAT |
| HDFC AMC | 52.6 | 412.0 | 4.9 | 54 | 2.6 | 26x Sep'26E PAT |
| Total Value of Subs | | 2,798.1 | 33.5 | 368 | 18.0 | |
| Less: 20% holding Disc | | 559.6 | 6.7 | 74 | 3.6 | |
| Value of Subs (Post Holding Disc) | | 2,238.5 | 26.8 | 295 | 14.4 | |
| Target Price | | 15,575.4 | 186.5 | 2,050 | | |

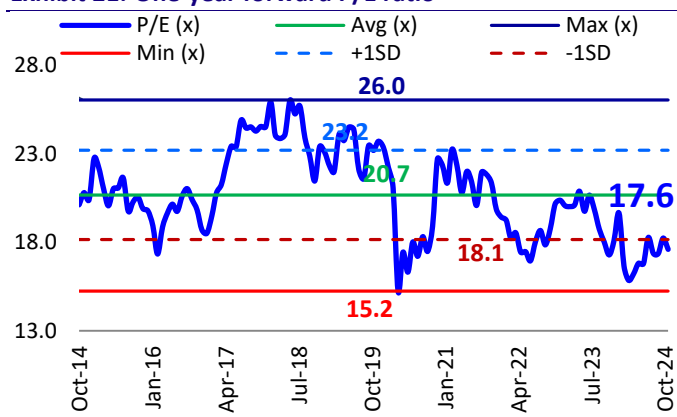
Source: Company, MOFSL

Exhibit 20: One-year forward P/B ratio



Source: MOFSL, Company

Exhibit 21: One-year forward P/E ratio



Source: MOFSL, Company

Exhibit 22: DuPont Analysis – Return ratios to improve gradually

| Y/E March | FY23 | FY24 | FY25E | FY26E | FY27E |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| Interest Income | 7.13 | 7.59 | 7.71 | 7.65 | 7.51 |
| Interest Expense | 3.30 | 4.40 | 4.49 | 4.35 | 4.19 |
| Net Interest Income | 3.83 | 3.19 | 3.23 | 3.30 | 3.32 |
| - Core Fee Income | 1.24 | 0.98 | 0.70 | 0.75 | 0.78 |
| - Trading and others | 0.13 | 0.46 | 0.53 | 0.54 | 0.53 |
| Non-Interest income | 1.38 | 1.45 | 1.23 | 1.29 | 1.31 |
| Total Income | 5.21 | 4.63 | 4.45 | 4.59 | 4.63 |
| Operating Expenses | 2.10 | 1.86 | 1.82 | 1.84 | 1.82 |
| - Employee cost | 0.68 | 0.65 | 0.65 | 0.66 | 0.65 |
| - Others | 1.42 | 1.21 | 1.17 | 1.18 | 1.17 |
| Operating Profits | 3.11 | 2.77 | 2.64 | 2.75 | 2.81 |
| Core operating Profits | 2.97 | 2.31 | 2.10 | 2.21 | 2.28 |
| Provisions | 0.53 | 0.69 | 0.28 | 0.32 | 0.32 |
| PBT | 2.58 | 2.08 | 2.35 | 2.43 | 2.49 |
| Tax | 0.63 | 0.30 | 0.58 | 0.60 | 0.61 |
| RoA | 1.95 | 1.79 | 1.78 | 1.84 | 1.88 |
| Leverage (x) | 8.7 | 8.2 | 8.1 | 7.9 | 7.9 |
| RoE | 17.0 | 14.6 | 14.4 | 14.6 | 14.9 |

Source: Company, MOFSL

Financials and valuations

| Income Statement | | | | | (INRb) |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Y/E March (INR b) | FY23 | FY24 | FY25E | FY26E | FY27E |
| Interest Income | 1,615.9 | 2,583.4 | 2,908.0 | 3,166.8 | 3,510.2 |
| Interest Expense | 747.4 | 1,498.1 | 1,691.2 | 1,800.3 | 1,958.2 |
| Net Interest Income | 868.4 | 1,085.3 | 1,216.8 | 1,366.5 | 1,552.0 |
| - growth (%) | 20.6 | 25.0 | 12.1 | 12.3 | 13.6 |
| Non Interest Income | 312.1 | 492.4 | 462.9 | 532.3 | 612.1 |
| Total Income | 1,180.6 | 1,577.7 | 1,679.7 | 1,898.8 | 2,164.1 |
| - growth (%) | 16.3 | 33.6 | 6.5 | 13.0 | 14.0 |
| Operating Expenses | 476.5 | 633.9 | 686.0 | 760.3 | 849.8 |
| Pre Provision Profits | 704.0 | 943.9 | 993.7 | 1,138.5 | 1,314.3 |
| - growth (%) | 9.9 | 34.1 | 5.3 | 14.6 | 15.4 |
| Core PPOP | 663.2 | 903.9 | 921.9 | 1,058.0 | 1,222.7 |
| Growth (%) | 10.2 | 36.3 | 2.0 | 14.8 | 15.6 |
| - growth (%) | 119.2 | 234.9 | 106.2 | 131.2 | 151.6 |
| PBT | 584.9 | 709.0 | 887.4 | 1,007.3 | 1,162.7 |
| Tax | 143.8 | 100.8 | 217.4 | 246.8 | 284.9 |
| Tax Rate (%) | 24.6 | 14.2 | 24.5 | 24.5 | 24.5 |
| PAT | 441.1 | 608.1 | 670.0 | 760.5 | 877.9 |
| Growth (%) | 19.3 | 37.9 | 10.2 | 13.5 | 15.4 |

Balance Sheet

| Y/E March (INR b) | FY23 | FY24 | FY25E | FY26E | FY27E |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Equity Share Capital | 5.6 | 7.6 | 7.6 | 7.6 | 7.6 |
| Reserves & Surplus | 2,796.4 | 4,394.9 | 4,912.9 | 5,513.9 | 6,232.3 |
| Net Worth | 2,802.0 | 4,402.5 | 4,920.5 | 5,521.5 | 6,239.8 |
| Deposits | 18,833.9 | 23,797.9 | 27,391.3 | 31,719.2 | 36,921.1 |
| Growth (%) | 20.8 | 26.4 | 15.1 | 15.8 | 16.4 |
| of which CASA Dep | 8,359.9 | 9,087.6 | 9,669.1 | 11,545.8 | 13,439.3 |
| Growth (%) | 11.3 | 8.7 | 6.4 | 19.4 | 16.4 |
| Borrowings | 2,067.7 | 6,621.5 | 5,360.3 | 4,542.6 | 4,634.9 |
| Other Liabilities & Prov. | 957.2 | 1,354.4 | 1,557.5 | 1,791.2 | 2,059.8 |
| Total Liabilities | 24,660.8 | 36,176.2 | 39,229.8 | 43,574.4 | 49,855.7 |
| Current Assets | 1,937.7 | 2,191.5 | 2,259.9 | 2,429.5 | 2,451.8 |
| Investments | 5,170.0 | 7,024.1 | 8,007.5 | 9,152.6 | 10,342.4 |
| Growth (%) | 13.5 | 35.9 | 14.0 | 14.3 | 13.0 |
| Loans | 16,005.9 | 24,848.6 | 26,588.0 | 29,246.8 | 33,048.9 |
| Growth (%) | 16.9 | 55.2 | 7.0 | 10.0 | 13.0 |
| Fixed Assets | 80.2 | 114.0 | 179.0 | 209.4 | 240.8 |
| Other Assets | 1,467.1 | 1,998.0 | 2,195.4 | 2,536.1 | 3,771.7 |
| Total Assets | 24,660.8 | 36,176.2 | 39,229.8 | 43,574.4 | 49,855.7 |

Asset Quality

| Y/E March | FY23 | FY24 | FY25E | FY26E | FY27E |
|--------------------------------|-------|-------|-------|-------|-------|
| GNPA (INR b) | 180.2 | 311.7 | 360.1 | 405.2 | 456.3 |
| NNPA (INR b) | 43.7 | 80.9 | 102.9 | 113.5 | 124.7 |
| Slippages (INR b) | 245.4 | 402.6 | 360.1 | 390.8 | 436.1 |
| GNPA Ratio (%) | 1.1 | 1.2 | 1.3 | 1.4 | 1.4 |
| NNPA Ratio (%) | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |
| Slippage Ratio (%) | 1.7 | 2.0 | 1.4 | 1.4 | 1.4 |
| Credit Cost (%) | 0.8 | 1.2 | 0.4 | 0.5 | 0.5 |
| PCR (Excl Tech. write off) (%) | 75.8 | 74.0 | 71.4 | 72.0 | 72.7 |

Source: Company, MOFSLE

Financials and valuations

Ratios

| Y/E March (INR b) | FY23 | FY24 | FY25E | FY26E | FY27E |
|------------------------------------|------------|------------|------------|------------|------------|
| Yield & Cost Ratios (%) | | | | | |
| Avg. Yield-Earning Assets | 8.0 | 8.4 | 8.6 | 8.5 | 8.4 |
| Avg. Yield on loans | 8.6 | 8.8 | 9.2 | 9.1 | 9.0 |
| Avg. Yield on Invnt | 6.5 | 6.8 | 7.0 | 6.9 | 6.9 |
| Avg. Cost-Int. Bear. Liab. | 3.9 | 5.3 | 5.4 | 5.2 | 5.0 |
| Avg. Cost of Deposits | 3.6 | 4.7 | 5.1 | 5.1 | - |
| Interest Spread | 4.1 | 3.2 | 3.3 | 3.3 | 3.4 |
| Net Interest Margin | 4.1 | 3.4 | 3.4 | 3.5 | 3.6 |

Capitalisation Ratios (%)

| | | | | | |
|---------|------|------|------|------|------|
| CAR | 19.3 | 18.8 | 20.2 | 20.2 | 19.9 |
| Tier I | 17.1 | 16.8 | 17.6 | 17.9 | 17.8 |
| - CET-1 | 16.4 | 16.3 | 17.3 | 17.8 | 17.9 |
| Tier II | 2.1 | 2.0 | 2.5 | 2.4 | 2.1 |

Business Ratios (%)

| | | | | | |
|--------------------------|------|-------|------|------|------|
| Loans/Deposit | 85.0 | 104.4 | 97.1 | 92.2 | 89.5 |
| CASA Ratio | 44.4 | 38.2 | 35.3 | 36.4 | 36.4 |
| Cost/Assets | 1.9 | 1.8 | 1.7 | 1.7 | 1.7 |
| Cost/Total Income | 40.4 | 40.2 | 40.8 | 40.0 | 39.3 |
| Cost/Core Income | 41.8 | 41.2 | 42.7 | 41.8 | 41.0 |
| Staff Cost/Total Expense | 32.6 | 35.1 | 35.7 | 35.7 | 35.8 |
| Int. Expense/Int.Income | 46.3 | 58.0 | 58.2 | 56.8 | 55.8 |
| Fee Income/Total Income | 23.9 | 21.2 | 15.6 | 16.3 | 16.8 |
| Other Inc./Total Income | 26.4 | 31.2 | 27.6 | 28.0 | 28.3 |

Efficiency Ratios (INRm)

| | | | | | |
|---------------------------------|-------|-------|-------|-------|-------|
| Employee per branch (in nos) | 22.1 | 24.4 | 24.7 | 24.4 | 24.2 |
| Staff cost per employee (INR m) | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 |
| CASA per branch (INR m) | 1,069 | 1,040 | 988 | 1,044 | 1,075 |
| Deposits per branch (INR m) | 2,408 | 2,723 | 2,799 | 2,868 | 2,955 |
| Bus. per Employee (INR m) | 201 | 228 | 224 | 226 | 231 |
| Profit per Employee (INR m) | 2.5 | 2.8 | 2.8 | 2.8 | 2.9 |

Valuation

| | | | | | |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|
| RoE | 17.0 | 14.6 | 14.4 | 14.6 | 14.9 |
| RoA | 1.9 | 1.8 | 1.8 | 1.8 | 1.9 |
| RoRWA | 2.9 | 1.6 | 2.6 | 2.7 | 2.8 |
| Book Value (INR) | 502 | 580 | 648 | 727 | 821 |
| Growth (%) | 16.0 | 15.4 | 11.8 | 12.2 | 13.0 |
| Price-BV (x) | 3.3 | 2.9 | 2.6 | 2.3 | 2.0 |
| Adjusted BV (INR) | 490 | 555 | 619 | 695 | 785 |
| Price-ABV (x) | 3.4 | 3.0 | 2.7 | 2.4 | 2.1 |
| EPS (INR) | 79.3 | 80.0 | 88.2 | 100.1 | 115.6 |
| Growth (%) | 18.6 | 1.0 | 10.2 | 13.5 | 15.4 |
| Price-Earnings (x) | 21.2 | 21.0 | 19.1 | 16.8 | 14.5 |
| Price-Earnings (x) - Adj. Subs | 17.5 | 17.3 | 15.7 | 13.8 | 12.0 |
| Dividend Per Sh (INR) | 19.0 | 19.0 | 20.0 | 21.0 | 21.0 |
| Dividend Yield (%) | 1.1 | 1.1 | 1.2 | 1.2 | 1.2 |

Source: Company, MOFSLE

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NOTES

| Explanation of Investment Rating | |
|----------------------------------|--|
| 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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