

HDFC BANK LTD.

Sector

Apr 08, 2024

Bank

Buy at CMP: Rs 1550 | Target: Rs 1736 (12%) | SL: Rs 1455



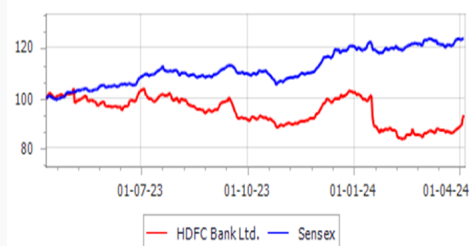
Script Details

BSE Group	A
BSE Code	500180
NSE Code	HDFCBANK
Bloomberg Code	HDFCB IN
Market Cap (INR Cr.)	11,77,065
Free Float (%)	100.0%
52wk Low/High	1758/1363
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	1/1.2
Total paid Up Shares (Mn.)	7596.9

Share Holding Pattern (%)

Promoters	Public	Others
0.0%	100.0%	-

Share Price Relative Performance



HDFC Bank Limited is one of India's leading private banks and was among the first to receive approval from the Reserve Bank of India (RBI) to set up a private sector bank in 1994. The bank caters to a wide range of banking services covering commercial and investment banking on the wholesale side and transactional / branch banking on the retail side. The bank has three key business segments: Wholesale Banking, Treasury and Retail Banking.

Investment Rationale

- ◆ **Strong growth in business and attractive valuation makes potential Rerating candidate:** In the recent Q4 business update bank reported strong business growth. Bank's gross advances grew by 55.4% YoY and 1.6% QoQ at 25.08 lakh Cr. It total deposit grew by 26.% YoY and 7.5% QoQ, retail and wholesale deposit saw 27.8%/19.4% YoY and 6.9% /10.9% QoQ basis respectively. Total CASA deposit was up by 8.7% YoY and 8.8% QoQ. We expect a strong Q4, FY2024 revenue is expected to grow by 19% YoY. Bank is currently, trading at P/B of 3x, which is at discount of 20% from its 3Yr average P/B. with strong growth couple with attractive valuation make the bank as a potential Rerating candidate.
- ◆ **Low and Stable GNP couple with consistence advance growth leads to healthy profitability:** In Q3FY24, the bank's GNPA dropped to 1.26% from 1.36% in Q2FY24, a 10bps decrease, with core GNPA at 1.11%. This was due to lower slippage in Q3FY24 at Rs. 70bn vs Rs. 78bn in Q2FY24. Historically, GNPA has been 1% to 1.11%, while gross advances grew at a 16% CAGR from FY18 to FY23. Consistent growth in deposits with stable GNPA led to a lower cost-to-income ratio, boosting bank profitability.
- ◆ **NIM to improvement by 25-30 bps driven by shift to retail funding and high-yield loan segments:** In the near term, NIM is expected to remain flat. However, there is an expectation of gradual improvement by 25-30 bps. This enhancement will be driven by substituting expensive wholesale funding from HDFC Ltd with retail funding like CASA and retail deposits. Moreover, the loan composition is set to move towards more profitable retail segments in the next 12-15 months, further boosting NIMs.
- ◆ **Outlook and Valuations:** We expect bank to perform amid robust credit growth and estimate 23% CAGR over FY23-FY26E. Which implies forward PB of 2.1(x) for FY26E. We value it with a Price to Books of 2.8x to FY26E BV which results per share value of INR 1736. We recommend BUY on HDFCBANK at CMP of INR 1550 with Target price of INR 1736 (12%).

Financial Snapshot

Year	Net Interest Rev.	Pre-Provision Profit	PAT	PB Ratio (x)
FY23	86,842	70,405	44,109	3.0
FY24E	108,332	88,867	60,024	2.6
FY25E	129,386	106,245	69,393	2.3
FY26E	133,456	110,225	72,231	2.1

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

HDFCBANK [N1333] 1549.55, 7.02%
 Price Avg2(E,20,E,50) Avg(E,200)

Observation

- HDFC Bank is currently displaying robust upward momentum across multiple timeframes. On the monthly chart, the stock has broken out of the Piercing Line candlestick pattern, which is a bullish signal indicating potential price improvement on higher timeframes.
- Analyzing the weekly scale, the stock is exhibiting signs of a turnaround from a significant point of interest area. The current week has shown strong relative strength compared to the broader market. Additionally, breakout patterns observed on the Bank Nifty index suggest further potential for outperformance.
- Noteworthy is the sustained position above its key 200-weekly Exponential Moving Average (EMA) following a sharp downtrend witnessed from December 2023 to February 2024. Moreover, the stock has surpassed both its 20-week and 50-week moving averages, indicating an improvement in trend.
- Further analysis of the Moving Average Convergence Divergence (MACD) indicator reveals a bullish cross on the current week, accompanied by the Relative Strength Index (RSI) rising above 50, signaling increasing momentum and reinforcing the potential for further upward movement.



Inference & Expectations

- Considering these factors, it can be inferred that HDFCBANK stock is set to begin uptrend.
- Going ahead we expect the prices to move higher till 1700 level.
- The stop loss must be at 1455 level, strictly on the closing basis.



Source: Tradingview.in, GEPL Research



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