

HDFC BANK LTD.

Buy at CMP: Rs 1817 | Target: Rs 1998 (10%) | SL: Rs 1720

Sector

Apr 07, 2025

Bank

HDFC Bank, one of India's leading private banks, was among the first to get RBI approval in 1994. It offers a broad range of services across Wholesale Banking, Treasury, and Retail Banking.

Investment Rationale

- ◆ **HDFCB eyes sustainable deposit growth through customer-centric strategy over rate-led competition:** HDFCB is focused on building a strong, granular liability base by enhancing customer engagement and service, rather than offering high deposit rates. The bank is actively shedding high-cost HDFC Ltd. deposits and avoiding large-ticket deposits. It aims to convert mortgage customers into primary savings account holders to drive sustainable deposit growth. Despite a drop in CASA ratio to 34% in 3QFY25, management highlighted strong gross inflows and deeper customer relationships. CASA is expected to improve gradually, with deposits projected to grow at ~15% CAGR over FY25-27.
- ◆ **HDFCB focuses on replacing high-cost debt with deposits amid steady borrowing reduction:** HDFCB has reduced its borrowings by 23% YoY, consistently lowering its borrowing mix over the past four quarters. Post-merger with HDFC Ltd., ~15% of its INR4t borrowings will mature annually till FY27, with 55% maturing beyond. While it shed INR630b in high-cost borrowings in 1QFY25, further reduction slowed to INR291b over 2Q-3QFY25 due to non-callable structures. The bank aims to grow deposits to replace maturing debt and meet future funding needs.
- ◆ **HDFCB drives efficiency through tech-led growth, steady cost ratios, and margin-led improvement outlook:** HDFCB is enhancing operational efficiency by leveraging digital technology, expanding its branch network (~405 added in 9MFY25), and investing in staff and tech, while maintaining stable cost ratios (C/I at 40.6% and cost/asset at 1.89% in 3QFY25). Though the HDFC Ltd. merger added higher-cost borrowings, a recent repo rate cut is expected to ease funding costs and support savings growth. Despite near-term CASA pressure, better margins and operating leverage are likely to drive medium-term improvement, with C/I and cost/asset ratios projected to reach ~39.8% and 1.71% by FY27.
- ◆ **Outlook and Valuations:** We model a Revenue/PAT CAGR of 21%/27% and estimate HDFCBANK to clock PAT of Rs 1,39,080 Cr by FY27E. HDFCBANK is trading at forward PB (x) of 0.3 and we value at 1.5 (x) FY27E and Recommend BUY on HDFCBANK with target Price of Rs. 1,998 (10%).

Financial Snapshot

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY24	3,14,027	-2,36,887	68,167	20.4	17.2
FY25E	3,79,973	2,12,785	87,394	15.9	0.5
FY26E	4,59,767	2,57,470	1,05,746	13.1	0.4
FY27E	5,56,318	3,11,538	1,27,953	10.9	0.3

Source: Company Data, Ace Equity, GEPL Research

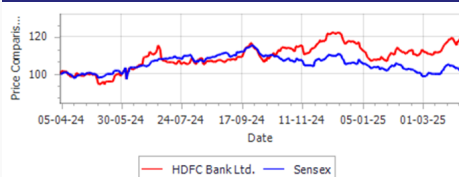
Script Details

BSE Group	A
BSE Code	500180
NSE Code	HDFCBANK
Bloomberg Code	HDFCB IN
Market Cap (INR Cr.)	13,90,409
Free Float (%)	100.0%
52wk Low/High	1880/1430
Beta (1yr Nifty 50)	0.89
Face Value (INR)/ D. Yield (%)	1/1.1
Total paid Up Shares (Mn.)	7652.2

Share Holding Pattern (%)

Promoters	Public	Others
0.0%	100.0%	-

Share Price Relative Performance



TECHNICAL VIEW

Observation

- HDFC Bank has exhibited notable resilience across multiple timeframes, signaling underlying strength amid broader market volatility. On the monthly chart, the stock has witnessed a breakout from an inside bar pattern, indicating the completion of a consolidation phase and the potential beginning of a fresh upward leg. Notably, the December 2023 swing high has acted as a strong polarity zone, providing critical support. From this level, the stock has begun forming higher highs, suggesting that buyers are actively defending this zone and helping to maintain bullish sentiment.

Since February 2024, the stock has been consistently forming a series of higher bottoms, a positive structural development that reflects sustained demand at higher levels. On the weekly timeframe, HDFC Bank recently rebounded from a double-bottom formation, a classic reversal pattern, and is now sustaining above the 26-week EMA. This price action indicates renewed strength and improves the likelihood of trend continuation to the upside.

From a momentum standpoint, the RSI remains in buy mode, currently at 59.83 and trending higher. This upward trajectory of the RSI points toward strengthening bullish momentum and a possible shift toward a more dominant positive bias in the coming weeks.



Source: Tradingview.in, GEPL Research

- **Inference & Expectations**
- Considering these factors, it can be inferred that HDFCBANK stock is set to continue uptrend.
- Going ahead we expect the prices to move higher till 1,999 level.
- The stop loss must be at 1,720 level, strictly on the closing basis.

Invest Now →

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