INVasset Corporate Insights

HDFC BANK

10th May, 2024

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India's Best Performing and Most Customer Centric PMS

HDFC Bank: Pioneering Excellence in Indian Banking

Establishment and Growth: HDFC Bank, a leader in India's banking sector, was established in August 1994. Promoted by HDFC Ltd., which holds a 19.32% stake, the bank has grown to become India's largest private sector bank, offering a wide array of services including retail, wholesale banking, and treasury operations. Its registered office is strategically located in Mumbai, the financial hub of India.

Financial Robustness and Performance Metrics: For the fiscal year 2022, HDFC Bank showcased strong financial health, evident from its Capital Adequacy Ratio of 18.9% and a Net Interest Margin of 3.89%. The bank maintained low Gross and Net NPA ratios at 1.17% and 0.32% respectively, reflecting superior asset quality and effective risk management. The Cost to Income ratio stood at 38.3%, demonstrating operational efficiency.

Diverse Revenue Streams: HDFC Bank's revenue in FY22 was well-distributed among various banking segments, indicating a balanced portfolio. Retail banking was the most significant contributor, accounting for 46% of the revenue, followed by wholesale banking at 27%, and treasury operations at 14%.

Global Presence and International Operations: Despite its predominant domestic focus, with 99% of operations within India, HDFC Bank has established a notable international presence. It operates branches in Bahrain, Hong Kong, UAE, and Kenya, serving NRI clients with a suite of financial products. As of March 2022, the international business boasted a balance sheet size of US$7.66 billion, catering to global financial needs.

Extensive Domestic Network: HDFC Bank's robust network across India includes 6,342 branches and over 15,431 business correspondents, alongside 18,130 ATMs and cash handling machines. This extensive network ensures HDFC Bank's services are accessible nationwide, contributing to its substantial customer base.

Leading the Way in Payments: In the payments domain, HDFC Bank stands out, handling one-third of card spending in India. It has issued 3.21 crore debit cards and 1.45 crore credit cards, dominating the market with approximately 50% of electronic card volumes. The bank's strategic focus on enhancing payment systems underscores its commitment to financial innovation..

Strategic Loan Distribution: The bank's loan portfolio in FY22 was strategically diversified: 39% in retail, 35% in corporate retail banking, and 26% in wholesale. It focuses significantly on agriculture, priority sector lending, services, and personal loans, aligning its credit distribution with economic sectors critical for inclusive growth.

Future Growth and Amalgamation Plans: HDFC Bank is set to expand further through a proposed amalgamation with HDFC Ltd., including its subsidiaries HDFC Investments and HDFC Holdings. Approved by the CCI and RBI, this merger, expected to conclude by the third quarter of FY24, aims to create a more robust financial entity, enhancing the bank's market reach and service capabilities.

Stock Data	
CMP (10-05-2024)	1,438
52 Week High/Low	1,758/1,363
Face Value	1.00
Market Cap (In Crs)	10,92,360
Enterprise Value (In Crs)	30,34,424
NSE	HDFCBANK
BSE	500180
Bloomberg	HDFCB:IN
Sector	BANKS – Private Sector

Shareholding Pattern (in %)		
	MAR 24	DEC 23
Promoter	0.00	0.00
FII	47.83	52.31
DII	33.33	30.54
Government	0.18	0.17
Public	18.64	16.98

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	-2.06	13.43	20.54
HDFC BANK	-5.21	-3.29	-12.91

Key Ratios	
P/E	17.1
P/S	3.85
P/B	2.78
Debt To Equity	7.39
ROE	22.1%
ROCE	9.50%
Dividend Yield	1.36%

Q4 FY 24 Result Update

Q4 FY24 Result Comparison (In Rs Cr)					
	Q4 FY24	Q3 FY24	Q4 FY23	QOQ	YOY
Revenue	79,434	78,008	47,458	1.83%	67.38%
Other Income	44,958	37,007	9,610	21.49%	367.83%
Expenses	62,938	50,530	17,770	24.56%	254.18%
Interest Expense	43,692	43,242	22,606	1.04%	93.28%
Net Profit	18,013	17,718	12,634	1.66%	42.58%
EPS	23.20	22.73	22.57	2.07%	2.79%

Result Highlights

HDFC Bank: An Analysis of Robust Growth and Financial Health

Revenue Growth Overview: In Q4 FY24, HDFC Bank reported a robust revenue of ₹79,434 crore, showing a significant increase from the ₹78,008 crore in Q3 FY24 and a dramatic 67.78% growth year-over-year (YOY) compared to Q4 FY23. This growth underscores HDFC Bank's strong market position and its ability to generate revenue despite varying market conditions. The consistent upward trajectory in revenue highlights the bank's effective business strategies and market adaptability. These figures suggest that HDFC Bank has successfully leveraged market opportunities and enhanced its service offerings to meet customer demands, contributing to its overall financial success.

Surge in Other Income: The bank's other income witnessed an impressive rise, reaching ₹44,958 crore in Q4 FY24, compared to ₹37,007 crore in the previous quarter. This represents a 21.49% quarter-over-quarter (QOQ) increase and an extraordinary 367.83% YOY growth. This substantial increase in other income significantly contributed to the bank's overall financial performance, emphasizing diversified income streams beyond traditional banking operations. The increase primarily stems from non-interest income sources such as fees, commissions, and trading gains, highlighting the bank's diversified operational strength.

Managing Expenses Effectively: Expenses in Q4 FY24 stood at ₹62,938 crore, marking a considerable 24.56% increase QOQ and a 254.18% rise YOY. While the sharp rise in expenses could be a concern, the high growth in revenue and other income appears to adequately cover these costs, indicating effective cost management strategies in place to handle the escalated operational and business expenses. The bank's ability to manage and anticipate increased costs while expanding its operations is a testament to its strategic planning and execution.

Interest Expense and Net Profit: Interest expenses saw a minimal rise of 1.04% QOQ, amounting to ₹43,692 crore, which reflects prudent financial management in the face of rising market rates. The net profit for Q4 FY24 was ₹18,013 crore, a modest increase of 1.66% QOQ and a significant 42.58% YOY. This profit growth, although slower QOQ, demonstrates strong profitability over the past year. The bank's effective interest rate management and cost-efficient strategies have played a crucial role in maintaining profitability despite economic pressures.

Earnings Per Share (EPS) Analysis: Earnings per share (EPS) for Q4 FY24 were recorded at 23.20, slightly up from 22.73 in Q3 FY24 and from 22.57 in Q4 FY23. The increase in EPS by 2.07% QOQ and 2.79% YOY indicates a favorable outcome for shareholders, reflecting the bank's ability to increase shareholder value amidst economic fluctuations.

Financial Stability and Future Outlook: HDFC Bank's Q4 FY24 performance highlights its financial resilience and capability to sustain growth. With substantial increases in revenue, other income, and careful management of expenses and interest obligations, HDFC Bank continues to solidify its position as a leading financial institution. The consistent growth in net profit and EPS further reassures investors of its stable financial health and promising future.

Concall Highlights

Stellar Performance in Q4 FY24: HDFC Bank's Financial Metrics: In the fourth quarter of FY24, HDFC Bank demonstrated exceptional financial health, marked by significant gains in key areas. Deposits surged by ₹1.66 trillion, a 7.5% increase, with retail deposits alone climbing 6.9% to ₹1.29 trillion. This growth was bolstered by seasonal strengths typical of the March quarter. The bank also reported a modest 1.6% rise in advances, totaling ₹0.39 trillion. Noteworthy was the bank's asset quality, maintaining stability with a Gross Non-Performing Assets (GNPA) ratio of 1.24%. Profit After Tax (PAT) reached ₹165 billion, supported by transaction gains and strategic provisioning, contributing to a robust Return on Assets (RoA) of 1.96% and Return on Equity (RoE) of 15.4%. The bank's Capital Adequacy Ratio remained healthy at 18.8%, underlining its financial resilience and operational efficiency.

Q4 FY24: HDFC Bank's Financial Milestones: In Q4 FY24, HDFC Bank showcased solid financial growth and stability across several key parameters. The bank's gross advances rose to ₹25,078 billion, reflecting a 1.6% quarter-over-quarter increase. Deposits also saw a significant boost, amounting to ₹23,798 billion, marking a 7.5% increase, with a healthy CASA ratio of 38%. Net interest margin stood strong at 3.4%, indicating efficient asset and liability management. The bank maintained a robust capital adequacy ratio of 18.8%, with CET1 at 16.3%, ensuring regulatory compliance and financial resilience. The quarter also recorded a profit after tax of ₹165 billion, and an earnings per share of ₹21.7, coupled with a noteworthy return on assets of 2.0%. This performance underscores HDFC Bank's capability to sustain growth and profitability, positioning it well for future financial challenges.

Robust Yearly Growth in HDFC Bank's Deposits and Advances: HDFC Bank has demonstrated significant growth in both deposits and advances throughout the fiscal year ending in March 2024. Deposits saw a sharp increase, rising from ₹18,834 billion in March 2023 to ₹23,798 billion by March 2024, marking a 26.4% growth year-over-year; excluding the impact of mergers, the growth still impresses at 18.4%. Similarly, gross advances surged by 55.4% over the same period, reaching ₹25,078 billion, with an organic growth of 17.3% excluding mergers. This growth is indicative of HDFC Bank's strong market presence and trust among its customers, bolstered by strategic expansions and robust financial offerings. The steady quarter-over-quarter advances, including a 1.6% increase from December 2023, reflect the bank's continuous momentum in lending activities.

Strategic Diversification in HDFC Bank's Loan Portfolio: HDFC Bank's loan book as of March 2024 illustrates a strategic balance and growth across various segments, ensuring a diversified risk profile and revenue stream. Retail loans saw a moderate increase to ₹12,611 billion, up 3.5% quarter-over-quarter, with mortgages, a major component, growing by 4.0% to ₹7,728 billion. The Corporate Banking segment (CRB) also displayed robust growth, increasing by 4.2% to ₹8,056 billion. However, the corporate and other wholesale segment experienced a slight decline. The composition of retail loans remains predominantly mortgage-driven, constituting 61% of the retail portfolio, reflecting the bank's focus on secured lending. This structured growth in diverse loan types underscores HDFC Bank's strategic approach to expanding its financial services while managing potential risks effectively.

Enhancing Customer Reach and Engagement through Branch Expansion: HDFC Bank has significantly strengthened its franchise by expanding its branch network and growing its customer base post-merger. As of March 2024, the bank's branches increased to 8,738 from 7,821 in March 2023, maintaining a consistent distribution across metro, urban, semi-urban, and rural areas. This strategic expansion has effectively broadened HDFC's geographical footprint and facilitated closer interactions with its clientele. Concurrently, the customer base has seen a notable rise from 82.8 million in March 2023 to 93.2 million in March 2024, demonstrating a robust growth in customer engagement. This expansion not only enhances HDFC Bank's service accessibility but also solidifies its market presence and commitment to serving a broader demographic.

Sustained Growth in HDFC Bank's Net Interest Income and Margin: HDFC Bank has demonstrated consistent financial strength with sustained increases in net interest income (NII) and net interest margin (NIM) throughout FY24. The NII showed a steady rise, from ₹234 billion in Q4 FY23 to ₹291 billion in Q4 FY24, marking a 25% year-over-year growth. This growth was complemented by a stable NIM, which increased marginally by 4 basis points to 3.44% in the same period. The NII growth primarily stems from effective asset and liability management and an increased volume of higher-yielding assets. The bank's ability to maintain a solid NIM despite fluctuating interest rates and market conditions underscores its robust operational efficiency and strategic financial planning. This financial trajectory highlights HDFC Bank's resilience in managing earnings amidst dynamic economic environments.

Optimizing Returns: HDFC Bank's Yield on Assets and Cost of Funds: Throughout FY24, HDFC Bank strategically managed its yield on assets and cost of funds to optimize returns and sustain financial health. The yield on assets experienced a steady rise from 7.9% in Q4 FY23 to 8.4% in Q4 FY24, indicating an enhanced profitability from its asset base. Concurrently, the cost of funds, including shareholders' funds, remained stable at 4.9% in the latter half of the year, demonstrating effective cost management. This balance between increasing yields and maintaining cost efficiency highlights HDFC Bank's robust financial strategies in action. Additionally, the bank's ongoing adjustments to its lending practices helped bolster these figures. Moreover, the bank's dynamic balance sheet mix, with a growing focus on retail and mortgage advances, supported by a stable CASA ratio, underpins its ability to leverage market opportunities while managing risks effectively.

Dynamic Growth in HDFC Bank's Other Income Streams: HDFC Bank's other income has shown remarkable growth, particularly in the post-merger phase, highlighting the bank's diversified revenue generation strategies. In Q4 FY24, other income soared to ₹182 billion, a significant rise attributed to strong performances across various segments. Notably, fees and commissions contributed consistently, while FX and derivative income, and other miscellaneous income categories saw substantial increases, with a year-over-year growth peaking at 108% in the last quarter. This robust growth in other income underscores HDFC Bank's ability to innovate and adapt its services to market demands, enhancing profitability. Additionally, the fee income mix indicates a strategic emphasis on retail assets and payments, which continue to be a major focus, reflecting a deliberate shift in business strategy to tap into more stable income sources. This strategic diversification helps stabilize revenue streams and mitigates risks associated with economic fluctuations.

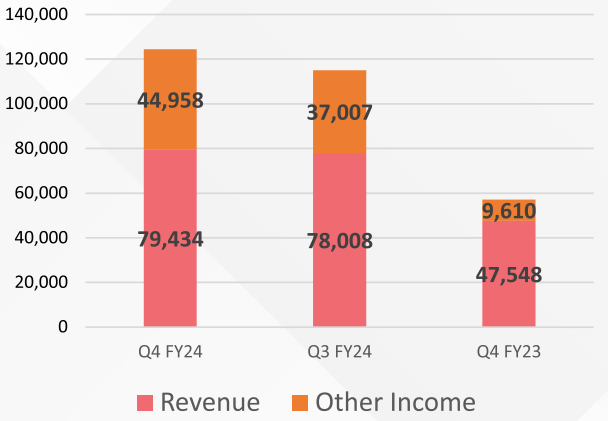
Maintaining Strong Asset Quality: HDFC Bank's NPA Performance: HDFC Bank has continued to showcase exemplary risk management with its stable Non-Performing Asset (NPA) ratios throughout FY24, despite the dynamic economic environment. As of March 2024, the Gross NPA (GNPA) rate was managed at 1.2%, with a consistent Net NPA (NNPA) rate of 0.3% over several quarters, underscoring the bank's effective credit risk controls and recovery mechanisms. The GNPA rates by segment reveal that while the CRB (Corporate Banking) and wholesale segments recorded slightly higher NPAs, the retail sector maintained a lower risk profile at 0.8%. This indicates HDFC Bank's strategic focus on diversified lending practices that balance growth with risk, ensuring financial stability across its portfolio. This meticulous focus on asset quality has fortified the bank's reputation as a resilient financial institution in challenging times.

Sustained Growth in Profitability and Earnings: HDFC Bank's Financial Progress: HDFC Bank has consistently demonstrated robust profitability post-merger, with its profit after tax (PAT) showing impressive growth through FY24. Starting from ₹120 billion in Q4 FY23, PAT increased steadily to ₹165 billion by Q4 FY24, marking a 37% year-over-year increase. This growth in profitability is mirrored in the bank's earnings per share (EPS), which also saw a healthy rise. Standalone EPS went from ₹21.6 in Q4 FY23 to ₹21.7 in Q4 FY24, while consolidated EPS improved from ₹22.6 to ₹23.2 over the same period. This upward trend in EPS highlights HDFC Bank's ability to enhance shareholder value consistently, reflecting strong financial management and strategic operational execution amidst evolving market conditions. This solid financial performance underscores the bank's resilience and adaptability in a dynamic economic landscape, positioning it well for sustained future growth.

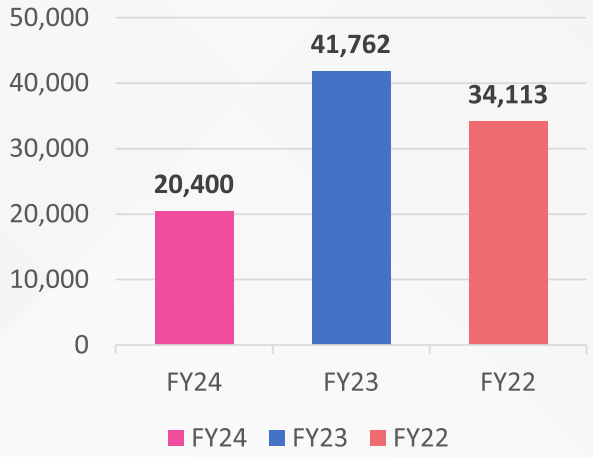
Analyzing HDFC Bank's Q4 FY24 Financial Adjustments and Performance: In Q4 FY24, HDFC Bank reported a profit after tax (PAT) of ₹165 billion. Key financial adjustments included transaction gains of ₹73 billion and a tax credit of ₹44 billion, which positively impacted the PAT. However, this was partially offset by a staff ex gratia provision of ₹15 billion and significant floating provisions of ₹109 billion, resulting in a net post-tax impact of ₹7 billion. After these adjustments, the bank showcased a robust Cost to Income Ratio (CTI) of 41.3% and solid Return on Equity (ROE) of 14.8%, demonstrating efficient operational management and profitability. The bank's earnings per share (EPS) stood at ₹20.8 for the quarter, reflecting strong earnings capacity and financial health.

HDFC Bank's Commitment to ESG Excellence: HDFC Bank is positioning itself as a leader in environmental, social, and governance (ESG) initiatives with strategic commitments aimed at sustainability and responsible banking. By FY32, the bank aims to achieve carbon neutrality, underscoring its dedication to environmental stewardship. It is also focused on social impact, having already affected over 100 million lives through various CSR initiatives and maintaining a strong commitment to gender diversity with 26% representation. Governance at HDFC Bank is marked by a robust framework that ensures accountability and transparency, earning it high ESG ratings from global institutions. Notably, HDFC Bank's approach to ESG has been recognized with significant awards, including the 'Conscious Corporate of the Year' for its CSR and ESG efforts, reflecting its commitment to sustainable and ethical practices across all facets of operations.

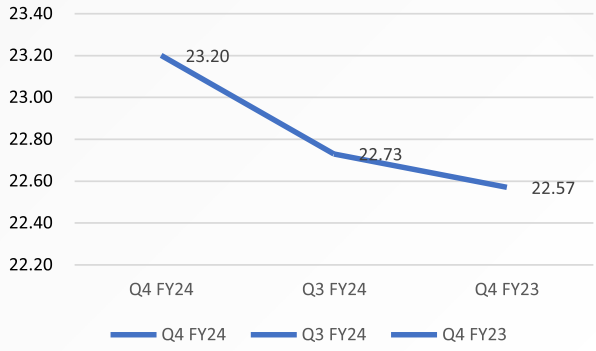
Revenue & Other Income (In Cr)



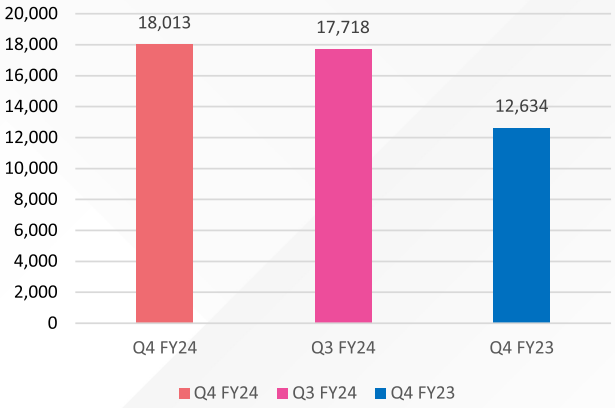
Cashflow (In Cr)



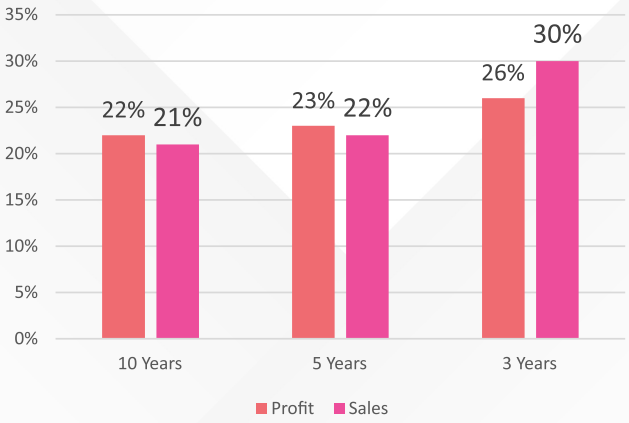
EPS



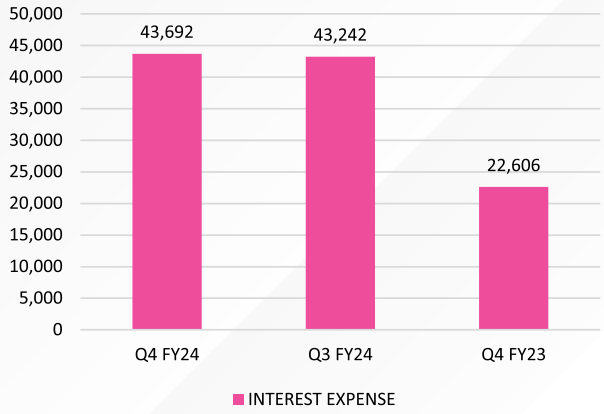
PAT (In Cr)



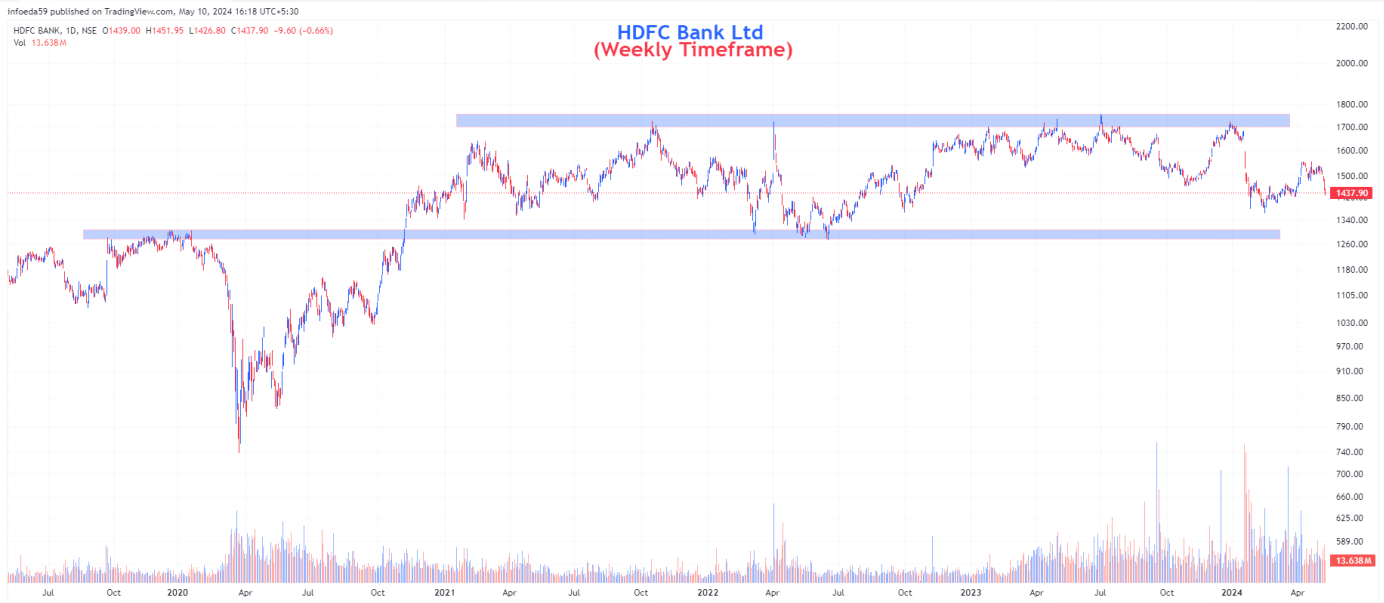
Compounded Growth (In %)



Interest expense (In Cr)



Technical Outlook



The weekly trading chart for HDFC Bank Ltd. depicts a clear pattern of consolidation within a defined price range, crucial for understanding the stock's medium to long-term behavior. The stock has oscillated predominantly between the ₹1200 support and ₹1800 resistance levels, a trend that began to form post the sharp recovery observed after the 2020 market crash. This pattern of lateral movement suggests a strong consolidation phase where neither bulls nor bears could gain a definitive upper hand, leading to a range-bound market scenario.

The moving averages for HDFC Bank Ltd. indicate mixed signals across different time frames. The short-term moving averages (5 and 10 days) are trending lower than the longer-term averages (100 and 200 days), suggesting potential short-term downward pressure but overall long-term stability or growth. The exponential moving averages closely align with the simple moving averages, reinforcing these trends.

Based on the provided Relative Strength Index (RSI) values for HDFC Bank Ltd., with a daily RSI of 34.63 and a weekly RSI of 41.38, the stock shows bearish momentum both on daily and weekly charts. These values suggest the stock may be approaching oversold territory, particularly in the daily timeframe, indicating potential buying opportunities if other conditions align.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	1,495.7	1,486.1
10	1,508.1	1,499.2
20	1,512.3	1,501.2
50	1,475.8	1,493.5
100	1513.3	1504.1
200	1542.2	1,528.6

Pivot Levels : FIBONACCI		
R1 1,474.4	Pivot 1,459.85	S1 1,433
R2 1,501.3		S2 1,418.4
R3 1515.9		S3 1,391.5

	Daily	Weekly
Relative Strength Index (RSI)	34.63	41.38

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