

Estimate change



TP change



Rating change



Bloomberg	HDFCB IN
Equity Shares (m)	7648
M.Cap.(INRb)/(USD\$)	14590.5 / 170.9
52-Week Range (INR)	1920 / 1427
1, 6, 12 Rel. Per (%)	6/18/19
12M Avg Val (INR M)	29787

#### Financials & Valuations (INR b)

Y/E March	FY25	FY26E	FY27E
NII	1,227	1,363	1,581
OP	1,001	1,104	1,298
NP	673	735	855
NIM (%)	3.5	3.5	3.6
EPS (INR)	88.7	96.7	112.6
EPS Gr. (%)	10.7	9.1	16.4
BV/Sh. (INR)	660	724	815
ABV/Sh. (INR)	630	689	776

#### Ratios

RoA (%)	1.8	1.8	1.9
RoE (%)	14.3	14.0	14.6

#### Valuations

P/E(X)	21.5	19.7	16.9
P/E(X)*	18.0	16.5	14.2
P/BV (X)	2.9	2.6	2.3
P/ABV (X)*	2.5	2.3	2.1

\* adjusted for subs

#### Shareholding pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	0.0	0.0	0.0
DII	31.0	29.9	29.1
FII	55.3	56.0	54.9
Others	13.7	14.1	16.1

FII Includes depository receipts

**CMP: INR1,907**

**TP: INR2,200 (+15%)**

**Buy**

## Steady quarter; growth trajectory set to accelerate

### Core NIM improves 3bp QoQ to 3.46%

- HDFC Bank (HDFCB) reported a 4QFY25 net profit of INR176.2b (7% YoY growth; in line).
- The bank's NII grew 10.3% YoY to INR320.6b (5% beat), boosted by strong loan growth and INR7b of interest on IT refunds. Core NIM expanded 3bp QoQ to 3.46% in 4Q from 3.43% in 3QFY25.
- Other income stood at INR120.3b (inline). Opex declined 2% YoY to INR175.6 (inline). The C/I ratio improved to 39.8% (40.6% in 3QFY25).
- Provisions declined 76% YoY to INR31.9b (in line). PPoP stood at INR265.4b (4% beat) during the quarter.
- The GNPA/NNPA ratio improved 9bp/3bp QoQ to 1.33%/0.43%. PCR stood broadly stable at 67.9%. Fresh slippages were INR75b vs. INR88b in 3QFY25.
- Advances book rose 5.4% YoY/4% QoQ to INR26.2t. Deposits grew 14% YoY/6% QoQ to INR27.1t. The C/D ratio eased 173bp QoQ to 96.5%. HDFCB's CASA ratio stood at 35% for the quarter.
- **We raise our earnings estimates by 3%/5% for FY26/27 and estimate HDFCB to deliver an FY27E RoA/RoE of 1.9%/14.6%. We reiterate our BUY rating with a TP of INR2,200 (based on 2.4x FY27E ABV + INR307 for subs).**

### Credit growth robust; the C/D ratio declines to 96.5%

- HDFCB reported a 4QFY25 net profit of INR176.2b (7% YoY growth, in line). In FY25, earnings grew 10.7% YoY to INR673.5b, and we estimate FY26 earnings to grow 9% YoY to INR735b.
- NII grew 10.3% YoY to INR320.6b (5% beat). NIM (excluding interest on IT refund) expanded 3bp QoQ to 3.46%. Other income declined 34% YoY/rose 5% QoQ. Treasury gains increased to INR4.0b from INR0.7b in 3QFY25.
- Opex declined 2% YoY to INR175.6 (in line). The C/I ratio improved to 39.8% (40.6% in 3QFY25). PPoP stood at INR265.4b (4% beat).
- Loan growth was healthy at 5.4% YoY (4% QoQ), led by CRB and Agri books. Deposits grew 14% YoY/6% QoQ, with the CASA ratio improving 100bp QoQ to 35%. The C/D ratio declined 173bp QoQ to 96.5%. The bank will continue to reduce the C/D ratio in a calibrated manner as it aims to deliver improved loan growth over FY25-27.
- The GNPA/NNPA ratio improved 9bp/3bp QoQ to 1.33%/0.43%. PCR was broadly stable at 67.9%. Fresh slippages stood at INR75b vs. INR88b in 3QFY25. CAR stood at 19.6%, with Tier 1 at 17.7% (CET1 at 17.2%).
- **Subsidiary performance: HDB Financial** reported a loan growth of 18.5% YoY/ 4.7% QoQ to INR1,069b, while its PAT stood at INR5.3b. GS3 assets stood at 2.26%, while CAR was 19.2%. **HDFC Securities:** Revenue grew 14% YoY to INR7.4b, while PAT declined 21% YoY to INR2.5b.

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### Highlights from the management commentary

- The bank's C/D ratio is expected to be below 90% by FY27. Adjustment in the C/D ratio will not be very steep, which would support loan growth, but the C/D ratio will continue to show a downward trend.
- In terms of branches, the bank is doing 2x what it was doing five years ago. HDFCB increased its headcount by ~4k in 4Q, ramping up investments in personnel while focusing on a productivity-driven model.
- Time deposits' market share stood at 11.5%, while the CASA market share is 10.5% at present. Penetration of time deposits in the customer base is low, and HDFCB aims to grow customer relationships in this area as well. The goal is to have the wallet share of the customer in whatever form it comes.

### Valuation and view: Reiterate BUY with a TP of INR 2,200

HDFCB posted a steady quarter with in-line earnings and a beat in NII, while the core margin improved 3bp QoQ. Further, NIM (including IT refunds) rose 11bp QoQ to 3.54% in 4QFY25. Business growth was healthy while aligning with the bank's strategy to reduce the C/D ratio consistently. Asset quality improved, with slippages remaining at a controlled level, while PCR stood stable at ~67.9%. Further, HDFCB continues to hold healthy provisions (floating + contingent) of INR259b, or 1.0% of loans. We factor in loan growth of 10%/13% for FY26/FY27. The gradual retirement of high-cost borrowings, along with an improvement in operating leverage, will support return ratios over the coming years. **We raise our earnings by 3%/5% for FY26E/27E and estimate HDFCB to deliver an FY27E RoA/RoE of 1.9%/14.6%. Reiterate BUY with a TP of INR2,200 (based on 2.4x FY27E ABV + INR307 for subs).**

### Quarterly performance

(INR b)

	FY24				FY25E				FY25	FY26E	FY27E	V/s our
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Est (%)
<b>Net Interest Income</b>	<b>236.0</b>	<b>273.9</b>	<b>284.7</b>	<b>290.8</b>	<b>298.4</b>	<b>301.1</b>	<b>306.5</b>	<b>320.7</b>	<b>1,226.7</b>	<b>1,363.0</b>	<b>306.7</b>	<b>4.6%</b>
% Change (Y-o-Y)	21.1	30.3	23.9	24.5	26.4	10.0	7.7	10.3	13.0	11.1	5.5	
Other Income	92.3	107.1	111.4	181.7	106.7	114.8	114.5	120.3	456.3	516.1	124.4	-3.3%
<b>Total Income</b>	<b>328.3</b>	<b>380.9</b>	<b>396.1</b>	<b>472.4</b>	<b>405.1</b>	<b>416.0</b>	<b>421.1</b>	<b>440.9</b>	<b>1,683.0</b>	<b>1,879.1</b>	<b>431.0</b>	<b>2.3%</b>
Operating Expenses	140.6	154.0	159.6	179.7	166.2	168.9	171.1	175.6	681.7	774.6	175.4	0.1%
<b>Operating Profit</b>	<b>187.7</b>	<b>226.9</b>	<b>236.5</b>	<b>292.7</b>	<b>238.8</b>	<b>247.1</b>	<b>250.0</b>	<b>265.4</b>	<b>1,001.3</b>	<b>1,104.5</b>	<b>255.7</b>	<b>3.8%</b>
% Change (Y-o-Y)	22.2	30.5	24.3	57.2	27.2	8.9	5.7	-9.4	6.1	10.3	-12.7	
Provisions	28.6	29.0	42.2	135.1	26.0	27.0	31.5	31.9	116.5	135.2	32.0	-0.2%
<b>Profit before Tax</b>	<b>159.1</b>	<b>197.9</b>	<b>194.3</b>	<b>157.6</b>	<b>212.8</b>	<b>220.1</b>	<b>218.5</b>	<b>233.4</b>	<b>884.8</b>	<b>969.3</b>	<b>223.7</b>	<b>4.4%</b>
Tax	39.6	38.1	30.6	-7.5	51.1	51.8	51.1	57.3	211.3	234.6	53.4	
<b>Net Profit</b>	<b>119.5</b>	<b>159.8</b>	<b>163.7</b>	<b>165.1</b>	<b>161.7</b>	<b>168.2</b>	<b>167.4</b>	<b>176.2</b>	<b>673.5</b>	<b>734.7</b>	<b>170.3</b>	<b>3.4%</b>
% Change (Y-o-Y)	30.0	50.6	33.5	37.1	35.3	5.3	2.2	6.7	10.7	9.1	3.2	
<b>Operating Parameters</b>												
Deposit	19,131	21,729	22,140	23,798	23,791	25,001	25,638	27,147	27,147	31,219	27,145	
Loan	16,157	23,312	24,461	24,849	24,635	24,951	25,182	26,196	26,196	28,920	26,182	
Deposit Growth (%)	19.2	29.8	27.7	26.4	24.4	15.1	15.8	14.1	14.1	15.0	14.1	
Loan Growth (%)	15.8	57.5	62.3	55.2	52.5	7.0	3.0	5.4	5.4	10.4	5.4	
<b>Asset Quality</b>												
Gross NPA (%)	1.2	1.3	1.3	1.2	1.3	1.4	1.4	1.3	1.4	1.4	1.4	
Net NPA (%)	0.3	0.4	0.3	0.3	0.4	0.4	0.5	0.4	0.4	0.4	0.4	
PCR (%)	74.9	74.4	75.3	74.0	71.2	69.9	67.8	67.9	67.8	68.5	68.0	

E: MOFSL Estimates

## Quarterly snapshot

Profit and Loss (INR b)	FY24				FY25				Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
Interest Income	485.9	677.0	705.8	714.7	730.3	740.2	760.1	774.6	8.4	1.9
Interest Expenses	249.9	403.1	421.1	424.0	432.0	439.0	453.5	453.9	7.1	0.1
<b>Net Interest Income</b>	<b>236.0</b>	<b>273.9</b>	<b>284.7</b>	<b>290.8</b>	<b>298.4</b>	<b>301.1</b>	<b>306.5</b>	<b>320.7</b>	<b>10.3</b>	<b>4.6</b>
<b>Other Income</b>	<b>92.3</b>	<b>107.1</b>	<b>111.4</b>	<b>181.7</b>	<b>106.7</b>	<b>114.8</b>	<b>114.5</b>	<b>120.3</b>	<b>-33.8</b>	<b>5.0</b>
Trading profits	5.5	10.4	14.7	75.9	2.2	2.9	0.7	4.0	-94.7	471.4
<b>Total Income</b>	<b>328.3</b>	<b>380.9</b>	<b>396.1</b>	<b>472.4</b>	<b>405.1</b>	<b>416.0</b>	<b>421.1</b>	<b>440.9</b>	<b>-6.7</b>	<b>4.7</b>
<b>Operating Expenses</b>	<b>140.6</b>	<b>154.0</b>	<b>159.6</b>	<b>179.7</b>	<b>166.2</b>	<b>168.9</b>	<b>171.1</b>	<b>175.6</b>	<b>-2.3</b>	<b>2.6</b>
Employee	47.8	51.7	53.5	69.4	58.5	59.9	59.5	61.2	-11.8	2.8
Others	92.7	102.3	106.1	110.3	107.7	109.1	111.6	114.4	3.7	2.6
<b>Operating Profits</b>	<b>187.7</b>	<b>226.9</b>	<b>236.5</b>	<b>292.7</b>	<b>238.8</b>	<b>247.1</b>	<b>250.0</b>	<b>265.4</b>	<b>-9.4</b>	<b>6.1</b>
<b>Core Operating Profits</b>	<b>182.2</b>	<b>216.5</b>	<b>221.8</b>	<b>216.8</b>	<b>236.6</b>	<b>244.2</b>	<b>249.3</b>	<b>261.4</b>	<b>20.5</b>	<b>4.8</b>
Provisions	28.6	29.0	42.2	135.1	26.0	27.0	31.5	31.9	-76.4	1.2
<b>PBT</b>	<b>159.1</b>	<b>197.9</b>	<b>194.3</b>	<b>157.6</b>	<b>212.8</b>	<b>220.1</b>	<b>218.5</b>	<b>233.4</b>	<b>48.1</b>	<b>6.9</b>
Taxes	39.6	38.1	30.6	-7.5	51.1	51.8	51.1	57.3	-864.4	12.1
<b>PAT</b>	<b>119.5</b>	<b>159.8</b>	<b>163.7</b>	<b>165.1</b>	<b>161.7</b>	<b>168.2</b>	<b>167.4</b>	<b>176.2</b>	<b>6.7</b>	<b>5.3</b>
<b>Balance Sheet (INR t)</b>										
Loans	16.2	23.3	24.5	24.8	24.6	25.0	25.2	26.2	5.4	4.0
Advances inc IBPC	17.1	24.5	25.3	25.8	25.8	26.3	26.8	13.8	-46.6	-48.7
Advances exc IBPC	16.3	23.5	24.7	25.1	24.9	25.2	25.4	12.4	-50.4	-51.1
Deposits	19.1	21.7	22.1	23.8	23.8	25.0	25.6	27.1	14.1	5.9
CASA Deposits	8.1	8.2	8.4	9.1	8.6	8.8	8.7	9.4	4.0	8.2
- Savings	5.6	5.7	5.8	6.0	6.0	6.1	6.1	6.3	5.3	4.1
- Current	2.5	2.5	2.6	3.1	2.7	2.8	2.7	3.1	1.3	17.6
<b>Loan mix (%)</b>										
Retail	38.6	48.9	48.3	49.0	49.8	50.0	50.0	49.6	59	-41
-Home loan	6.4	29.2	29.5	30.1	30.6	30.5	28.1	28.4	-170	30
-Personal loan	10.4	7.3	7.2	7.2	7.2	7.2	4.0	4.3	-290	26
Commercial and Rural	33.0	25.8	26.8	27.2	27.7	27.8	28.1	28.4	117	30
Agriculture	4.7	3.7	3.7	4.1	3.9	4.1	4.0	4.3	18	26
Wholesale	23.7	21.6	21.2	19.7	18.7	18.1	17.9	17.8	-194	-14
<b>Asset Quality (INR b)</b>										
GNPA	190.6	315.8	310.1	311.7	330.3	342.5	360.2	352.2	13.0	-2.2
NNPA	47.8	80.7	76.6	80.9	95.1	103.1	115.9	113.2	39.9	-2.3
Slippages	58.0	78.0	70.0	73.0	79.0	78.0	88.0	75.0	2.7	-14.8
<b>Asset Quality Ratios (%)</b>										
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY (bp)	QoQ (bp)
GNPA	1.17	1.34	1.26	1.24	1.33	1.36	1.42	1.33	9	-9
NNPA	0.30	0.35	0.31	0.33	0.39	0.41	0.46	0.43	10	-3
PCR (Calc.)	74.9	74.4	75.3	74.0	71.2	69.9	67.8	67.9	-618	3
Slippage ratio	1.5	1.6	1.4	1.4	1.5	1.3	1.4	1.2	-25	-24
<b>Business Ratios (%)</b>										
CASA (Reported)	42.5	37.6	37.7	38.2	36.0	35.3	34.0	35.0	-320	100
Loan/Deposit	84.5	107.3	110.5	104.4	103.5	99.8	98.2	96.5	-792	-173
Other income/Total Income	28.1	28.1	28.1	38.5	26.3	27.6	27.2	27.3	-1,117	8
Cost to Income	42.8	40.4	40.3	38.0	41.0	40.6	40.6	39.8	178	-81
Cost to Assets	2.4	2.2	2.2	2.4	2.2	1.9	1.9	1.9	-50	-2
Tax Rate	24.9	19.3	15.7	-4.8	24.0	23.6	23.4	24.5	2,929	114
<b>Capitalisation Ratios (%)</b>										
Tier-1	16.9	17.8	16.8	16.8	17.3	17.8	18.0	17.7	90	-30
- CET 1 (incl profit)	16.2	17.3	16.3	16.3	16.8	17.3	17.5	17.2	90	-30
CAR	18.9	19.5	18.4	18.8	19.3	19.8	20.0	19.6	80	-40
RWA / Total Assets	66.8	63.6	68.0	68.0	69.0	67.0	67.0	68.0	0	100
LCR	125.7	120.5	109.8	115.2	123.3	127.7	125.3	119.0	383	-634
<b>Profitability Ratios (%)</b>										
Yield on loans	10.1	11.4	11.5	11.4	11.5	9.8	9.7	9.5	-192	-19
Yield on funds	9.5	10.7	11.0	10.8	10.9	9.4	9.4	9.3	-145	-10
Cost of funds	4.0	4.8	4.9	4.9	4.9	4.9	4.9	4.9	0	0
Margins	4.10	3.40	3.40	3.44	3.47	3.46	3.43	3.54	10	11
<b>Other Details</b>										
Branches	7,860	7,945	8,091	8,738	8,851	9,092	9,143	9,455	717	312
Employees (K)	181.7	197.9	208.1	213.5	213.1	206.8	210.2	214.5	1.0	4.3

Source: MOFSL, company



## Highlights from the management commentary

### Opening remarks by the MD and CEO Mr. Sashidhar Jagdishan

- The RBI has recently begun to lower interest rates and there has been a moderation in food inflation. We have already seen two rate cuts and a stance change from neutral to accommodative, which are taken as positives by the banks.
- The C/D ratio has been brought down to 96.5% as of 4QFY25.
- Deposits have grown faster than the system and loan growth.
- Adjustment in the C/D ratio will not be very steep supporting loan growth but will be on a downward trend.
- NIMs have improved to 3.54% and excluding interest income of INR7b on IT refunds, NIM improved 3bp QoQ to 3.46%.
- Added approximately 312 branches in the current quarter while managing to reduce opex growth due to enhanced operational efficiency.

### Yields, cost, and margins

- NIMs have operated within a very narrow range during the last 12 months. The cost of funds (including shareholder funds) has been stable as the borrowing mix has come down.
- The yield on assets has also been pretty stable, higher ticket size corporate loans and larger ticket SME loans have been very competitive, especially coming from public institutions, and therefore, yields are less in this.
- Some positive impacts on margin have been due to the CRR cut, and some due to lower agriculture in the Mar'25 quarter.
- There is nothing significant in terms of AIF reversal. Margins are slightly impacted by the number of days.

### Deposits

- The bank has cut the SA rate currently as the loans get repriced quickly due to policy rate changes but deposits are repriced with a lag. Management believes the rate is not a differentiator for the bank to gain deposit market share.
- CASA ratio goes down when interest rates go up and therefore CASA is expected to improve as the rate cut happens.
- Adjustment in the C/D ratio will not be very steep supporting loan growth but the C/D ratio will continue to show a downward trend.
- In FY27, the bank's C/D ratio is expected to be below 90%. The bank will continue to gain market share in deposits.
- Time deposits' market share stood at 11.5%, while the CASA market share is 10.5% at present. Penetration of time deposits in the customer base is low, and HDFCB aims to grow customer relationships in this area as well. The goal is to have the wallet share of the customer in whatever form it comes.
- The bank will be focused on gaining more market share and market returns in terms of overall deposits.
- About 0.5t of maturity will happen in borrowings; ~60-65% of borrowings will be hedged.
- The bank caters to all deposit needs, offering products comparable to those of larger peers. Over the medium to long term, a shift in the CASA cycle is likely, potentially boosting NIMs.
- HDFCB emphasizes building liability relationships and expanding its branch network to grow its customer base, which drives deposits and liabilities.

## Loans

- HDFCB has done a re-organization in the asset side of the business to accomplish and drive certain synergies and better productivity. It has a strong management team, and the bank is excited about this re-organization as a lot more efficiency is going to kick in.
- RoA has been at ~1.8% level for HDFCB. In different rate scenarios, RoA is expected to move around 5-10bp due to this. The optimal level of RoA will be at ~1.9-2.1% in the long term (10 years).
- By product, repricing is different in case of a change in repo rate and depends on product to product. It can be a month or a quarter for loans to be repriced.
- A lot of loans will be repriced in a quarter and the full 50bp cut impact on margins will be visible in 1QFY26.
- HDFCB has a band of risk-based pricing models and it will operate in the same model. The bank has not cut lending rates for auto or fixed loans but this cut will depend on the profile of the borrowers.
- Personal loans stood at ~INR2t, and most of them were salaried customers.

## Opex and income

- In terms of branches, the bank is doing 2x what it was doing five years ago.
- HDFCB is best in terms of cost to asset, and it continues to press on new technology and better productivity to improve this further.
- HDFCB increased its headcount by ~4k in 4Q, ramping up investments in personnel while focusing on a productivity-driven model. Additional hiring will continue as required.
- The focus is on driving productivity while maintaining tight cost controls. Investments in people and technology are aligned to enhance efficiency.

## PSL

- HDFCB is focused on opportunities in the Small and Marginal Farmer (SMF) category. This is managed through IBPCs, PTCs, or PSLCs, with the cost of PSL embedded in the overall cost structure. The bank is addressing gaps in the SMF segment.

## Asset quality

- GNPA/NNPA ratio improved 9bp/3bp QoQ to 1.33% / 0.43%. PCR stood broadly stable at 67.9%. Fresh slippages stood at INR75b vs. INR88b in 3QFY25
- Asset quality has remained steady for banks. The proportion of NPA will not go up much even if the bank is increasing its book.
- Credit policy will not be changed to pick up volumes. There are many market opportunities are there to pick up growth. HDFCB wants to be a relationship bank and is not going to do lending only as a product.
- Book quality remains stable across all segments, backed by an analytical model ensuring consistency. The bank is confident of maintaining this stability.

## Subsidiaries

- **HDB Financial** reported a loan growth of 18.5% YoY/ 4.7% QoQ to INR1,069b, while its PAT stood at INR5.3b. GS3 assets stood at 2.26%, while CAR was 19.2%. **HDFC Securities:** Revenue grew 14% YoY to INR7.4b, while PAT rose 21% YoY to INR2.5b.

### Net advances jumped 4% QoQ; share of retail loans at 49.6%

- Loan book rose 5% YoY/4% QoQ to INR26.2t. Deposits grew 14% YoY/6% QoQ to INR27.1t. The C/D ratio eased 170bp QoQ to 96.5%. The CASA ratio was 35%.
- According to its internal classification, retail loans grew 2.5% QoQ, commercial and rural banking (excluding Agri) grew 4.4% QoQ, Agri grew 10% QoQ, and wholesale advances grew 2.5% QoQ.
- The share of retail loans stood at 49.6% in 4QFY25.

#### Exhibit 1: Loan growth was healthy at 4% QoQ led by strong growth in CRB book, including Agri

Gross Loan composition - Internal (INR b)	4Q24	3Q25	4Q25	YoY (%)	QoQ (%)
Auto Loans	1311	1,399	1457	11.1%	4.1%
2 wheeler loans	118	122	124	5.1%	1.6%
Personal loans	1846	1,944	1993	8.0%	2.5%
Payment Products	1002	1,123	1136	13.4%	1.2%
Home loans	7744	8,171	8357	7.9%	2.3%
Gold Loans	138	167	177	28.3%	6.0%
Other Retail	469	499	514	9.6%	3.0%
<b>Retail Total</b>	<b>12628</b>	<b>13,425</b>	<b>13758</b>	<b>8.9%</b>	<b>2.5%</b>
Commercial and Rural Banking	7003	7,532	7865	12.3%	4.4%
Agriculture	1053	1,076	1184	12.4%	10.0%
Corporate & Other wholesale	5075	4,806	4926	-2.9%	2.5%
<b>Total Gross Advances</b>	<b>25759</b>	<b>26,839</b>	<b>27733</b>	<b>7.7%</b>	<b>3.3%</b>
IBPC/BRDS	-680	-1413	-1298	90.9%	-8.1%
<b>Gross Advances exc. IBPC/BRDS</b>	<b>25079</b>	<b>25,426</b>	<b>26435</b>	<b>5.4%</b>	<b>4.0%</b>

\*standalone numbers

Source: MOFSL, company

CASA improved ~8.2% QoQ;  
term deposits grew ~4.7%  
QoQ

### NIM at 3.54% (up 11bp QoQ), CASA ratio improves 100bp QoQ to 35%

- NIM improved 11bp QoQ to 3.54% in 4QFY25. NIM (excluding interest on IT refund) improved 3bp QoQ to 3.46%.
- CASA deposits grew 4.0% YoY (up 8.2% QoQ); CA/SA deposits improved 17.6%/4.1% QoQ during the quarter.
- Term deposits grew 20.3% YoY and 4.7% QoQ, resulting in a 100bp QoQ improvement in CASA ratio to 35% during the quarter.

### Treasury gain at INR4b

- Core fee income grew 6.4% YoY/3.9% QoQ to INR85b. Treasury gains improved to INR4b vs. 0.7b in 3QFY25.
- Total other income dipped 34% YoY (up 5% QoQ).
- Opex declined 2.3% YoY and was up 2.6% QoQ. The C/I ratio came in at 39.8% in 4QFY25.

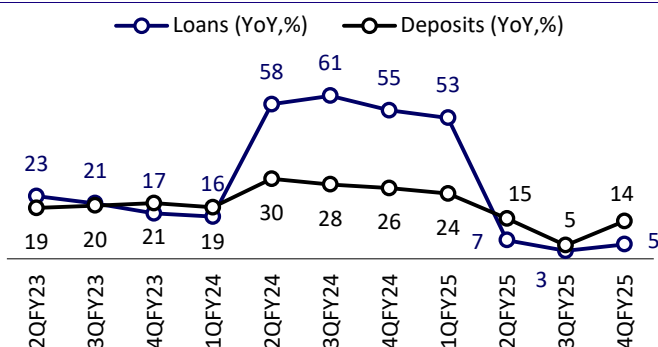
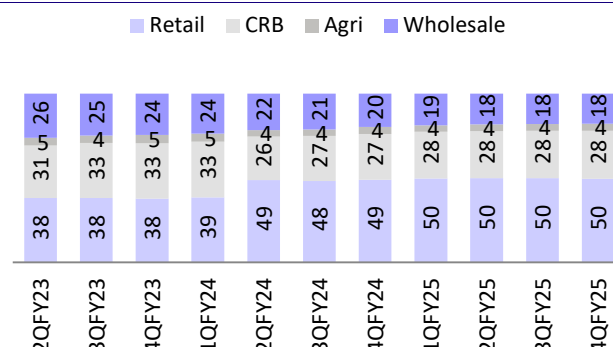
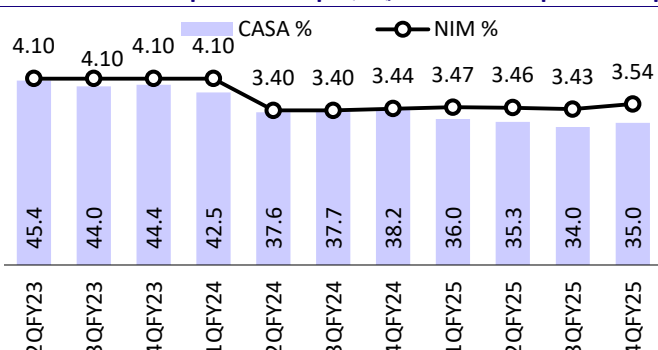
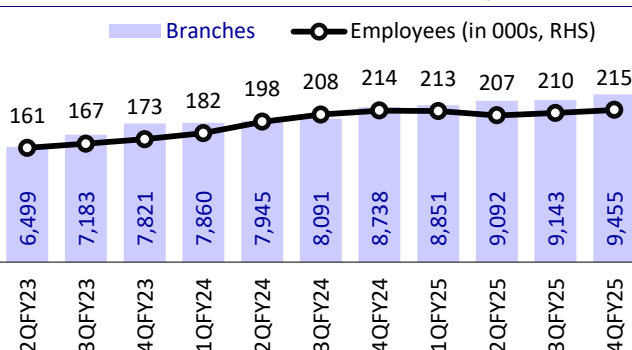
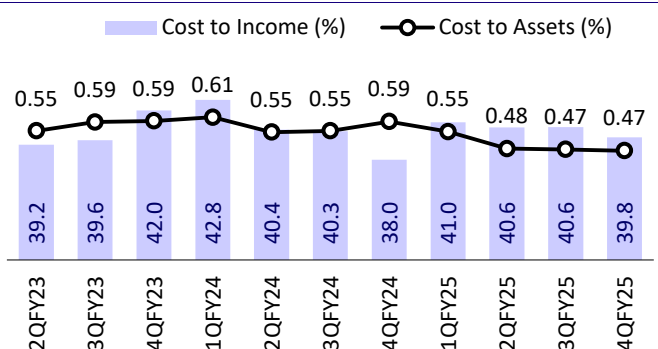
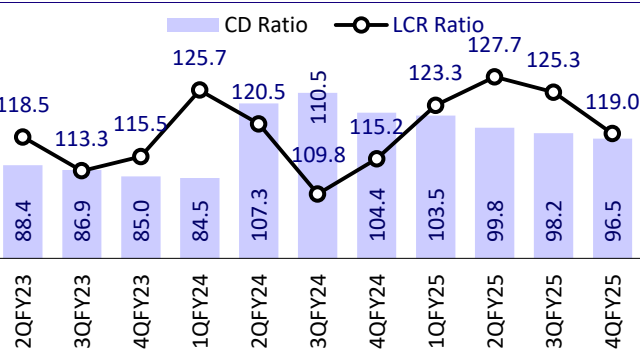
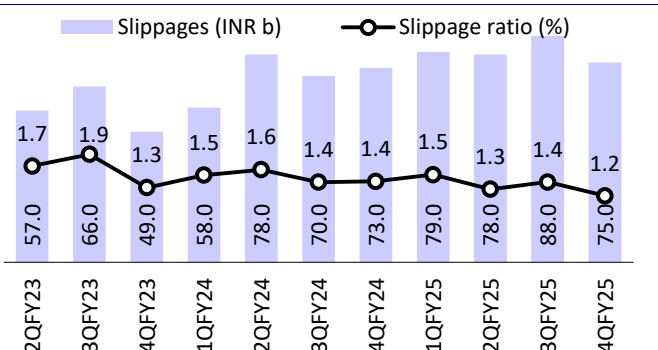
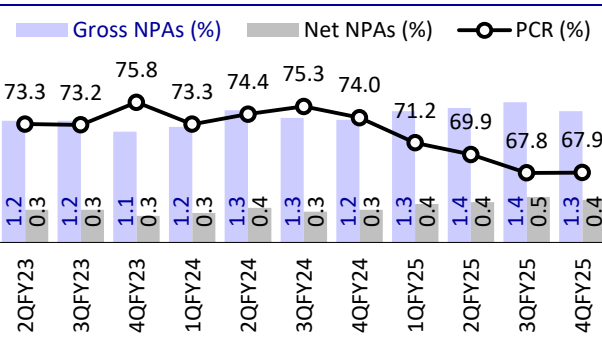
PCR stood at ~67.9% in  
4QFY25

### Asset quality ratios improve; PCR stable at 67.9%

- The asset quality ratio improved 9bp/3bp QoQ to 1.33%/0.43%. PCR stood broadly stable at 67.9%. Fresh slippages stood at INR75b vs. INR88b in 3QFY25.
- Recoveries stood at INR50b, whereas write-offs were INR33b as of 4QFY25.
- Contingent and floating provisions amounted to INR259b/1.0% as of 4QFY25.



## Story in charts

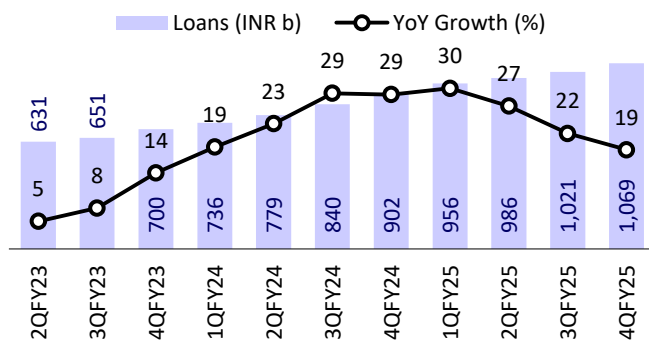
**Exhibit 2: Loans/deposits grew 4%/6% QoQ in 4QFY25**

**Exhibit 3: The mix of retail loans stood at 49.6% during 4Q**

**Exhibit 4: NIM improved 11bp QoQ; Core NIM improved 3bp**

**Exhibit 5: The bank added 312 branches in 4QFY25**

**Exhibit 6: C/I ratio improved to 39.8% in 4QFY25**

**Exhibit 7: C/D ratio improved to 96.5%; LCR at 119%**

**Exhibit 8: The slippage ratio improved to 1.2%**

**Exhibit 9: GNPA/NNPA ratio improved 9bp/3bp QoQ**


Source: MOFSL, Company

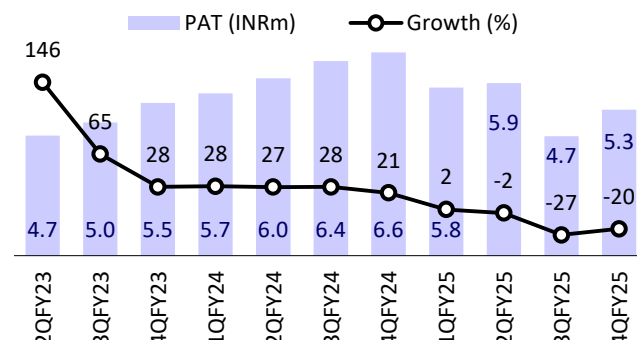
Source: MOFSL, Company

## Subsidiary performance and consolidated snapshot

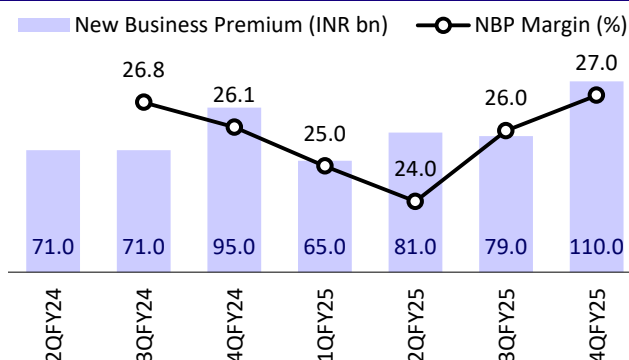
**Exhibit 10: HDB Financials' loans grew 19% YoY...**



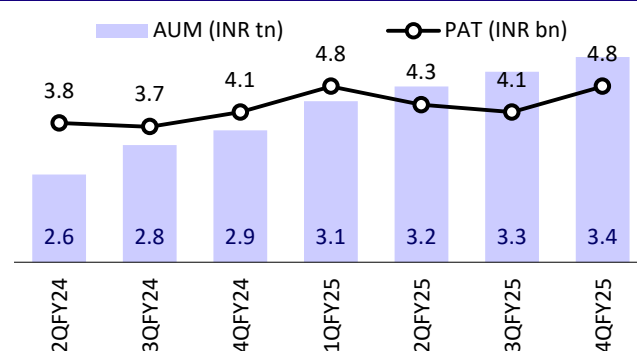
**Exhibit 11: ...while PAT declined 20% YoY**



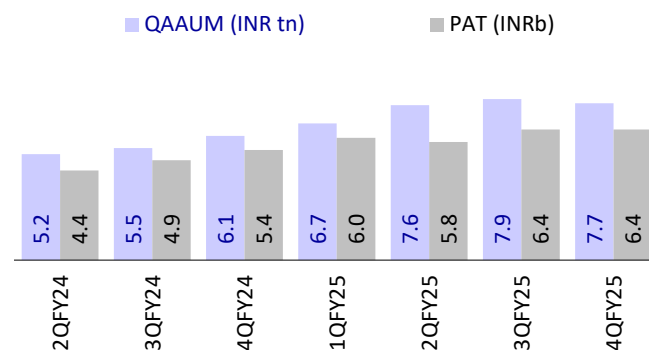
**Exhibit 12: HDFC Life's NBP margin stood at 27%**



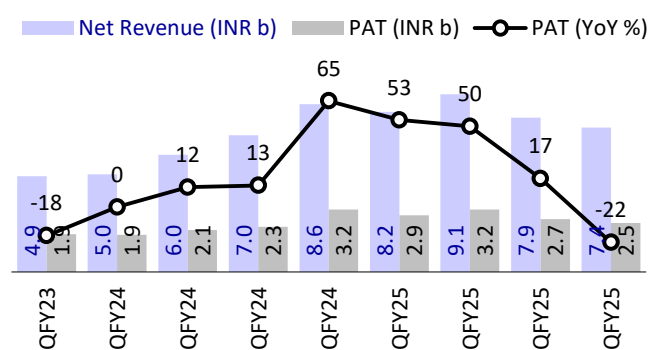
**Exhibit 13: HDFC Life's AUM reached INR3.4t**



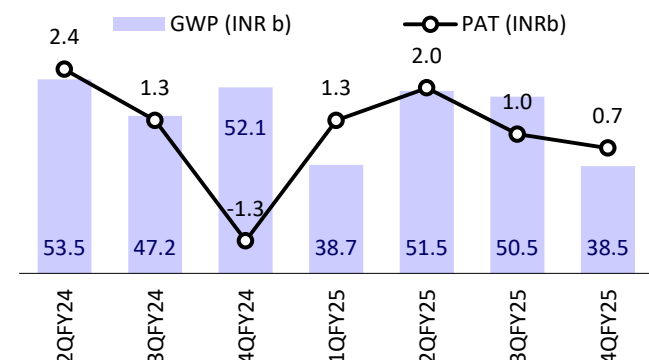
**Exhibit 14: HDFC AMC: PAT stood at INR6.4b in 4QFY25**



**Exhibit 15: HDFC Sec: PAT dipped 22% YoY to INR2.5b**



**Exhibit 16: HDFC Ergo's PAT stood at INR0.7b**



Source: MOFSL, Company

**Exhibit 17: HDFC Bank's consol. PAT overview**

INR b	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)
Stand Bank	165.1	167.4	176.2	7%	5%
HDB Financials	6.6	4.7	5.3	-20%	13%
HDFC Life	4.1	4.1	4.8	17%	17%
HDFC AMC	5.4	6.4	6.4	19%	0%
HDFC Securities	3.2	2.7	2.5	-22%	-7%
HDFC Ergo	-1.3	1.0	0.7	-154%	-30%
<b>Reported Total</b>	<b>176.2</b>	<b>186.3</b>	<b>195.9</b>	<b>11.1%</b>	<b>5.2%</b>
Stand. EPS	21.7	21.9	23.0		
Consol. EPS	23.2	23.1	24.6		

Source: MOFSL, Company



## Valuation and view: Reiterate Buy with a TP of INR2,200

- HDFCB posted a steady quarter with in-line earnings and a beat in NII, while the core margin improved 3bp QoQ. Further, NIM (including IT refunds) rose 11bp QoQ to 3.54% in 4QFY25. Business growth was healthy while aligning with the bank's strategy to reduce the C/D ratio consistently.
- Asset quality improved, with slippages remaining at a controlled level, while PCR stood stable at ~67.9%. Further, HDFCB continues to hold healthy provisions (floating + contingent) of INR259b, or 1.0% of loans. We factor in loan growth of 10%/13% for FY26/FY27. The gradual retirement of high-cost borrowings, along with an improvement in operating leverage, will support return ratios over the coming years.
- We raise our earnings by 3%/5% for FY26E/27E and estimate HDFCB to deliver an FY27E RoA/RoE of 1.9%/14.6%. Reiterate BUY with a TP of INR2,200 (based on 2.4x FY27E ABV + INR307 for subs).

### Exhibit 18: Changes to our estimates

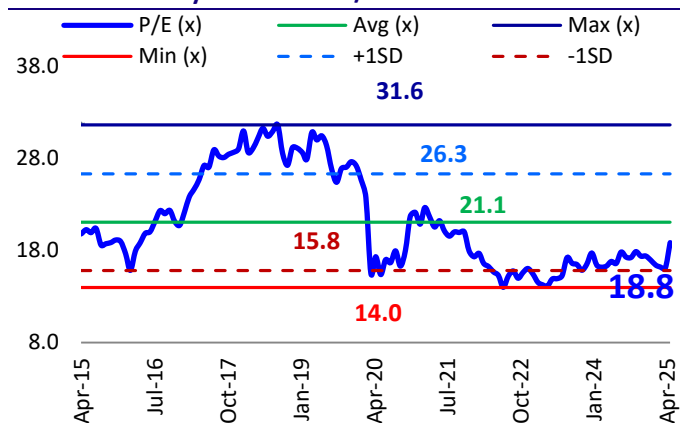
INR b	Old Estimates		New Estimates		Change (%/bps)	
	FY26	FY27	FY26	FY27	FY26	FY27
Net Interest Income	1,300.6	1,499.5	1,363.0	1,580.9	4.8	5.4
Other Income	518.9	586.3	516.1	586.8	-0.5	0.1
<b>Total Income</b>	<b>1,819.5</b>	<b>2,085.8</b>	<b>1,879.1</b>	<b>2,167.7</b>	<b>3.3</b>	<b>3.9</b>
Operating Expenses	746.6	837.6	774.6	869.5	3.8	3.8
<b>Operating Profits</b>	<b>1,072.9</b>	<b>1,248.3</b>	<b>1,104.5</b>	<b>1,298.2</b>	<b>2.9</b>	<b>4.0</b>
Provisions	131.9	167.3	135.2	165.6	2.5	-1.0
<b>PBT</b>	<b>941.0</b>	<b>1,081.0</b>	<b>969.3</b>	<b>1,132.6</b>	<b>3.0</b>	<b>4.8</b>
Tax	230.6	264.8	234.6	277.5	1.7	4.8
<b>PAT</b>	<b>710.5</b>	<b>816.1</b>	<b>734.7</b>	<b>855.1</b>	<b>3.4</b>	<b>4.8</b>
Loans	28,243	31,915	28,920	32,738	2.4	2.6
Deposits	31,226	35,942	31,219	35,933	0.0	0.0
Margins (%)	3.4	3.5	3.5	3.6	13	13
Credit Cost (%)	0.48	0.54	0.48	0.52	0	-2
<b>RoA (%)</b>	<b>1.73</b>	<b>1.79</b>	<b>1.79</b>	<b>1.88</b>	<b>6</b>	<b>9</b>
<b>RoE (%)</b>	<b>13.7</b>	<b>14.1</b>	<b>14.0</b>	<b>14.6</b>	<b>30</b>	<b>55</b>
EPS, INR	94	107	97	113	3.4	4.8
BV, INR	720	806	724	815	0.5	1.1
ABV, INR	685	768	689	776	0.5	1.1

E: MOFSL Estimates

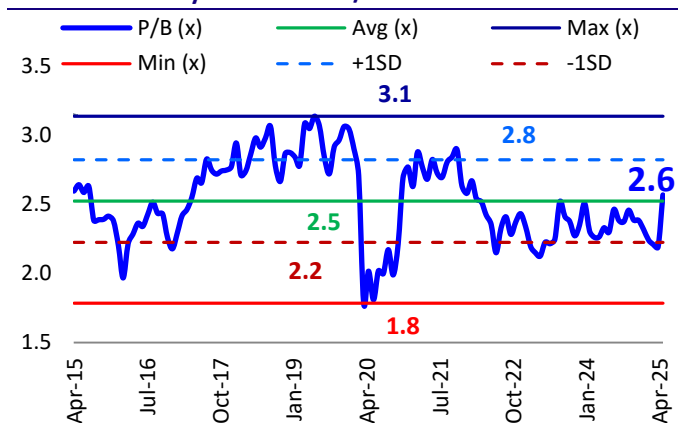
### Exhibit 19: The SoTP table for HDFCB

	Stake (%)	Proportionate Value INRb	Value USD b	Per Share INR	% of Total	Rationale
<b>HDFC Bank</b>		<b>14,376.1</b>	<b>172.2</b>	<b>1,892</b>	<b>86.0</b>	<b>2.4x FY27E ABV</b>
HDB Financial Ser	94.6	884.1	10.6	116	5.3	3.8x FY27E Net worth
HDFC Securities	95.1	317.2	3.8	42	1.9	17x FY27E PAT
HDFC Life Insurance	50.4	986.7	11.8	130	5.9	2.6x FY27E EV
HDFC Ergo General Insurance	50.5	140.9	1.7	19	0.8	24x FY27E PAT
HDFC AMC	52.6	590.5	7.1	78	3.5	35x FY27E PAT
<b>Total Value of Subs</b>		<b>2,919.5</b>	<b>35.0</b>	<b>384</b>	<b>17.5</b>	
Less: 20% holding Disc		583.9	7.0	77	3.5	
<b>Value of Subs (Post Holding Disc)</b>		<b>2,335.6</b>	<b>28.0</b>	<b>307</b>	<b>14.0</b>	
<b>Target Price</b>		<b>16,711.7</b>	<b>200.1</b>	<b>2,200</b>		

Source: Company, MOFSL

**Exhibit 20: One-year forward P/E ratio**


Source: MOFSL, Company

**Exhibit 21: One-year forward P/B ratio**


Source: MOFSL, Company

**Exhibit 22: DuPont Analysis – Return ratios to improve gradually**

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E
Interest Income	6.70	7.13	7.59	7.98	7.68	7.63
Interest Expense	2.92	3.30	4.40	4.73	4.36	4.16
<b>Net Interest Income</b>	<b>3.77</b>	<b>3.83</b>	<b>3.19</b>	<b>3.26</b>	<b>3.32</b>	<b>3.47</b>
- Core Fee Income	1.22	1.24	0.98	0.68	0.72	0.75
- Trading and others	0.33	0.13	0.46	0.53	0.54	0.54
<b>Non-Interest income</b>	<b>1.55</b>	<b>1.38</b>	<b>1.45</b>	<b>1.21</b>	<b>1.26</b>	<b>1.29</b>
<b>Total Income</b>	<b>5.32</b>	<b>5.21</b>	<b>4.63</b>	<b>4.47</b>	<b>4.58</b>	<b>4.76</b>
<b>Operating Expenses</b>	<b>1.96</b>	<b>2.10</b>	<b>1.86</b>	<b>1.81</b>	<b>1.89</b>	<b>1.91</b>
- Employee cost	0.63	0.68	0.65	0.66	0.66	0.67
- Others	1.33	1.42	1.21	1.15	1.23	1.24
<b>Operating Profits</b>	<b>3.36</b>	<b>3.11</b>	<b>2.77</b>	<b>2.66</b>	<b>2.69</b>	<b>2.85</b>
<b>Core operating Profits</b>	<b>3.03</b>	<b>2.97</b>	<b>2.31</b>	<b>2.13</b>	<b>2.15</b>	<b>2.31</b>
<b>Provisions</b>	<b>0.79</b>	<b>0.53</b>	<b>0.69</b>	<b>0.31</b>	<b>0.33</b>	<b>0.36</b>
<b>PBT</b>	<b>2.57</b>	<b>2.58</b>	<b>2.08</b>	<b>2.35</b>	<b>2.36</b>	<b>2.49</b>
Tax	0.63	0.63	0.30	0.56	0.57	0.61
<b>RoA</b>	<b>1.94</b>	<b>1.95</b>	<b>1.79</b>	<b>1.79</b>	<b>1.79</b>	<b>1.88</b>
Leverage (x)	8.6	8.7	8.2	8.0	7.8	7.8
<b>RoE</b>	<b>16.7</b>	<b>17.0</b>	<b>14.6</b>	<b>14.3</b>	<b>14.0</b>	<b>14.6</b>

Source: Company, MOFSL

## Financials and valuations

Income Statement							(INRb)
Y/E March (INR b)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Interest Income	1,208.6	1,277.5	1,615.9	2,583.4	3,005.2	3,152.1	3,475.1
Interest Expense	559.8	557.4	747.4	1,498.1	1,778.5	1,789.1	1,894.2
<b>Net Interest Income</b>	<b>648.8</b>	<b>720.1</b>	<b>868.4</b>	<b>1,085.3</b>	<b>1,226.7</b>	<b>1,363.0</b>	<b>1,580.9</b>
- growth (%)	15.5	11.0	20.6	25.0	13.0	11.1	16.0
Non-Interest Income	252.0	295.1	312.1	492.4	456.3	516.1	586.8
<b>Total Income</b>	<b>900.8</b>	<b>1,015.2</b>	<b>1,180.6</b>	<b>1,577.7</b>	<b>1,683.0</b>	<b>1,879.1</b>	<b>2,167.7</b>
- growth (%)	13.4	12.7	16.3	33.6	6.7	11.6	15.4
Operating Expenses	327.2	374.4	476.5	633.9	681.7	774.6	869.5
<b>Pre Provision Profits</b>	<b>573.6</b>	<b>640.8</b>	<b>704.0</b>	<b>943.9</b>	<b>1,001.3</b>	<b>1,104.5</b>	<b>1,298.2</b>
- growth (%)	17.7	11.7	9.9	34.1	6.1	10.3	17.5
<b>Core PPOP</b>	<b>549.2</b>	<b>601.7</b>	<b>663.2</b>	<b>903.9</b>	<b>929.9</b>	<b>1,025.0</b>	<b>1,208.0</b>
Growth (%)	17.9	9.6	10.2	36.3	2.9	10.2	17.9
Provisions	157.0	150.6	119.2	234.9	116.5	135.2	165.6
<b>PBT</b>	<b>416.6</b>	<b>490.2</b>	<b>584.9</b>	<b>709.0</b>	<b>884.8</b>	<b>969.3</b>	<b>1,132.6</b>
Tax	105.4	120.5	143.8	100.8	211.3	234.6	277.5
Tax Rate (%)	25.3	24.6	24.6	14.2	23.9	24.2	24.5
<b>PAT</b>	<b>311.2</b>	<b>369.6</b>	<b>441.1</b>	<b>608.1</b>	<b>673.5</b>	<b>734.7</b>	<b>855.1</b>
Growth (%)	18.5	18.8	19.3	37.9	10.7	9.1	16.4

Balance Sheet							
Y/E March (INR b)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	5.5	5.5	5.6	7.6	7.7	7.6	7.6
Reserves & Surplus	2,031.7	2,395.4	2,796.4	4,394.9	5,006.6	5,491.6	6,187.2
<b>Net Worth</b>	<b>2,037.2</b>	<b>2,400.9</b>	<b>2,802.0</b>	<b>4,402.5</b>	<b>5,014.2</b>	<b>5,499.2</b>	<b>6,194.8</b>
<b>Deposits</b>	<b>13,350.6</b>	<b>15,592.2</b>	<b>18,833.9</b>	<b>23,797.9</b>	<b>27,147.1</b>	<b>31,219.2</b>	<b>35,933.3</b>
Growth (%)	16.3	16.8	20.8	26.4	14.1	15.0	15.1
<b>of which CASA Dep</b>	<b>6,156.8</b>	<b>7,510.5</b>	<b>8,359.9</b>	<b>9,087.6</b>	<b>9,148.6</b>	<b>10,801.9</b>	<b>13,043.8</b>
Growth (%)	27.0	22.0	11.3	8.7	0.7	18.1	20.8
Borrowings	1,354.9	1,848.2	2,067.7	6,621.5	5,479.3	4,542.6	4,093.6
Other Liabilities & Prov.	726.0	844.1	957.2	1,354.4	1,461.3	1,680.5	1,932.5
<b>Total Liabilities</b>	<b>17,468.7</b>	<b>20,685.4</b>	<b>24,660.8</b>	<b>36,176.2</b>	<b>39,102.0</b>	<b>42,941.4</b>	<b>48,154.2</b>
Current Assets	1,194.7	1,523.3	1,937.7	2,191.5	2,395.7	2,646.4	2,801.9
<b>Investments</b>	<b>4,437.3</b>	<b>4,555.4</b>	<b>5,170.0</b>	<b>7,024.1</b>	<b>8,363.6</b>	<b>9,701.8</b>	<b>10,963.0</b>
Growth (%)	13.2	2.7	13.5	35.9	19.1	16.0	13.0
<b>Loans</b>	<b>11,328.4</b>	<b>13,688.2</b>	<b>16,005.9</b>	<b>24,848.6</b>	<b>26,196.1</b>	<b>28,920.5</b>	<b>32,738.0</b>
Growth (%)	14.0	20.8	16.9	55.2	5.4	10.4	13.2
Fixed Assets	49.1	60.8	80.2	114.0	136.6	160.0	184.0
Other Assets	459.3	857.7	1,467.1	1,998.0	2,010.0	1,512.8	1,467.3
<b>Total Assets</b>	<b>17,468.7</b>	<b>20,685.4</b>	<b>24,660.8</b>	<b>36,176.2</b>	<b>39,102.0</b>	<b>42,941.4</b>	<b>48,154.2</b>

Asset Quality							
Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
GNPA (INR b)	150.9	161.4	180.2	311.7	360.4	404.5	464.0
NNPA (INR b)	45.5	44.1	43.7	80.9	116.1	127.3	145.4
Slippages (INR b)	160.4	268.6	245.4	402.6	329.2	372.0	431.6
GNPA Ratio (%)	1.3	1.2	1.1	1.2	1.4	1.4	1.4
NNPA Ratio (%)	0.4	0.3	0.3	0.3	0.4	0.4	0.4
Slippage Ratio (%)	1.5	2.1	1.7	2.0	1.3	1.4	1.4
Credit Cost (%)	1.5	1.2	0.8	1.2	0.5	0.5	0.5
PCR (excl Tech. write-offs) (%)	69.8	72.7	75.8	74.0	67.8	68.5	68.7

Source: Company, MOFSL

## Financials and valuations

### Ratios

Y/E March (INR b)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Yield &amp; Cost Ratios (%)</b>							
<b>Avg. Yield-Earning Assets</b>	<b>8.1</b>	<b>7.4</b>	<b>8.0</b>	<b>8.4</b>	<b>8.9</b>	<b>8.4</b>	<b>8.3</b>
Avg. Yield on loans	8.9	7.9	8.6	8.8	9.2	9.0	8.9
Avg. Yield on Inv't	5.6	5.8	6.5	6.8	7.0	6.9	6.9
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>4.1</b>	<b>3.5</b>	<b>3.9</b>	<b>5.3</b>	<b>5.6</b>	<b>5.2</b>	<b>5.0</b>
Avg. Cost of Deposits	4.0	3.4	3.6	4.7	5.2	5.1	4.9
<b>Interest Spread</b>	<b>4.0</b>	<b>3.9</b>	<b>4.1</b>	<b>3.2</b>	<b>3.2</b>	<b>3.2</b>	<b>3.3</b>
<b>Net Interest Margin</b>	<b>4.1</b>	<b>3.9</b>	<b>4.1</b>	<b>3.4</b>	<b>3.5</b>	<b>3.5</b>	<b>3.6</b>

### Capitalisation Ratios (%)

CAR	18.5	18.7	19.3	18.8	20.4	20.5	20.2
Tier I	17.3	17.7	17.1	16.8	17.9	18.1	18.0
- CET-1	16.9	16.7	16.4	16.3	17.6	18.0	18.1
Tier II	1.2	1.0	2.1	2.0	2.5	2.4	2.2

### Business Ratios (%)

Loans/Deposit	84.9	87.8	85.0	104.4	96.5	92.6	91.1
CASA Ratio	46.1	48.2	44.4	38.2	33.7	34.6	36.3
Cost/Assets	1.9	1.8	1.9	1.8	1.7	1.8	1.8
Cost/Total Income	36.3	36.9	40.4	40.2	40.5	41.2	40.1
Cost/Core Income	37.3	38.4	41.8	41.2	42.3	43.0	41.9
Staff Cost/Total Expense	31.7	32.1	32.6	35.1	36.4	35.1	35.1
Int. Expense/Int.Income	46.3	43.6	46.3	58.0	59.2	56.8	54.5
Fee Income/Total Income	20.9	22.9	23.9	21.2	15.2	15.7	15.7
Other Inc./Total Income	28.0	29.1	26.4	31.2	27.1	27.5	27.1

### Efficiency Ratios (INRm)

Employee per branch (in nos)	21.4	22.3	22.1	24.4	24.7	24.4	24.2
Staff cost per employee (INR m)	0.9	0.8	0.9	1.0	1.0	1.0	1.0
CASA per branch (INR m)	1,098	1,184	1,069	1,040	935	977	1,044
Deposits per branch (INR m)	2,381	2,459	2,408	2,723	2,774	2,823	2,875
Bus. per Employee (INR m)	205	207	201	228	221	223	227
Profit per Employee (INR m)	2.6	2.6	2.5	2.8	2.8	2.7	2.8

### Valuation

RoE	16.6	16.7	17.0	14.6	14.3	14.0	14.6
RoA	1.9	1.9	1.9	1.8	1.8	1.8	1.9
RoRWA	2.8	2.8	2.9	1.7	2.7	2.7	2.8
Book Value (INR)	370	433	502	580	660	724	815
Growth (%)	18.5	17.2	16.0	15.4	13.9	9.7	12.6
<b>Price-BV (x)</b>	<b>5.2</b>	<b>4.4</b>	<b>3.8</b>	<b>3.3</b>	<b>2.9</b>	<b>2.6</b>	<b>2.3</b>
Adjusted BV (INR)	357	420	490	555	630	689	776
<b>Price-ABV (x)</b>	<b>5.3</b>	<b>4.5</b>	<b>3.9</b>	<b>3.4</b>	<b>3.0</b>	<b>2.8</b>	<b>2.5</b>
EPS (INR)	56.6	66.8	79.3	80.0	88.7	96.7	112.6
Growth (%)	17.8	18.1	18.6	1.0	10.7	9.1	16.4
<b>Price-Earnings (x)</b>	<b>33.7</b>	<b>28.5</b>	<b>24.0</b>	<b>23.8</b>	<b>21.5</b>	<b>19.7</b>	<b>16.9</b>
<b>Price-Earnings (x) - Adj. Subs</b>	<b>28.2</b>	<b>23.9</b>	<b>20.2</b>	<b>20.0</b>	<b>18.0</b>	<b>16.5</b>	<b>14.2</b>
Dividend Per Sh (INR)	6.5	15.5	19.0	19.0	20.0	21.0	21.0
<b>Dividend Yield (%)</b>	<b>0.3</b>	<b>0.8</b>	<b>1.0</b>	<b>1.0</b>	<b>1.0</b>	<b>1.1</b>	<b>1.1</b>

Source: Company, MOFSL

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