

September 3, 2019

Company	Sector	CMP	Recommendation	Target	Potential Upside
HDFC Bank Ltd.	Banks	2217	BUY	2440	10%

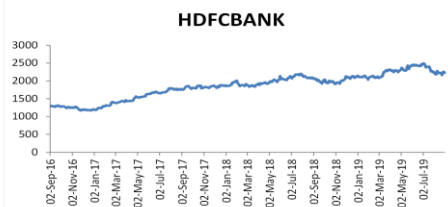
Key Stock Data

BSE Script Code	HDFCBANK
NSE Script Code	HDFCBANK
No. of shares	272
FV (Rs.)	2
MCAP (Rs.)	6,04,711 Crs
MCAP (\$)	8517 Crs
52 Week High	Rs. 2502
52 week Low	Rs. 1884
Time Frame	6 months

Shareholding Pattern

Promoters	26.25%
DII's	16.50%
FII's	38.64
Others	18.61

3 years Price Chart



HDFC (Housing Development Finance Corporation) Bank Ltd. (HDFCBANK) is an Indian banking and financial services company headquartered in Mumbai. The HDFCBANK was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of RBI's liberalization of the Indian Banking Industry in 1994. HDFCBANK commenced operations as a Scheduled Commercial Bank in January 1995. As of March 31, 2019, the Bank has distribution network of 5103 branches in 2748 cities.

Investments Rationale**1. Strong 1QFY20 results**

HDFCBANK reported strong set of 1QFY20 numbers on all counts whereby NII grew by 23% Y-o-Y to Rs.13,294 Crs in 1QFY20 as against Rs. 10,814 Crs in 1QFY19 on a bottom-line profit of Rs.5568 Crs in 1QFY20 as against Rs.4601 Crs in 1QFY19.

2. Asset Quality stable.

HDFC BANK GNPA increased marginally by 7bps on a Y-o-Y and 4 bps Q-o-Q to 1.40% in 1QFY20 as against 1.36% in 4QFY19 and 1.33% in 1QFY19. Its NNPA too increased marginally by 3 bps Y-o-Y and decreased by 5 bps Q-o-Q to 0.43% in 1QFY19 as against 0.41% in 1QFY19 and 0.51% in 4QFY19.

3. Strong advance growth

HDFC Bank's advances grew by good 17% Y-o-Y to Rs. 8,29,730 Crs in 1QFY20 as against Rs.8,19,401 Crs in 1QFY19. The Bank has continued to leverage its strong retail franchise, resulting in a 16% year-on-year growth in the retail loan portfolio.

Outlook & Valuations

HDFCBANK continues to sustain its good performance on a higher base and is growing its loan book above 15% along with its stable asset quality. At CMP, the stock is trading at its fair valuation 2.83x FY21E P/BV and we would like to allot a multiple of 3x P/BV on FY21E on account of its good track record of stable asset quality to arrive at a target price of Rs.2440.

Key Financial

Amt in Cr

Particulars	FY17 A	FY18 A	FY19 A	FY20 E	FY21 E
NII	35230	42906	51448	61223	72243
PAT	15287	18560	22445	26938	31787
BV	358.6	422.3	565	664	780
P/BV	6.16	5.23	3.91	3.33	2.83

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Analyst Stock Rating	
Ratings	Expected absolute returns over 6 months
BUY	>10%
HOLD	5-10%
SELL	<5%

Note: Our target price is within 6 months perspective. Returns stated in the rating scale are our internal benchmark.

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