

20 April 2025

India | Equity Research | Results Update

HDFC Bank

Banking

Healthy quarter with steady RoA led by stable core NIM and contained opex

HDFC Bank (HDFCB) reported Q4FY25 PAT of INR 176bn (RoA steady at ~1.9%) led by stable core NIM QoQ and contained opex. Deposits growth (14% YoY) remains driven by term deposits (20% YoY) while CA grew 18% QoQ (up 1% YoY) due to seasonality. Reported NIM (up 11bps to 3.73%) was aided by INR 7bn of interest on IT refund while asset quality was stable. Adjusted for IT refund, NII growth was reasonable at ~3% QoQ (up 8% YoY), as against loan growth of 4% QoQ (up 5% YoY). Core NIM is broadly stable at ~3.65%, though could have been favourably impacted by strong CA jump and lower agri slippages. Opex growth (7% YoY on adj. basis) remains calibrated and continues to offer cushion against moderating revenue growth. Adj. core PPOP growth was reasonable at ~5% QoQ (10% YoY). LCR dipped to 119% (vs 125% QoQ).

Maintain BUY; TP revised to INR 2,200

HDFCB has cut its savings rate by 25bps, though savings growth has been muted (at 4–5%/0–4% YoY/QoQ in the last two quarters). Yields on advances should see a full impact of the policy rate cut in upcoming quarters. While cost of deposits should ease, it is unlikely to offset the pressure on yields; thus, pressure on NIM is likely in H1FY26 but continued substitution of high-cost borrowing and favourable mix should help cushion FY26 NIM (<10bps decline YoY). There is bit of uncertainty on CRB segment's (key driver of overall growth and PSL generation) growth amidst an ongoing organisational restructuring. Asset quality remains pristine, though the bank may look to raise its relatively lower PCR (68%). LDR has come a long way from 110% at the time of merger to ~96.5%; thus, the ask rate has improved substantially, suggesting more leeway on loan growth. We estimate ~9%/12% YoY loan growth for FY26/FY27, along with an ~15% CAGR in deposits with LDR <90% by FY27.

We see HDFCB delivering steady ~1.8% RoA for FY26E, rising to ~1.9% by FY27E. Maintain **BUY** with a revised target price of INR 2,200 (vs. INR 2,100), valuing the core banking book at ~2.4x (~2.3x earlier) FY27E ABV and INR 279 for subsidiaries. Key risk is slower-than-expected growth in deposits impacting loan growth.

Deposits growth remains driven by TD; seasonal uptick in CA

Deposit growth continues to outpace system and grew by ~14% YoY (up 6% QoQ aided by seasonality). Average deposits growth was also strong at 16% YoY/3% QoQ. CASA growth, though, remained soft at 4% YoY (up 8% QoQ on a low base).

Financial Summary

Y/E March	FY24A	FY25A	FY26E	FY27E
NII (INR bn)	1,085.3	1,226.7	1,314.9	1,516.1
Op. profit (INR bn)	943.9	1,001.3	1,092.3	1,291.1
Net Profit (INR bn)	608.1	673.5	739.5	856.3
EPS (INR)	92.3	88.3	96.6	111.9
EPS % change YoY	16.4	(4.3)	9.4	15.8
ABV (INR)	571.5	644.2	718.0	804.6
P/BV (x)	3.3	2.9	2.6	2.3
P/ABV (x)	3.1	2.7	2.4	2.1
Return on Assets (%)	1.8	1.8	1.8	1.9
Return on Equity (%)	14.7	14.1	13.7	14.2

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Market Data

Market Cap (INR)	14,590bn
Market Cap (USD)	1,70,846mn
Bloomberg Code	HDFCB IN
Reuters Code	HDBK.BO
52-week Range (INR)	1,920 / 1,427
Free Float (%)	99.0
ADTV-3M (mn) (USD)	248.0

Price Performance (%)	3m	6m	12m
Absolute	16.5	14.0	26.3
Relative to Sensex	14.0	17.0	18.6

ESG Score	2023	2024	Change
ESG score	79.8	79.9	0.1
Environment	69.0	72.4	3.4
Social	71.2	70.7	(0.5)
Governance	90.1	90.4	0.3

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
PAT	1	(2)

Previous Reports

04-04-2025: [Quarterly results preview](#)

23-01-2025: [Q3FY25 results review](#)

CA growth was strong sequentially at 18%, but on a YoY basis, growth was soft at 1%. SA grew by 5% YoY (up 4% QoQ). CASA ratio improved to 34.8% vs. 34% QoQ. Management is hopeful of revival in CASA growth amidst turn in rate cycle, though has also cut its savings rate by 25bps. Term deposits growth was strong at 20% YoY (up 5% QoQ).

Share of retail deposits declined marginally to 83% (vs. 84% QoQ). On a QoQ basis, growth in retail deposits was 4.6% while wholesale deposits grew 12.5%. Retail deposits (LCR disclosures) growth was also muted at 2% QoQ (up 11% YoY). Share of borrowings in overall funding continues to moderate and stood at 17% vs. 18% QoQ and 22% YoY. LCR declined further to 119% vs. 125% QoQ.

Loan growth inch-up led by CRB; retail and corporate remain sluggish

After a soft Q3FY25, loan growth rebounded to 4% QoQ (up 5% YoY). CRB continued to be the primary driver growing 5% QoQ (up 12% YoY). Agri growth was also strong at 10% QoQ (up 12% YoY). Agri is now a part of retail team, and the synergy benefits are expected to further help, as per management. Retail segment witnessed a muted growth of 2% QoQ (up 9% YoY), within which, mortgage grew 2% QoQ (up 8% YoY). Growth in personal loans (up 2.5%/8% QoQ/YoY) and payment products (up 1%/13% QoQ/YoY) remains sluggish, though without any concerns on asset quality. Corporate continued its run-down and de-grew 3% YoY. LDR has come a long way from ~110% at the time of merger to ~96.5% now.

Core NIM stable but reported up 11bps QoQ to 3.73%; pressure ahead due to policy rate cut with partial offset from SA rate cut

Calculated cost of funds declined ~15bps QoQ, aided by favourable CA accretion and continued moderation in the share of borrowings. Calculated yields on advances declined ~15bps QoQ, with a partial impact from cut in policy rates. HDFCB mentioned that the EBLR-linked re-pricing varies across products, as per the reset date with swifter transmission for corporate loans.

The bank saw INR 7bn of non-core interest on IT refund vs. INR 2bn QoQ. Thus, lifting reported NIM by 11bps QoQ to 3.73%, which was also aided by number of days and lower agri slippages. However, adjusted for IT refund, core NIM was stable QoQ at 3.65%. Reported NII growth was strong at ~4.6% QoQ and 10.3% YoY. Adjusted for IT refund, NII growth was reasonable at 3% QoQ (up 8% YoY), as against loan growth of 4% QoQ (up 5% YoY).

HDFCB is likely to see pressure on yields going ahead with the full impact of the policy rate visible in coming quarters. The bank has cut its savings rate by ~25bps, which could ease cost of deposits by ~6bps, but is unlikely to offset the yields pressure.

Asset quality comfortable; PCR stable, though relatively lower

Slippages improved sequentially to INR 75bn (~1.15% of advances) vs. INR 88bn QoQ (~1.4%), as Q3FY25 had higher agri slippages. Ex-agri, slippages came at INR 62bn vs. INR 65bn QoQ. Net slippages improved to INR 25bn (0.4% annualised) vs. INR 48bn (0.8%). GNPA declined 2% QoQ, while GNPA ratio improved 9bps QoQ to 1.33%. Retail GNPA ratio improved to 0.8% vs. 0.83% QoQ. Ex-agri CRB, GNPA ratio remained stable at 1.27%. PCR was stable QoQ; but at ~68% (71% ex-agri), it is relatively lower vs. peers. Net NPA eased to 0.43% vs. 0.46% QoQ.

The bank reported credit cost of 48bps vs. 50bps QoQ. Important to note that this is gross credit cost, which is not comparable to large private banks. The comparable credit cost (net of recoveries) was 29bps vs. 36bps QoQ. The bank continues to hold contingency provisions of ~INR 135bn (50bps of advances).

Q4FY25 conference call takeaways

- The bank is meeting overall PSL requirement. However, there is ~1% shortfall in SMF segment.
- EBLR re-pricing reset date varies across products. It could be quicker for corporate loans. Mortgage re-pricing would be dependent on reset date, which may vary across customers.
- Reported NIM saw positive impact from non-core interest on IT refund (8bps), CRR cut, lower agri slippages and also from days count.
- The annual NIM should remain in a narrow range, but there can be variation on a quarterly basis. If the rate cuts happen in quick succession, there can be more changes in the quarterly NIM print; but from annual perspective, NIM should be within a narrow range.
- Rahul Shukla has voluntarily taken sabbatical to care for family commitments.
- The bank has re-organised its business teams to report to the Deputy MD to drive optimal synergies and deepen customer engagement. The bank expects massive improvement due to this change in FY26 and beyond.
- Opex growth would remain tight. However, it mentioned that the bank has market share of ~14% on loans but ~11% on deposits and ~6% in distribution; so, the bank would like to keep investing further.
- The bank thinks that it could continue to report the long-term steady RoA on an annual basis, though there could be quarterly variations.
- 70–75% of the personal loan customers would be salaried. The salary account could be with HDFCB or otherwise. The rest ~25% would be professional and self-employed and could include small/medium merchants and a few in the CRB segments.
- LDR has come a long way, from 110% at the time of merger to ~96–97% now. While the trajectory would continue declining, the adjustment need not be as steep now. LDR should revert to pre-merger levels by FY27.

Q3FY25 conference call takeaways

Asset quality

- Slippages are affected by seasonality in agri.
- PCR ex-agri is 71%, flat QoQ.
- HDFCB had earlier created contingent provisions against a large performing wholesale account, as it had become vulnerable. It received repayment in cash from this account, which led to release of INR 3bn worth of contingent provisions.
- Quality across segments, including unsecured retail loans, CRB, SLI, emerging corporate, retail and wholesale remains stable.
- NPAs worth 15bps are performing but are tagged as NPA upon restructuring in eHDFC.

Advances

- HDFCB is compliant on PSL on an aggregate basis. Two areas where there is a shortfall are SMF and weaker sections. Depending on flows in the next three months, the bank would decide on how to fill PSL gaps, if any. It uses PTC, PSL which have different outcomes on RoA (NIM, credit costs, opex). So far, PSL cost is not much.
- Emerging corporates are not growing because of fine pricing and not asset quality worries. The bank aims to retain relationships and gain wallet share in this book.
- Business banking is largely a secured book. Unsecured business banking is clubbed under retail loans and is rather miniscule.
- Bank would grow lower than system in FY25, in-line with system in FY26 and higher than system in FY27.
- Currently, rate of growth is calibrated through credit models. Once the macro turns favourable, the bank would again push for growth.
- Benchmark-wise book breakup: 45% repo-linked book, 25% is MCLR and T-bills and other floating benchmarks. 30% is fixed.

NIM and other income

- Cost of borrowing is ~8%. This is fully loaded cost (including hedging cost).
- INR 44bn worth of bonds were extinguished during the period.
- INR 2.5bn of MTM loss on equity investment in Q3FY25. Interest on IT refunds: INR 2bn vs. INR 0.5bn QoQ.
- Savings in cost of borrowing, as borrowings drawdown was offset by increase in CoD because of declining CASA. Hence, NIM has remained flat since merger.
- RWA density has remained stable and is lower than peers. Retail mix expected to go up, aiding yields over a 2–3-year horizon.
- In a high interest rate cycle, CASA ratio is down; should reverse as rates go down.

Opex

- The bank would continue to make controlled opex. It shall, however, continue to invest in technology. Now tech spends are >10%, which were earlier ~8–9%.
- The bank has ramped up investment in people and it is also investing to improve employee productivity.
- Has opened over 1,000 branches YoY.

Others

- HDB financial had higher levels of Stage 3. It increased by 15bps QoQ, which led to a spike in provisions. Stage 2 improved QoQ by ~5bps.
- 1.9mn e-HDFCL customers converted to liability relationship.

Exhibit 1: Q4FY25 result review

	Q4FY24	Q4FY25	YoY (%)	Q3FY25	QoQ (%)
Financial Highlights (INR mn)					
Interest Earned	7,14,728	7,74,601	8.4	7,60,069	1.9
Interest Expended	4,23,959	4,53,943	7.1	4,53,536	0.1
Net Interest Income	2,90,768	3,20,658	10.3	3,06,533	4.6
Other Income	1,81,663	1,20,279	-33.8	1,14,536	5.0
Total Income	8,96,390	8,94,880	-0.2	8,74,604	2.3
Total Net Income	4,72,431	4,40,937	-6.7	4,21,068	4.7
Staff Expenses	69,362	61,159	-11.8	59,504	2.8
Other operating expenses	1,10,326	1,14,410	3.7	1,11,560	2.6
Operating Profit	2,92,742	2,65,367	-9.4	2,50,004	6.1
Provision & Contingencies	1,35,116	31,931	-76.4	31,539	1.2
Provision for tax	(7,493)	57,275	-864.4	51,111	12.1
Reported Profit	1,65,119	1,76,161	6.7	1,67,355	5.3
Advances (INR bn)	24,849	26,196	5.4	25,182	4.0
Deposits (INR bn)	23,798	27,147	14.1	25,638	5.9
Gross NPA (INR mn)	311.7	352.2	13.0	360.2	-2.2
Gross NPA (%)	1.24	1.33	9 bps	1.42	-9 bps
Net NPA (INR mn)	80.9	113.2	39.9	115.9	-2.3
Net NPA (%)	0.33	0.43	10 bps	0.46	-3 bps
Provision Coverage (%)	74.0	67.9	-618 bps	67.8	3 bps

Source: Company data, I-Sec research

Exhibit 2: Loan book break-up

INR bn	Q4FY24	Q3FY25	Q4FY25	YoY (%)	QoQ (%)	Mix (%)
Retail Mortgages	7,728	8,171	8,357	8	2	32
Personal Loans	1,846	1,944	1,993	8	3	8
Auto	1,311	1,399	1,457	11	4	6
Payment Business	1,002	1,123	1,136	13	1	4
Two Wheelers	118	122	124	5	2	0
Gold Loans	138	167	177	28	6	1
Other Retail	469	499	513	9	3	2
Retail ex Mortgages	4,883	5,254	5,401	11	3	20
Total Retail Advances	12,611	13,425	13,758	9	2	52
Emerging Corporates	2,168	2,192	2,252	4	3	9
Business Banking	3,217	3,629	3,827	19	5	14
Commercial Transportation	1,374	1,485	1,564	14	5	6
CRB ex-Agri	7,003	7,532	7,865	12	4	30
Agri	1,053	1,076	1,184	12	10	4
CRB	8,056	8,608	9,050	12	5	34
Corporate and other-Wholesale	5,075	4,806	4,926	(3)	2	19
Subtotal	25,742	26,839	27,733	8	3	105
eHDFCL Non-Individual	-	-	-	NA	NA	-
Advances gross of IBPC	25,742	26,839	27,733	8	3	105
IBPC/BRDS	(664)	(1,413)	(1,298)	95	(8)	(5)
Gross Advances	25,078	25,426	26,435	5	4	100

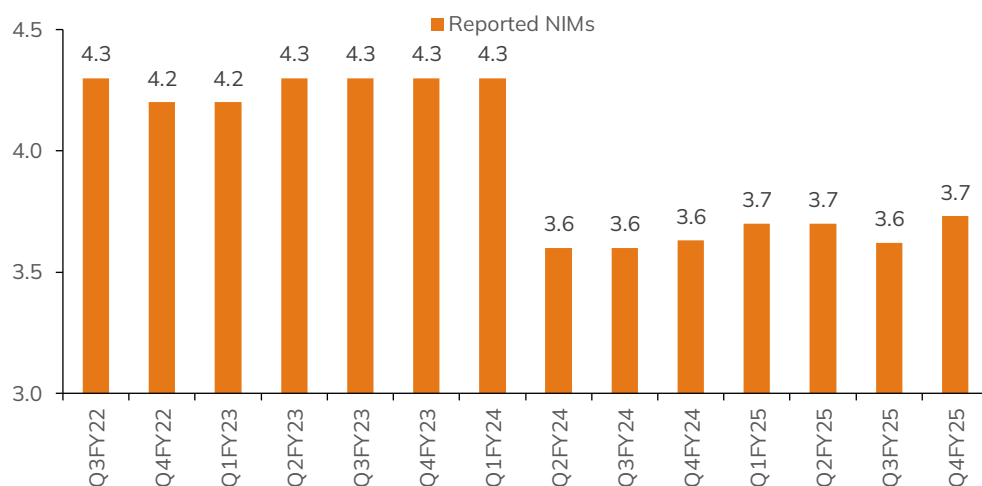
Source: Company data, I-Sec research

Exhibit 3: Deposits trend

(INR mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Deposits	1,73,32,040	1,88,33,947	1,91,30,958	2,17,28,578	2,21,39,770	2,37,97,863	2,37,90,845	2,50,00,882	2,56,37,950	2,71,47,149
YoY % change	19.9	20.8	19.2	29.8	27.7	26.4	24.4	15.1	15.8	14.1
QoQ % change	3.6	8.7	1.6	13.6	1.9	7.5	0.0	5.1	2.5	5.9
CASA Deposits	76,29,510	83,59,890	81,29,540	81,77,050	83,57,000	90,87,863	86,36,845	88,35,000	87,27,000	94,46,000
YoY % change	12.0	11.3	10.7	7.6	9.5	8.7	6.2	8.0	4.4	3.9
QoQ % change	0.4	9.6	-2.8	0.6	2.2	8.7	-5.0	2.3	-1.2	8.2
CASA Ratio (%)	44.0	44.4	42.5	37.6	37.7	38.2	36.3	35.3	34.0	34.8
Term Deposits	97,02,530	1,04,74,057	1,10,01,418	1,35,51,528	1,37,82,770	1,47,10,000	1,51,54,000	1,61,65,000	1,69,11,000	1,77,01,149
YoY % change	26.9	29.6	26.4	48.3	42.1	40.4	37.7	19.3	22.7	20.3
QoQ % change	6.2	8.0	5.0	23.2	1.7	6.7	3.0	6.7	4.6	4.7

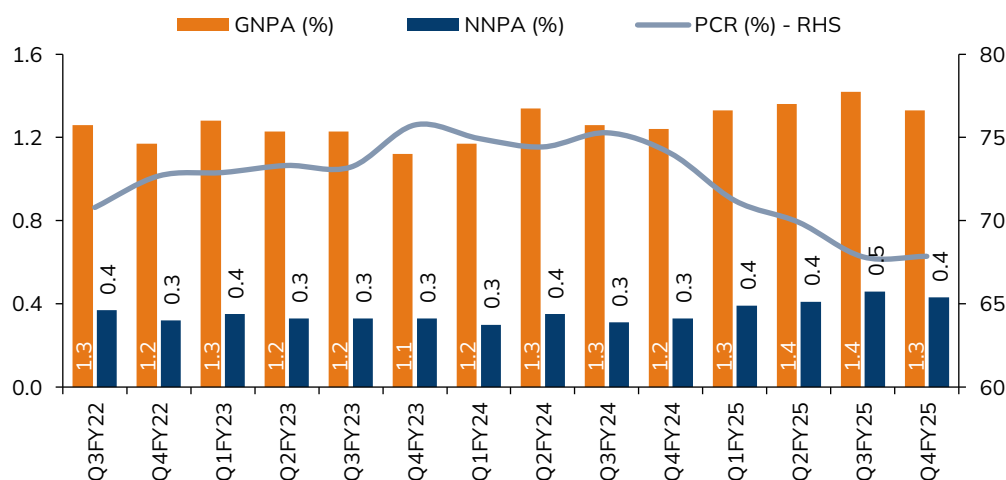
Source: Company data, I-Sec research

Exhibit 4: NIM registered an uptick sequentially



Source: Company data, I-Sec research

Exhibit 5: Asset quality remains stable



Source: Company data, I-Sec research

Exhibit 6: SoTP-based valuation

Name	Total value of business (INR bn)	HDFCB Stake (%)	Value for HDFCB (INR bn)	Value for HDFCB (per share)	Comments
HDFC Life	1,906	50	959	125	Based on I-Sec coverage
HDFC Mutual Fund	1,080	52	567	74	Based on I-Sec coverage
HDB Financial Services (Unlisted)	808	94	762	100	4.5x FY27E ABV
HDFC Securities Limited (Unlisted)	135	95	128	17	12x FY27E PAT
Others		NA	255	33	Miscellaneous
Total subs/assoc./JV			2,671	349	
Holding company discount (%)				20	
Subs/assoc./JV value per share				279	
Core banking book			694	1,921	~2.4x FY27E ABV
Target Price (INR)				2,200	

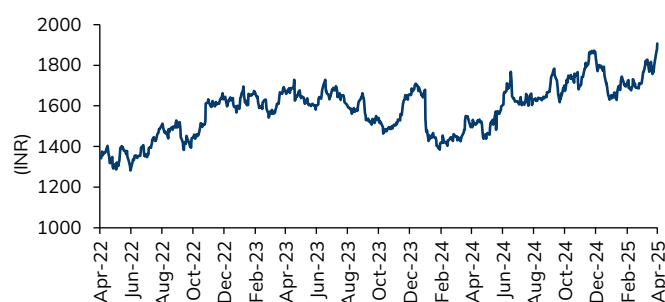
Source: Company data, I-Sec research

Exhibit 7: Shareholding pattern

%	Sep'24	Dec'24	Mar'25
Promoters	0.0	0.0	0.0
Institutional investors	83.3	83.8	82.2
MFs and others	24.5	23.9	25.2
FIs/Banks	1.9	2.0	0.7
Insurance	8.3	8.0	8.0
FIIIs	48.6	49.9	48.3
Others	16.7	16.2	17.8

Source: Bloomberg, I-Sec research

Exhibit 8: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 9: Profit & Loss

(InR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Interest income	25,83,406	30,05,171	31,53,307	34,69,351
Interest expense	14,98,081	17,78,470	18,38,404	19,53,300
Net interest income	10,85,325	12,26,701	13,14,902	15,16,051
Non-interest income	4,92,410	4,56,323	5,19,889	6,00,363
Operating income	15,77,735	16,83,024	18,34,792	21,16,414
Operating expense	6,33,860	6,81,749	7,42,450	8,25,351
Staff expense	2,22,402	2,39,005	2,55,374	2,88,985
Operating profit	9,43,875	10,01,275	10,92,342	12,91,063
Core operating profit	8,28,613	9,66,275	10,47,341	12,36,063
Provisions & Contingencies	2,34,921	1,16,494	1,19,356	1,64,300
Pre-tax profit	7,08,953	8,84,781	9,72,986	11,26,763
Tax (current + deferred)	1,00,830	2,11,307	2,33,517	2,70,423
Net Profit	6,08,123	6,73,474	7,39,469	8,56,340
Adjusted net profit	6,08,123	6,73,474	7,39,469	8,56,340

Source Company data, I-Sec research

Exhibit 10: Balance sheet

(InR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Cash and balance with RBI/Banks	21,91,474	23,95,707	27,68,759	29,49,263
Investments	70,24,150	83,63,597	86,45,822	94,24,023
Advances	2,48,48,616	2,61,96,086	2,86,68,616	3,20,74,044
Fixed assets	1,13,990	1,36,554	1,34,788	1,48,267
Other assets	19,98,002	20,10,046	23,13,091	25,38,857
Total assets	3,61,76,232	3,91,01,988	4,25,31,076	4,71,34,456
Deposits	2,37,97,862	2,71,47,148	3,10,63,350	3,57,26,560
Borrowings	66,21,531	54,79,309	44,33,555	35,96,951
Other liabilities and provisions	13,54,379	14,61,285	14,50,534	15,67,926
Share capital	7,597	7,652	7,652	7,652
Reserve & surplus	43,94,861	50,06,594	55,75,986	62,35,367
Total equity & liabilities	3,61,76,232	3,91,01,988	4,25,31,076	4,71,34,456
% Growth	46.7	8.1	8.8	10.8

Source Company data, I-Sec research

Exhibit 11: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
No. of shares and per share data				
No. of shares (mn)	7,597	7,652	7,652	7,652
Adjusted EPS	92.3	88.3	96.6	111.9
Book Value per share	580	655	730	816
Adjusted BVPS	572	644	718	805
Valuation ratio				
PER (x)	20.7	21.6	19.7	17.0
Price/ Book (x)	3.3	2.9	2.6	2.3
Price/ Adjusted book (x)	3.1	2.7	2.4	2.1
Dividend Yield (%)	1.2	1.2	1.2	1.3
Profitability ratios (%)				
Yield on advances	10.1	9.3	8.9	9.0
Yields on Assets	8.5	8.0	7.7	7.7
Cost of deposits	4.7	5.0	5.0	4.9
Cost of funds	4.9	4.7	4.5	4.4
NIMs	3.6	3.5	3.4	3.6
Cost/Income	40.2	40.5	40.5	39.0
Dupont Analysis (as % of Avg Assets)				
Interest Income	8.5	8.0	7.7	7.7
Interest expended	4.9	4.7	4.5	4.4
Net Interest Income	3.6	3.3	3.2	3.4
Non-interest income	1.6	1.2	1.3	1.3
Trading gains	0.3	0.1	0.1	0.1
Fee income	1.1	1.1	1.2	1.2
Total Income	5.2	4.5	4.5	4.7
Total Cost	1.9	1.8	1.8	1.8
Staff costs	0.7	0.6	0.6	0.6
Non-staff costs	1.1	1.2	1.2	1.2
Operating Profit	3.3	2.7	2.7	2.9
Core Operating Profit	2.7	2.6	2.6	2.8
Non-tax Provisions	0.7	0.3	0.3	0.4
PBT	2.6	2.4	2.4	2.5
Tax Provisions	0.8	0.6	0.6	0.6
Return on Assets (%)	1.8	1.8	1.8	1.9
Leverage (x)	8.2	8.0	7.7	7.6
Return on Equity (%)	14.7	14.1	13.7	14.2
Asset quality ratios (%)				
Gross NPA	1.2	1.3	1.4	1.4
Net NPA	0.3	0.4	0.4	0.4
PCR	74.0	67.9	70.0	75.0
Gross Slippages	1.7	1.3	1.3	1.2
LLP / Avg loans	0.5	0.5	0.6	0.6
Total provisions / Avg loans	1.2	0.5	0.4	0.5
Net NPA / Networth	1.8	2.3	2.1	1.8
Capitalisation ratios (%)				
Core Equity Tier 1	16.3	17.2	17.3	17.6
Tier 1 cap. adequacy	16.8	17.7	17.9	18.1
Total cap. adequacy	18.8	19.6	20.1	20.4

Source Company data, I-Sec research

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