

## HDFC (HDFC) – BUY

### Result Update

Current Market Price (CMP) <b>Rs.2,553</b>	Target Price <b>Rs.3,050</b>
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**Our Fair value is Rs.3050 offering potential upside of 19.5% from current price**

### Rationale:

- Defensive (salaried housing loans) portfolio bodes better than its pro-cyclical non-bank peers
- Remains best play on improving housing demand after the exit of many of its peers
- We expect medium-term core Return on equities to inch up to 15% from 13% in FY20
- HDFC trades at 3.6X FY23E book value
- At our revised fair value, it will trade at 2.75X June 2023E (Subsidiaries contribute ~50%).

### Q4FY21 Earnings update:

#### Positives:

- Core business performance supported by Net interest margin; Growth Improved
- Net interest income growth was at 14% yoY
- 10% yoy growth in AUMs driven by 13% growth in individual loan book  
(AUM – Asset under management)
- GNPL was almost flat yoy at ~2%; Collections in the individual book increased to 98%  
(GNPL – Gross Non-performing loans)

#### Negatives:

- Core Net interest margin expanded 0.2% to 2.86%, lower than 3% in Q3FY21
- Operating expenses were up 41% yoy; cost-to-average AUM was up 0.8% to 0.36%

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For detailed report dated 10th May 2021. Note: CMP & valuation may differ due to difference in dates.



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