

HDFC Bank (HDFCB) – ADD

Result Update

Current Market Price (CMP)

Rs. 1,426

Target Price

Rs. 1,650

We see 15.7% upside in the stock at our Fair Value of Rs. 1,650

Rationale:

- Near term outlook for large banks remains strong.
- Recovery in bank's business to be driven by improvement in macro conditions.
- Expect faster recovery in slippages, dependent on recovery in current GNPL.
- HDFC Bank trades at 3x and 19.7x FY2023 EPS.
- We value the bank at 3.4x BV and 22x FY2023 EPS.

(BV- Book Value, EPS- Earning per share)

1QFY22 Earnings Update:

Positives:

- 16% YoY growth in earnings; 18% YoY growth in operating profits.
- Strong other incomes up 55% YoY (low base).
- 14% YoY growth in advances – corporate grew 18% YoY.

Negatives:

- NIMs declined by 10 bps QoQ.
 - Marginal deterioration in GNPL; provisions high. Retail profitability looks weak.
- (NIM – Net Interest Margin, GNPL – Gross non-performing loans.)

[Click here](#)

For detailed report dated 19th July 2021. Note: CMP & valuation may differ due to difference in dates.



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Holding Period: 12 months / Disclaimer: <http://bit.ly/2n5AxIE>