

Pick of the week

HDFC Bank Ltd (HDFCB)

Recommendation: **BUY**

Current Price: ₹1,355

Potential Upside: **21.8%**

Date: **25th April 2022**

Time Period: **12 Months**

Target Price: ₹1,650

Why invest?

- 📌 HDFC Bank reported 23% yoy earnings growth.
- 📌 The earnings trajectory is quite healthy.
- 📌 Headline NPL ratios showed improvement with gross NPL ratio declining ~10 bps to 1.2% and net NPLs are at 0.3% of loans.
- 📌 Slippages were at 1.3% and restructured loans were at 1% of loans.
- 📌 Management built a thesis that it would not want to alter the growth trajectory of the bank and remain as competitive as it has always been.
- 📌 We maintain BUY rating with FV at Rs. 1,650.
- 📌 At our FV, we value the bank at 2.6X book and 20X FY2024E EPS for RoEs at 15-16% levels and 15% CAGR (adjusted for merger).