



## Stock Info

|                       |                 |
|-----------------------|-----------------|
| Bloomberg             | HDFCB IN        |
| Equity Shares (m)     | 7608            |
| M.Cap.(INRb)/(USD\$)  | 12432.5 / 148.1 |
| 52-Week Range (INR)   | 1794 / 1363     |
| 1, 6, 12 Rel. Per (%) | 1/4/-24         |
| 12M Avg Val (INR M)   | 33545           |
| Free float (%)        | 100.0           |

## Financials Snapshot (INR b)

| Y/E           | FY24  | FY25E | FY26E |
|---------------|-------|-------|-------|
| NII           | 1,085 | 1,233 | 1,395 |
| OP            | 944   | 1,017 | 1,167 |
| NP            | 608   | 680   | 779   |
| NIM (%)       | 3.4   | 3.5   | 3.5   |
| EPS (INR)     | 80.0  | 89.6  | 102.5 |
| EPS Gr. (%)   | 1.0   | 11.9  | 14.5  |
| BV/Sh. (INR)  | 580   | 649   | 731   |
| ABV/Sh. (INR) | 555   | 622   | 699   |

## Ratios

|         |      |      |      |
|---------|------|------|------|
| RoE (%) | 14.6 | 14.6 | 14.9 |
| RoA (%) | 1.8  | 1.8  | 1.9  |

## Valuations

|          |      |      |      |
|----------|------|------|------|
| P/E(X)   | 20.1 | 17.9 | 15.7 |
| P/E(X)*  | 16.8 | 15.1 | 13.2 |
| P/BV (X) | 2.8  | 2.5  | 2.2  |

## Navigating through the challenges

### Pursuing profitable growth; return ratios to improve gradually

- HDFC Bank (HDFCB)'s Annual Report emphasizes the institution's commitment to achieving sustainable growth over the medium term as it continues to invest in strengthening both its physical infrastructure and digital prowess.
- While the near-term growth is likely to remain soft due to constraints on the CD ratio, the increased threshold on loan pricing, which enables improved asset mix and gradual retirement of high-cost borrowings, will nevertheless fuel margin recovery.
- HDFCB has posted a healthy traction in Retail + Commercial and Rural Banking portfolio, with the mix of these two segments improving ~300bp over the past one year to ~81%. This has helped address the PSL shortfall and the bank became a net seller of PSLCs during FY24 (though the segmental gap persists) after reporting consistent shortfalls in prior years.
- The bank has effectively reduced its borrowings by ~INR600b over the past two quarters, including significant repayments of commercial papers. ~INR600b worth of HDFC's high-cost borrowings will mature in FY25 and will thus get replaced with deposits. This strategic shift is set to strengthen the balance sheet and aid margins.
- Asset quality has remained stable post-merger, with GNPA/NNPA at 1.3%/0.4%. The bank's prudent provisioning strategy, including a floating provision buffer of INR124b and a contingency buffer of INR145b, provides comfort.
- While slower loan growth than peers may remain an overhang on the near-term stock performance, we believe that HDFCB is structurally well poised to deliver steady growth and profitability in the medium to long term. We estimate HDFCB to deliver an FY26E RoA/RoE of 1.86%/14.9%. We reiterate our BUY rating on the stock with a TP of INR1,850 (premised on 2.3x FY26E ABV + INR256 for subsidiaries).

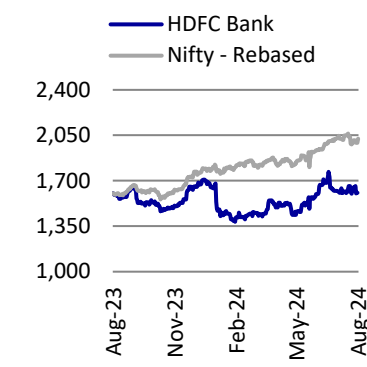
### Loan mix gaining granularity; Retail + CRB mix rises ~300bp since merger

HDFCB has posted a healthy traction in Retail + Commercial and Rural Banking portfolio, with the mix of these two segments improving ~300bp over the past one year to ~81%. The CRB segment has reported a steady 28% YoY growth in FY24 (+~27% YoY in 1QFY25). Home Loans led retail growth with 14% YoY improvement. The bank is strategically focusing on profitable growth with a distinct focus on higher-yielding segments. The bank aims for balanced growth aligning with its internal benchmark and priorities and remains confident in delivering profitable growth. We estimate a loan CAGR of ~10% over FY24-26, while deposit CAGR to sustain at ~16% over the same period.

**Shareholding pattern (%)**

| As On    | Jun-24 | Mar-24 | Jun-23 |
|----------|--------|--------|--------|
| Promoter | 0.0    | 0.0    | 20.8   |
| DII      | 30.7   | 29.1   | 22.0   |
| FII      | 54.3   | 54.9   | 45.6   |
| Others   | 15.0   | 16.1   | 11.5   |

FII Includes depository receipts

**Stock Performance (1-year)****Focus on granular deposit growth while avoiding rate war**

HDFCB has faced challenges in mobilizing adequate liabilities to fund growth and replace existing borrowings that are coming up for maturity. In 1QFY25, the deposit growth fell short of expectations owing to unexpected outflows, particularly from the current accounts, even though the average deposit growth has been steady over time. Granular and high-quality liability franchises remain a key priority, while HDFCB does not want to compete on rates in the market. The bank has been shedding the high cost deposits of HDFC Ltd that were inherited during the merger. It will not be bidding for a higher price to keep the large ticket-size deposits. The CASA mix has deteriorated to 36% in 1QFY25, and we remain watchful on the near-term trajectory due to the widened SA and TD rate differential. The bank's focus remains on enhancing customer engagement and converting mortgage clients into primary banking customers to aid deposit inflows.

**Replacement of high-cost borrowings to boost profitability**

HDFCB has effectively reduced its borrowings by ~INR600b over the past two quarters, including significant repayments of commercial papers. The bank aims to gradually replace high-cost (HDFC Ltd.) borrowings with lower-cost deposits. Looking ahead, ~INR600b of HDFC Ltd's high-cost borrowings will mature in FY25, of which, ~INR250b has already been paid in the June quarter. This strategic shift is set to enhance liquidity and support margin improvement as high-cost borrowings get replaced with lower-cost deposits.

**NIM recovery to be gradual; staggered PSL compliance to limit P&L impact**

The bank is shifting its portfolio towards retail assets and replacing HDFC's high-cost borrowings with deposits to improve margins, thereby aiming for a gradual recovery in NIMs from the current 3.47% to ~4.0% in 2-3 years. Despite pressures from increased cost of funds and merger impact, the bank is focused on stabilizing NIMs through disciplined deposit pricing and enhanced customer engagement. It is also addressing its PSL compliance challenges by exploring acquisitions and improving performance in critical segments (CRB), including the SMF and agricultural sectors. The bank became a net seller of PSLCs in FY24 after several years. Given HDFCB's strong market presence and extensive distribution network, management remains optimistic about achieving the necessary trajectory in PSL compliance.

**Leveraging expanded customer base for enhanced cross-selling and growth**

HDFCB's operational strategy focuses on enhancing efficiency through digital technology and effective resource utilization. This approach helps the bank maintain stable cost ratios despite significant investments in the business. By integrating three million e-HDFC customers and leveraging new-to-bank mortgage customers who have opened savings accounts with substantially higher SA balances, the bank is poised for sustainable growth. The improved productivity per branch and employee, coupled with strategic cross-selling opportunities from low mortgage penetration, positions HDFCB well to deepen customer relationships further, thus driving future growth and operational efficiency.

**Asset quality stable; strong contingency buffer provides comfort**

Asset quality remains stable post-merger, with GNPA/NNPA ratios at 1.3%/0.4%. HDFCB's prudent provisioning strategy, including a floating provision buffer and a strong overall CAR of ~19.3%, supports stability despite some seasonal pressures. In 1QFY25, its slippages inched up to INR79b, but recoveries and write-offs were managed effectively. The bank's improved RWA density and reduced concentration of top exposures highlight its robust risk management, while the significant counter-cyclical provision created in FY24 will ensure asset quality resilience.

**Valuation and view**

Amid persisting challenges on business growth and an intense focus on accelerating liability mobilization, HDFCB has been delivering a resilient performance in margins & asset quality. During the past two quarters, the bank has reported 7bp expansion in margin to 3.47% led by conscious improvement in the asset mix and the retirement of high-cost borrowings. Asset quality remains broadly stable while PCR stands at ~71.2%, which is closer to the levels it used to be before the announcement of the merger.

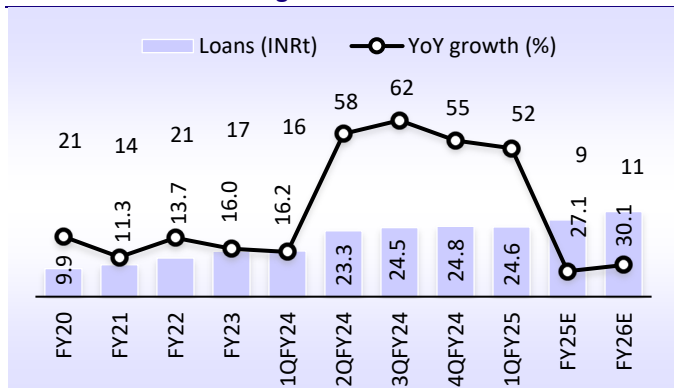
- The bank holds a healthy pool of provisions (floating + contingent) at INR269b/1.1% of loans. While the bank has not given any specific guidance on the C/D ratio, management has indicated that it will actively focus on bringing the ratio down at an accelerated pace.
- Consequently, we have factored in softer loan CAGR at ~10% over FY24-26E, while deposit CAGR to sustain at ~16%. However, the gradual retirement of high-cost borrowings, along with an improvement in operating leverage, will provide some support to margins and return ratios over the coming years.
- We thus estimate HDFCB to deliver an FY26E RoA/RoE of 1.86%/14.9%. **We reiterate our BUY rating on the stock with a TP of INR1,850 (premised on 2.3x FY26E ABV + INR256 for subsidiaries).**

## Retail and CRB – the key growth engines in FY24

### Mix of Retail and CRB has expanded ~300bp since the merger to >77%

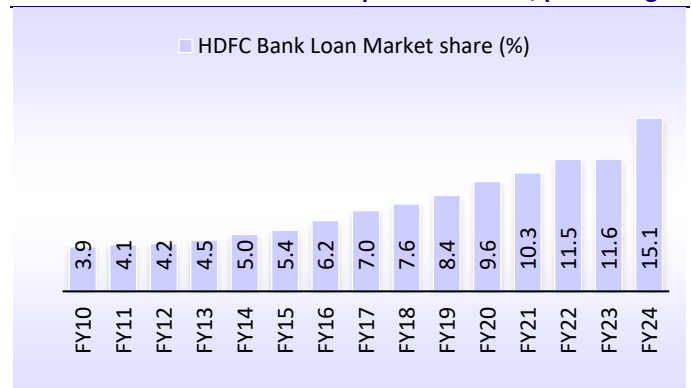
- HDFCB has posted a healthy traction in Retail + Commercial and Rural Banking portfolio, with the mix of these two segments improving ~300bp over the past one year to ~81%. The CRB segment has reported a steady 28% YoY growth in FY24 (+~27% YoY in 1QFY25). Home Loans led retail growth with 14% YoY improvement.
- To achieve a balanced and profitable expansion, the bank is strategically managing growth to align with its overall balance sheet construct and regulatory requirements. As part of a cautious approach, there has been a deliberate moderation in growing the unsecured personal loan portfolio. The management's focus remains on maintaining a well-balanced growth trajectory while effectively managing credit risks.
- We estimate HDFCB to deliver a ~10% loan CAGR over FY24-26 as the focus remains on easing the elevated credit-deposit ratio, while competition for liabilities remains high. The management has emphasized that it will want to pursue profitable growth and won't be guided solely by the top-line.
- The bank is thus pursuing a planned gradual shift towards higher-yielding assets in the loan mix. Although this approach may result in a reduced focus on transactional business due to pricing pressures, the bank is confident it will not negatively impact key corporate relationships. While the advances market share might see slower growth or even a slight decline over the next few years, we believe that overall strength of the franchise remains robust.

**Exhibit 1: Estimate loan growth at ~10% CAGR over FY24-26**



\*2QFY24 growth is post-merger

**Exhibit 2: Loan market share expands to 15.1%, post-merger**



### Loan mix gaining further granularity

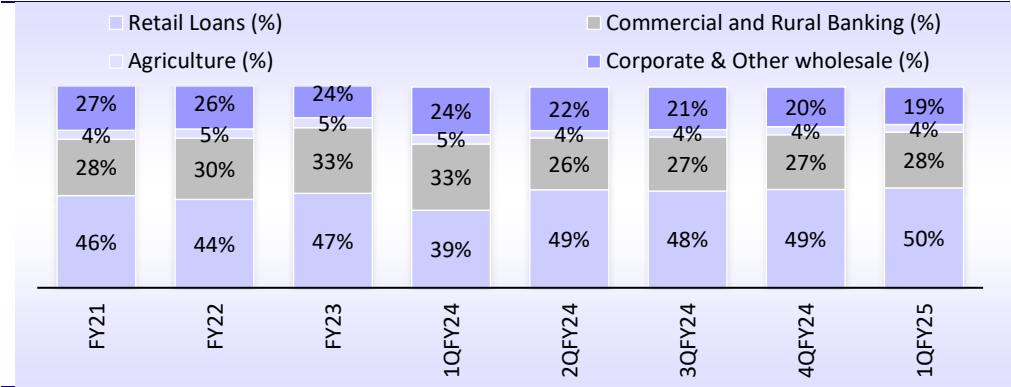
- HDFCB has been focusing on growing its Commercial & Rural (CRB) and Agri banking books, which have grown at a robust pace, while growth in Corporate book has been modest. Over the past two years, CRB and Agri book witnessed a 31%/26% CAGR, while Corporate/Retail loans posted 15%/17% CAGR. However, post-merger the bank saw an improving trend in retail loans, especially in retail mortgages.
- Following the merger with HDFC, HDFCB has significantly diversified its loan portfolio, with retail loans now comprising 50% and the share of mortgages increasing to 30.6% of total loans, up from ~6% previously. CRB, including Agriculture, now constitutes 31.6%, with corporate loans at around 19%. This strategic realignment will enable the bank to achieve sustainable growth,

particularly in retail, which had faced challenges earlier due to market link cyclicity for certain businesses. The bank remains focused on pursuing risk-adjusted profitable growth and has been forgoing opportunities where the risk-reward is not favorable.

- The CRB portfolio is also an important source of PSL assets for the bank and is, hence, likely to show sustained growth momentum. This should further benefit the bank in accomplishing its PSL requirements as a merged entity.

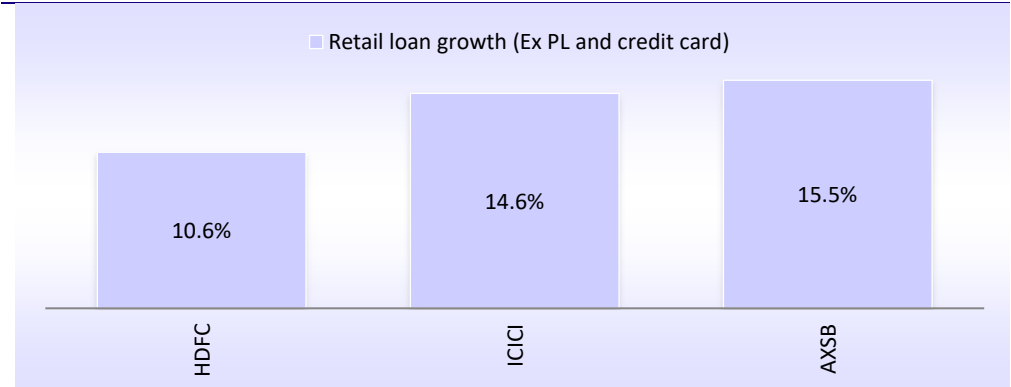
Exhibit 3: Loan mix has been gaining granularity with rising mix of Retail & CRB segments

While HDFCB’s retail loan growth has been slower than other private peers the increased maturity profile of asset/liability book will enable better cross-selling of lower tenor, profitable credit



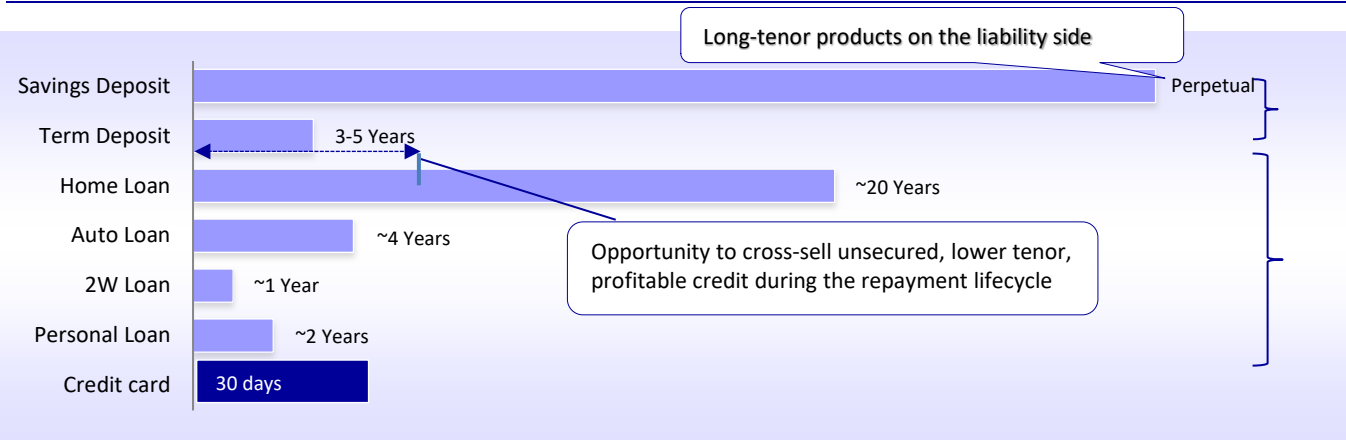
Source: Company, MOFSL

Exhibit 4: Retail advances of HDFCB grew ~11% in 1QFY25 vs. 14-15% for key private peers



Source: Company, MOFSL

Exhibit 5: Increased home loan mix to improve cross-selling of shorter-tenor products



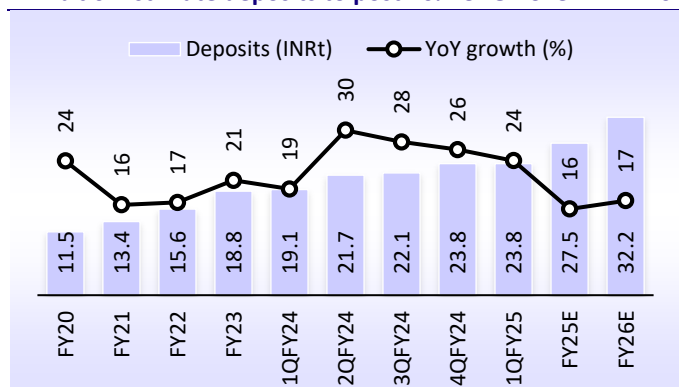
Source: MOFSL, Company

## Focus on deposits while avoiding rate competition

### Higher cross-selling and deeper customer engagements; corporate relationships to drive growth

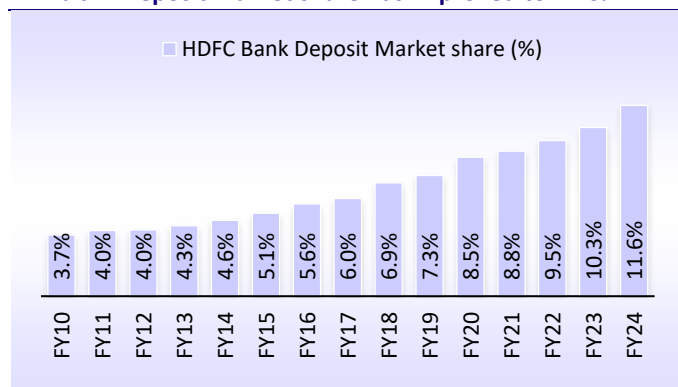
- HDFCB has faced challenges in mobilizing adequate liabilities to fund growth and replace existing borrowings that are coming up for maturity. In 1QFY25, the deposit growth fell short of expectations owing to unexpected outflows, particularly from the current accounts, even though the average deposit growth has been steady over time.
- Granular and high-quality liability franchises remain a key priority, while HDFCB does not want to compete on rates in the market. The bank has been shedding the high cost deposits of HDFC Ltd that were inherited during the merger. It will not be bidding for a higher price to keep the large ticket-size deposits. The CASA mix has deteriorated to 36% in 1QFY25, and we remain watchful on the near-term trajectory due to the widened SA and TD rate differential.
- The management is concentrating on enhancing customer engagement and service delivery to boost deposit inflows, rather than relying on aggressive rate competition, aiming for a balanced deposit base that supports overall stability and growth. Additionally, the bank is prioritizing the conversion of mortgage customers into primary banking customers, particularly in savings accounts, and is deepening relationships with existing corporate clients to strengthen its current account deposit franchise. These initiatives are expected to support HDFCB's deposit growth moving forward.

**Exhibit 6: Estimate deposits to post 16% CAGR over FY24-26**

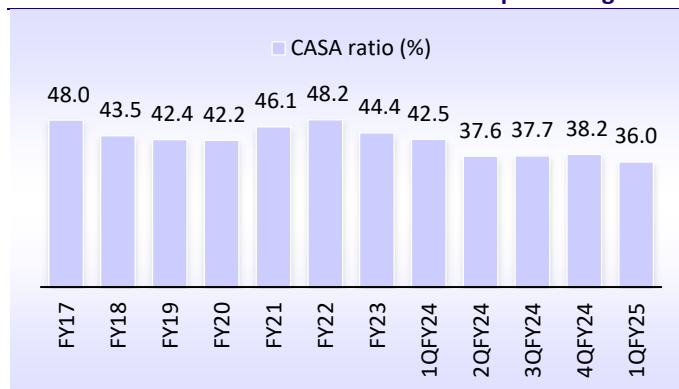


\*2QFY24 and thereafter growth in on merged basis Source: MOFSL, Company

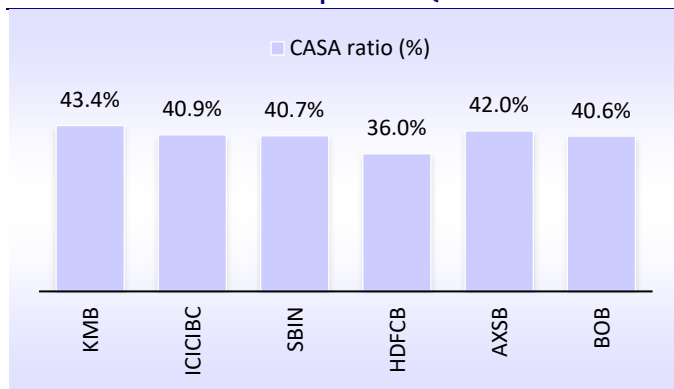
**Exhibit 7: Deposit market share has improved to 11.6%**



Source: MOFSL, Company

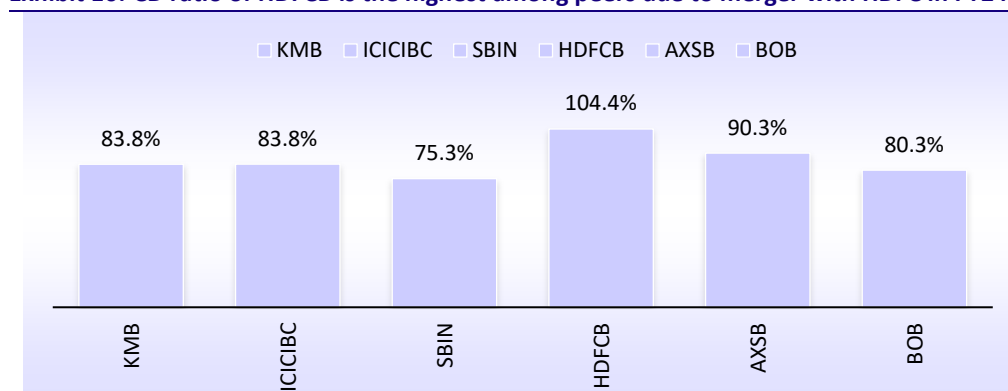
**Exhibit 8: CASA ratio has moderated to 36% post-merger**

Source: MOFSL, Company

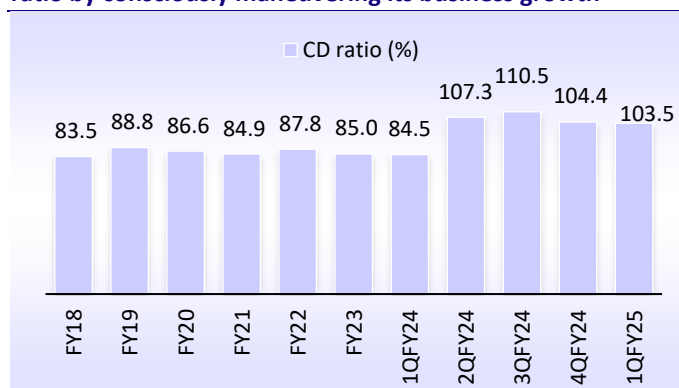
**Exhibit 9: CASA ratio across peers – 1QFY25**

Source: MOFSL, Company

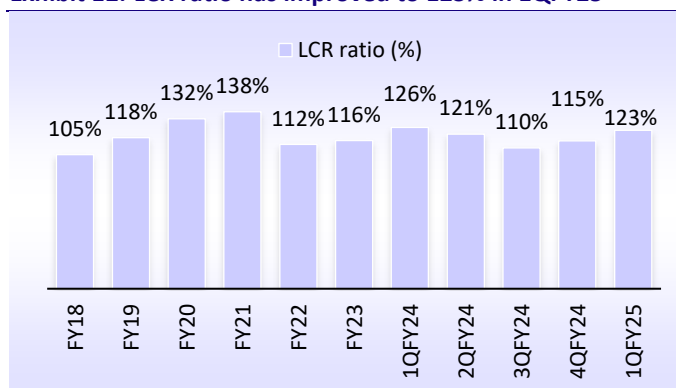
- **Improvement in CD ratio has become a key strategic focus:** HDFCB's Credit-Deposit (CD) ratio has increased sharply post-merger. Improving CD ratio and aligning it with peers has thus become a key strategic focus for the bank. The bank reported a CD ratio of ~103.5% as of 1QFY25. The regulator's focus on improving the CD ratio and aligning loan growth accordingly may constrain the growth for HDFCB. The bank has reiterated its focus on bringing the CD ratio lower as early as possible while maintaining profitable growth. Looking forward, we estimate loan growth to sustain in low-double digits while expecting deposit growth to outpace loans by at least 400-500 bps, which should bring the credit-deposit ratio to a normalized level gradually.
- **LCR ratio though stands comfortable** at 123% in 1QFY25 up from ~115% in the previous quarter. However, the recent draft circular on LCR that suggests a higher run-off factor for deposit accounts, which have mobile/internet banking enabled, may impact LCR for the banking system. The Private banks that have lower liquidity on the balance sheet and maintain lower LCR vs. PSU banks are thus more vulnerable, should these draft proposals come into effect.

**Exhibit 10: CD ratio of HDFCB is the highest among peers due to merger with HDFC in FY24**

Source: Company, MOFSL

**Exhibit 11: HDFCB is aiming to significantly improve its CD ratio by consciously maneuvering its business growth**

Source: MOFSL, Company

**Exhibit 12: LCR ratio has improved to 123% in 1QFY25**

Source: MOFSL, Company

**Gradual retirement of high-cost borrowings to continue**

- HDFCB has demonstrated a significant reduction in borrowings over the last two quarters, achieving a sequential decline of 9.5% in 1QFY25 following a 10% decrease in 4QFY24. As of Mar'24, the bank had inherited ~INR4t in borrowings from the former HDFC Ltd, with approximately 15% of these borrowings maturing in each of the three years leading up to FY27, while the remaining 55% will mature thereafter.
- Notably, the bank has successfully reduced its borrowings by ~INR600b, which includes INR150b in commercial papers that matured and were subsequently paid down. Looking ahead, ~INR600b of HDFC Ltd's high-cost borrowings will mature in FY25, out of which ~INR250b was already paid in the June quarter.
- HDFCB aims to increase its deposit market share while maintaining a stable cost of funds. As HDFC Ltd.'s borrowings are being replaced, the bank anticipates significant funding requirements to drive growth as well as replace the high-cost borrowings. We expect the bank's deposit market share to improve further, supported by the expansion of new branches and deeper penetration in Tier-2 and Tier-3 cities.

**Exhibit 13: Maturity profile of deposits, advances, and borrowings**

| Maturity Profile - Domestic |           |                 |             |                   |           |
|-----------------------------|-----------|-----------------|-------------|-------------------|-----------|
| Deposits (INRm)             | FY24      | Advances (INRm) | FY24        | Borrowings (INRm) | FY24      |
| < 1 Year                    | 84,11,636 | < 1 Year        | 51,64,638   | < 1 Year          | 12,86,728 |
| 1 - 3 Years                 | 88,85,123 | 1 - 3 Years     | 1,01,25,799 | 1 - 3 Years       | 27,35,986 |
| > 3 Years                   | 65,01,104 | > 3 Years       | 95,58,178   | > 3 Years         | 25,98,817 |
| Deposits (in %)             | FY24      | Advances (in %) | FY24        | Borrowings (in %) | FY24      |
| < 1 Year                    | 35.3%     | < 1 Year        | 20.8%       | < 1 Year          | 19.4%     |
| 1 - 3 Years                 | 37.3%     | 1 - 3 Years     | 40.7%       | 1 - 3 Years       | 41.3%     |
| > 3 Years                   | 27.3%     | > 3 Years       | 38.5%       | > 3 Years         | 39.2%     |

Source: Company, MOFSL

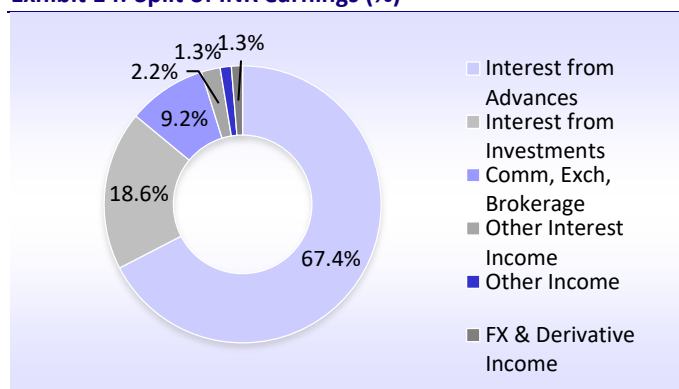
## NIM recovery to be gradual

### Improving asset mix and retirement of high-cost borrowings to support margins

- HDFCB is strategically shifting its portfolio mix towards high-yielding retail assets while also replacing higher-cost borrowings with deposits, which are pivotal for margin improvement. However, near-term constraints related to the increased cost of funds and continued decline in CASA mix are impacting NIM performance.
- The bank has indicated that while current margins are at the lower end of expectations, they anticipate a recovery to 3.7% over the next 18 to 24 months, with further improvement to ~4.1% expected in two to three years.
- In recent months, HDFCB has increased pricing thresholds on several asset products, and the decline in mix of corporate loans is expected to bolster overall asset yields. However, management has suggested that there is limited potential for further hikes in disbursement yields.
- Despite facing pressures from market conditions and the recent merger, the management is focused on stabilizing NIM. The bank continues to follow a disciplined approach to deposit pricing, avoiding aggressive rate hikes, which could adversely affect margins. Instead, HDFCB aims to attract deposits through enhanced customer engagement and superior service delivery. Improving the CASA ratio is a critical strategy to enhance margins, as the bank seeks to balance pressures stemming from changing customer preferences and the impacts of the merger. Overall, HDFCB is actively managing its deposit and loan pricing strategies to navigate current market challenges while striving to sustain margin stability.

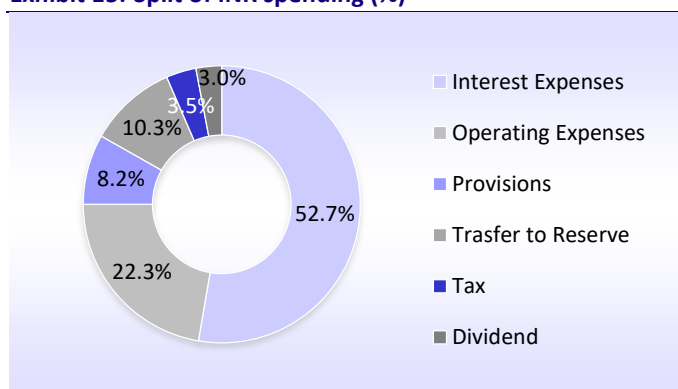
## Component-wise breakup of earnings/spending by the bank

Exhibit 14: Split of INR earnings (%)

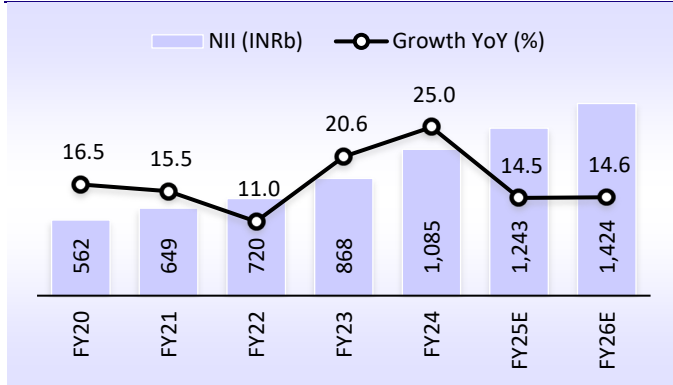


Source: MOFSL, Company

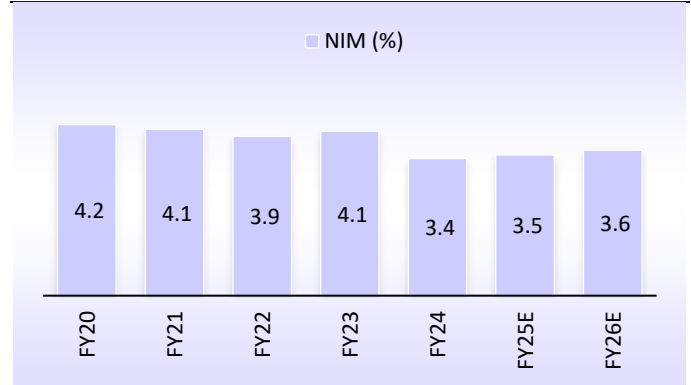
Exhibit 15: Split of INR spending (%)



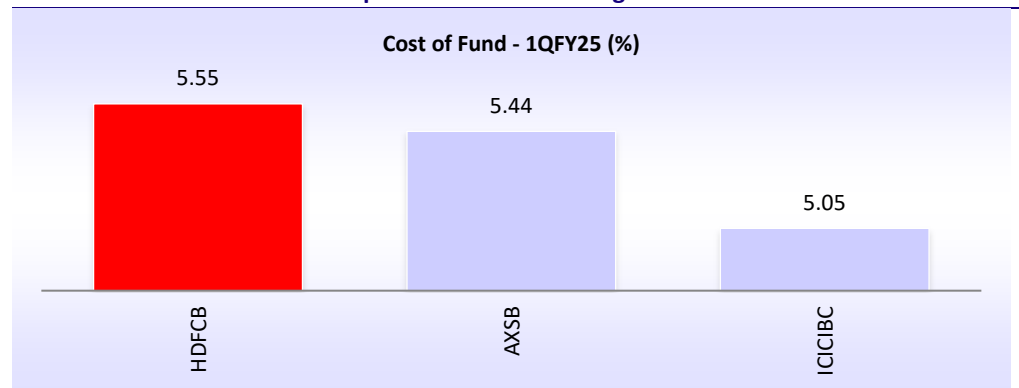
Source: MOFSL, Company

**Exhibit 16: Estimate NII growth at ~15% in FY26**

Source: MOFSL, Company

**Exhibit 17: NIMs likely to remain rangebound at 3.5-3.6%**

Source: MOFSL, Company

**Exhibit 18: Cost of funds across peers – HDFCB standing at 5.55%**

Source: MOFSL, Company

### Overall PSL compliance has improved; SMF and weaker section though still witnessing shortfalls

- According to the RBI guidelines, HDFCB is required to achieve a PSL target taking into consideration one-third of the outstanding loans of HDFC as on the effective date of the amalgamation for the first year. The remaining two-thirds of the portfolio of HDFC shall be considered over the next two years.
- With a strong focus on the Retail+CRB portfolio, the bank successfully met its PSL targets during FY24 and was a net seller of PSLCs in the market in contrast to being a usual buyer in prior years. However, it experienced shortfalls specifically within the SMF and weaker sections segments and therefore also purchased PSLCs worth INR820b in FY24. The vehicle finance sub-segment under SMFs has been identified as a critical area requiring increased lending efforts. While the bank is well-positioned in other PSL categories, it faces long-term challenges within the agricultural sector.
- While HDFCB's overall PSL performance remains comfortable, it faces constraints regarding the availability of PSL certificates. Management is implementing measures to enhance PSL compliance and improve overall performance in this area. Given HDFCB's strong market presence and extensive distribution network, management remains optimistic about achieving the necessary run-rate to ensure PSL compliance.

The bank has become a net seller of PSLCs during FY24 after reporting consistent shortfall in the prior years.

**Exhibit 19: PSLC trends across years**

| INR b                       | FY20  | FY21  | FY22 | FY23  | FY24   |
|-----------------------------|-------|-------|------|-------|--------|
| PSLC bought during the year | 645.2 | 843.3 | 1006 | 699.9 | 819.7  |
| PSLC sold during the year   | 167.5 | 20    | 0    | 363.1 | 1055.8 |

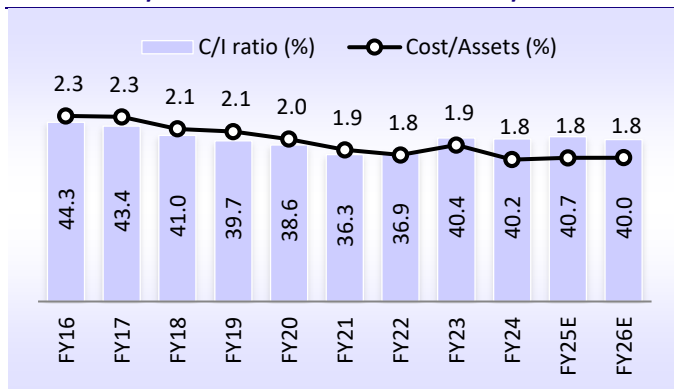
Source: MOFSL, Company

## Operating leverage to improve gradually; estimate C/I ratio at 40% for FY26

### Digitization has helped reduce sourcing cost

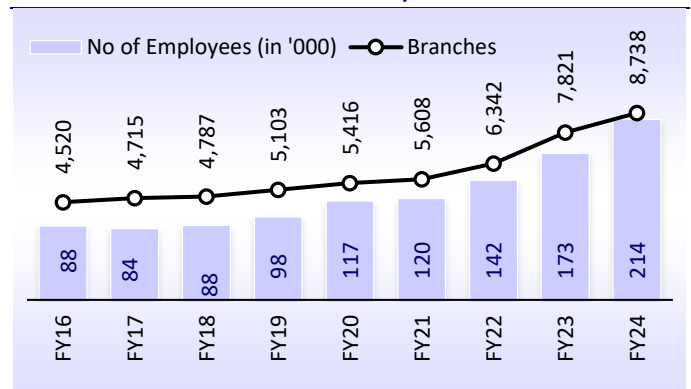
- HDFCB's opex strategy is centered on: a) increasing operating efficiency, b) the efficient use of digital technology, thereby increasing customer convenience and ease, and, c) competing against disruptive technology.
- As HDFCB operates on a very lean cost model, the cost ratios for the merged entity remained stable in FY24, even after the consistent pace of branch expansion and continued investment. The bank added ~40k employees and ~917 branches in FY24. However, the C/I and cost-to-asset ratios remained stable at ~40% and 1.9%, respectively.
- We believe that while the aggressive chase for deposits and pressure on CASA mix may keep the cost ratios flattish in the near term, the improvement in operating leverage and recovery in margins will help improve cost-ratios over the medium to long term. We thus expect the C/I and cost/asset ratio to remain stable at ~40% and 1.8%, respectively, in FY26 as the bank continues to invest in branches and product distribution to drive business growth.

Exhibit 20: C/I ratio stands at 40.2% with cost/assets at 1.9%



Source: Company, MOFSL

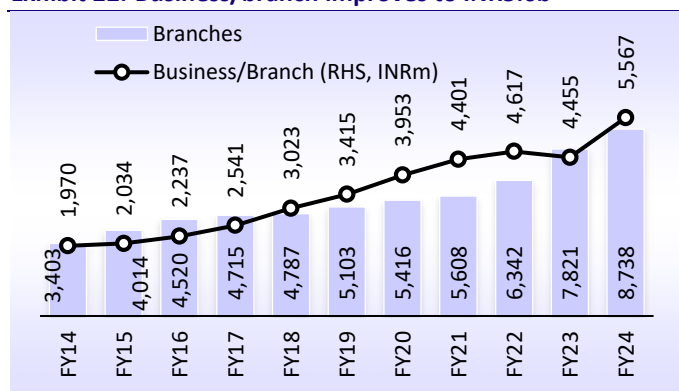
Exhibit 21: HDFCB added ~40k staff/~917 branches in FY24



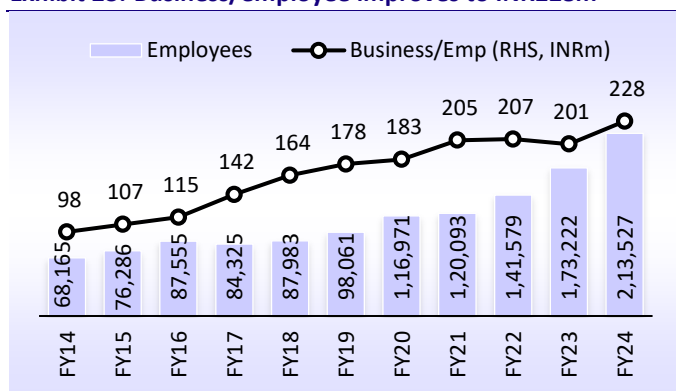
Source: Company, MOFSL

### Business productivity improves; leveraging the power of branch banking

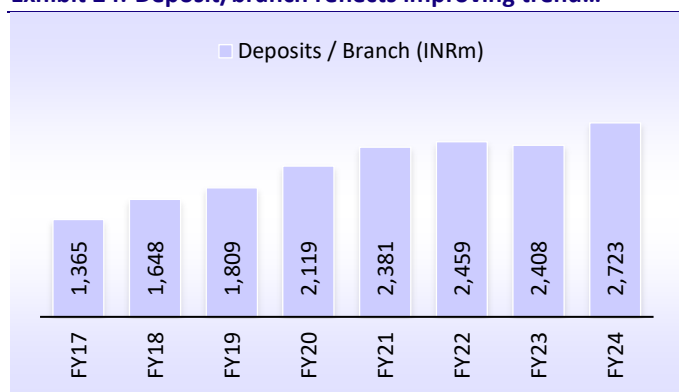
- HDFCB has been focusing on improving its branch productivity by leveraging technology. HDFCB's business per branch improved to INR5.6b in FY24 from INR4.4b in FY23. The business per employee also improved to INR228m in FY24.
- Further, Deposits per branch improved to INR2,723m in FY24 v/s INR2,408m in FY23, indicating higher productivity and operational efficiency at the branch level. However, CASA/branch has seen a moderation to INR1,040m in FY24.
- On an average, branches mature in 18-24 months, and we thus believe that new branches will start to contribute more in the coming years. This would aid the overall productivity and support in garnering incremental business, thereby resulting in improved operational efficiency.

**Exhibit 22: Business/branch improves to INR5.6b**

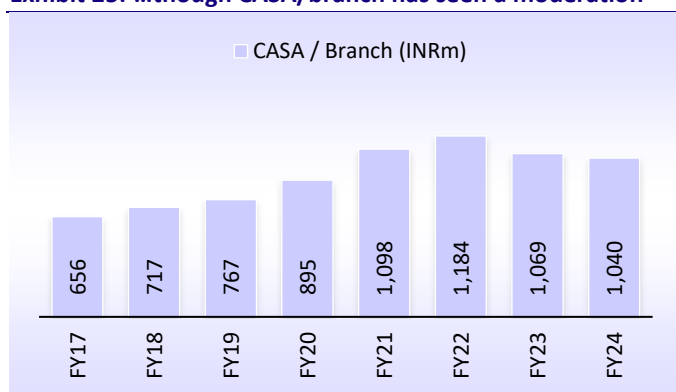
Source: Company, MOFSL

**Exhibit 23: Business/employee improves to INR228m**

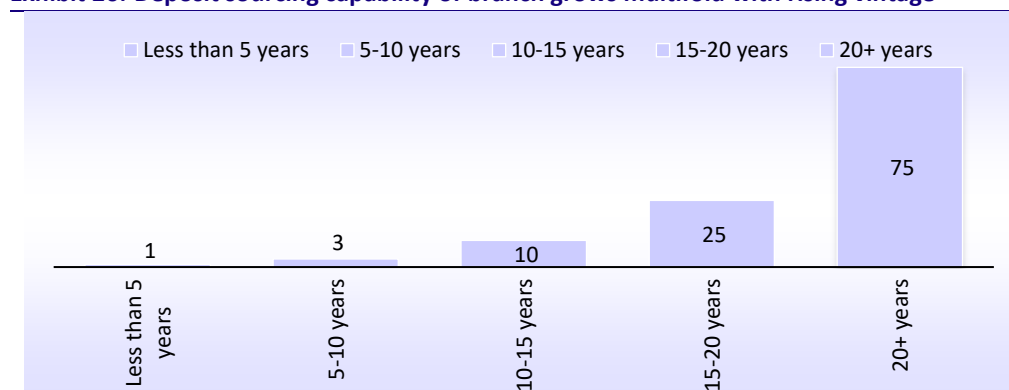
Source: Company, MOFSL

**Exhibit 24: Deposit/branch reflects improving trend...**

Source: Company, MOFSL

**Exhibit 25: ...though CASA/branch has seen a moderation**

Source: Company, MOFSL

**Exhibit 26: Deposit sourcing capability of branch grows multifold with rising vintage**

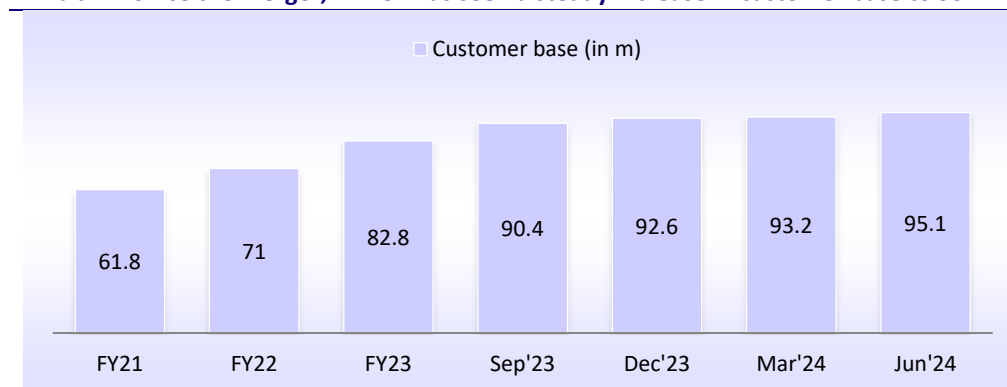
Source: Company, MOFSL

**Expanded customer base offers significant cross-sell opportunities**

- The expanded customer base, strong technological edge, and robust distribution should help the bank improve its cross-selling run-rate to customers over their life cycle with the bank.
- In FY23, ~70% of HDFC customers did not have banking relationships with HDFCB, while out of HDFCB's ~83m customers, only 5% have taken mortgages (only 2% from HDFC), which offers a significant cross-sell opportunity. In FY24, around 3m unique e-HDFC customers have been seamlessly integrated into HDFCB, which positions the bank well for sustainable growth aided by improved cross-selling opportunities.

- As part of its strategic initiative to boost CASA mix, the bank is actively engaged in targeting existing asset customers for conversion into liability customers. Over 80% of new-to-bank (NTB) mortgage customers have opened savings accounts with substantial balances, allowing HDFCB to offer a comprehensive product suite. The long tenure of home loans enhances balance sheet stability, while HDFCB's position as a major consumer durable financier enables it to bundle these products with home loans, thereby boosting margins and deepening customer relationships.

**Exhibit 27: Since the merger, HDFCB has seen a steady increase in customer base to 95m**



Source: Company, MOFSL

Bancassurance income increased 7% YoY to INR64.7b and forms ~23% of the total fee.

**Exhibit 28: Trend in Bancassurance fee**

| Bancassurance income (INR m) | FY21          | FY22          | FY23          | FY24          |
|------------------------------|---------------|---------------|---------------|---------------|
| Sale of Life Insurance       | 14,814        | 15,565        | 18,993        | 30,593        |
| Sale of Non-Life Insurance   | 2,791         | 2,661         | 2,757         | 9,147         |
| Marketing and distribution   | 18,126        | 25,994        | 38,663        | 24,928        |
| <b>Total</b>                 | <b>35,730</b> | <b>44,220</b> | <b>60,413</b> | <b>64,668</b> |
| <b>Growth YoY (%)</b>        | <b>26.8%</b>  | <b>23.8%</b>  | <b>36.6%</b>  | <b>7.0%</b>   |

Source: MOFSL, Company

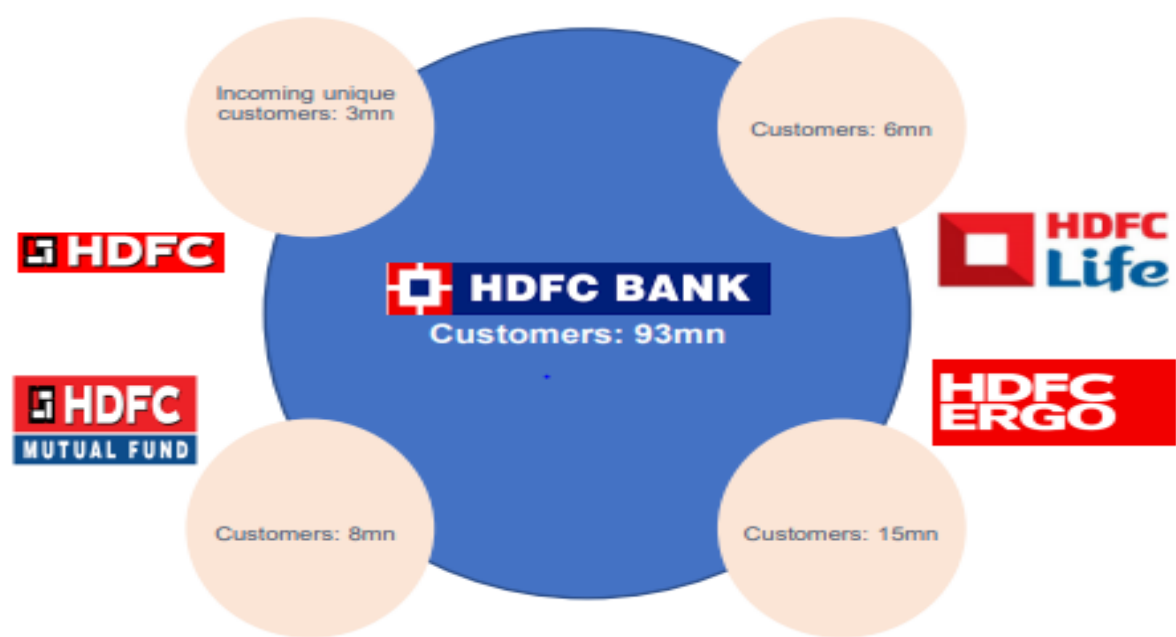
HDFCB cards fees as a % of total increased to ~33%, aided by cross-selling to liability and other asset customers.

**Exhibit 29: Third-party products and cards form ~48.3% of the total fees**

| Fees Breakup (INRm)                       | FY21            | FY22            | FY23            | FY24            |
|-------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Deposit related fees                      | 28,150          | 37,415          | 40,750          | 45,179          |
| Lending related                           | 30,973          | 40,533          | 48,878          | 55,502          |
| Third party products                      | 35,733          | 44,216          | 54,549          | 43,049          |
| Payments and card business                | 50,758          | 56,170          | 72,969          | 92,569          |
| Investment management fee                 |                 |                 |                 | 20,819          |
| Others                                    | 19,796          | 24,645          | 22,458          | 23,849          |
| <b>Total Fees</b>                         | <b>1,65,410</b> | <b>2,02,980</b> | <b>2,39,604</b> | <b>2,80,966</b> |
| <b>Third party products as % of total</b> | <b>21.6%</b>    | <b>21.8%</b>    | <b>22.8%</b>    | <b>15.3%</b>    |
| <b>Cards as % of total</b>                | <b>30.7%</b>    | <b>27.7%</b>    | <b>30.5%</b>    | <b>32.9%</b>    |

Source: Company, MOFSL

Exhibit 30: Customer profiles of the bank – group companies provide avenue for future growth



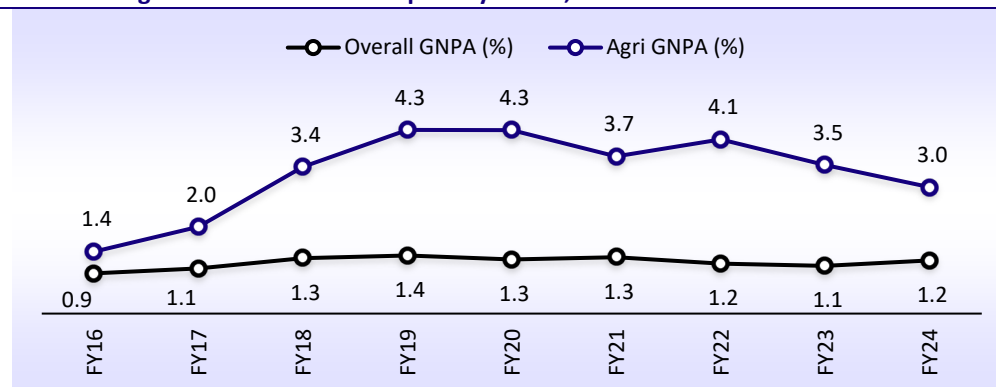
Source: Company, MOFSL

## Asset quality stable; provisioning buffer provides comfort

### Credit costs comfortable at ~42bp

- The bank's asset quality remains stable post-merger, with GNPA/NNPA ratios at 1.3%/0.4%. Credit costs (reported) stood at ~42bp during 1QFY25 as slippages rose to INR79b, whereas recoveries /upgradations amounted to ~INR35b (~60 bps of net advances, annualized). Agri NPA witnessed a seasonal 1Q rise, while management guided overall resilience in asset quality outlook for the bank.
- **Provisions:** The bank held a floating provision of ~INR124b and total specific provision of INR235b as of 1QFY25. Furthermore, the bank had a contingent provision of INR145b. The bank has maintained a prudent approach to provisioning, which will support the underlying asset quality despite some seasonal pressures.
- In FY24, the bank utilized one-off gains from the sale of HDFC Credila (INR73b) and tax provision write-back to create counter-cyclical floating provision buffer of INR109b (qualified as tier-II capital) to strengthen the balance sheet, which can be invoked only with the RBI approval. With asset quality remaining benign, management does not see any need to utilize this in the near future.

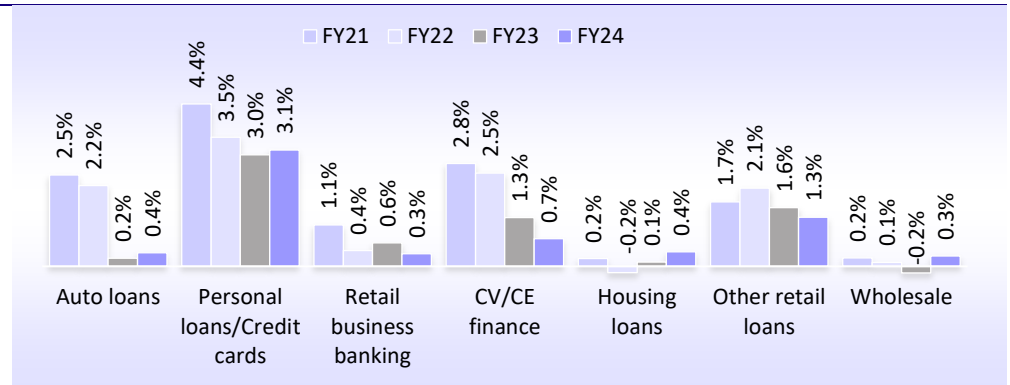
**Exhibit 31: Agri GNPA stood at 3% in priority sector, while overall GNPA stood at 1.2%**



Source: Company, MOFSL

**Exhibit 32: Trends in credit costs – asset wise**

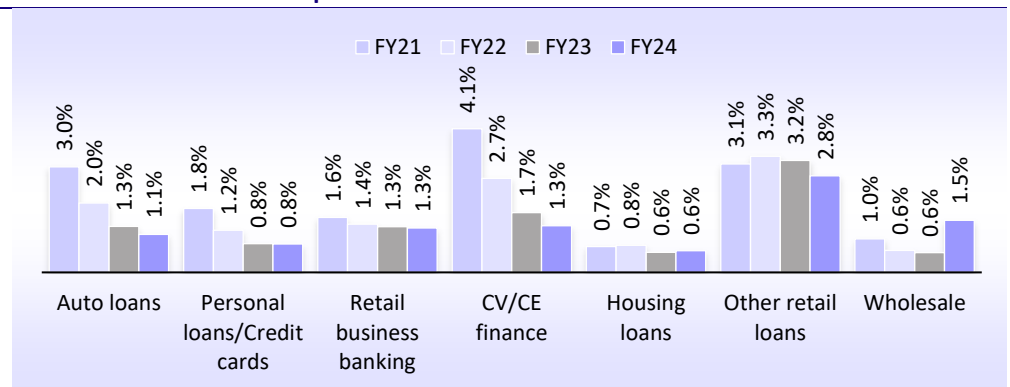
During FY24, credit costs have inched up for personal loans/credit cards, whereas CV/CE, auto loans, and retail business banking have shown healthy trends.



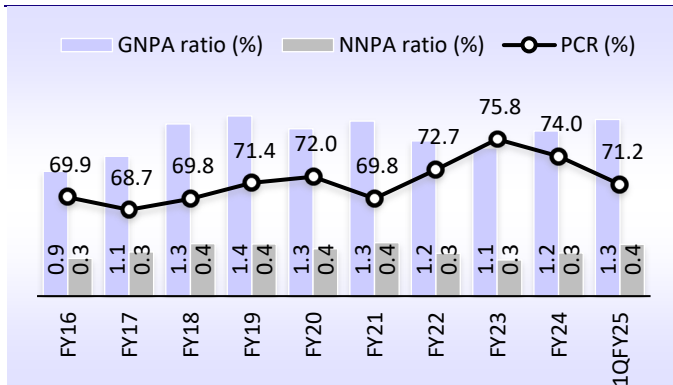
Source: Company, MOFSL

**Exhibit 33: Trends in loan impairment – asset wise**

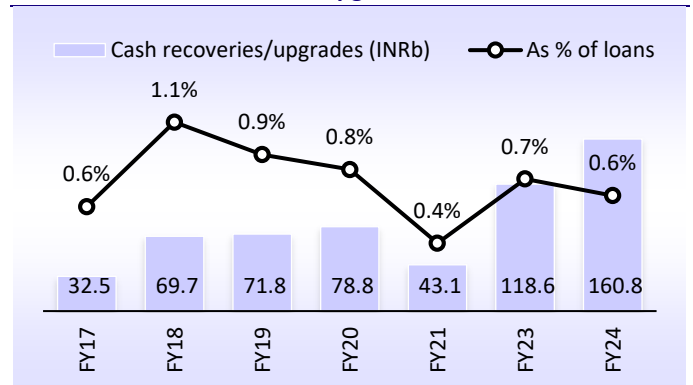
HDFCB witnessed higher impairment ratio in wholesale portfolio (likely developer loans), whereas the quality of CV/CE and auto loans remained healthy. Trends in the housing and personal loan segments were stable too.



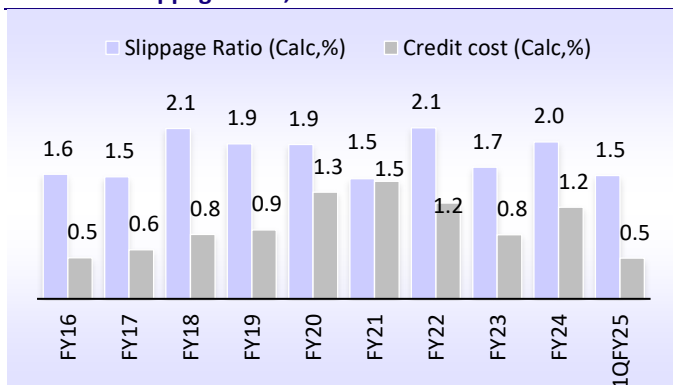
Source: Company, MOFSL

**Exhibit 34: GNPA/NNPA ratio at 1.3%/0.4% in 1QFY25**

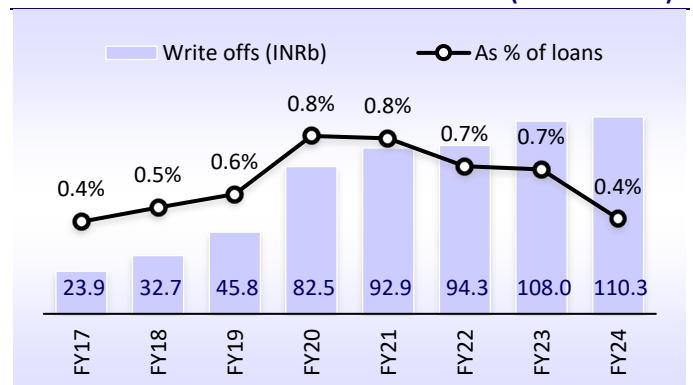
Source: Company, MOFSL

**Exhibit 35: Cash recoveries/upgrades stood at 0.6% of loans**

Source: Company, MOFSL

**Exhibit 36: Slippage ratio, credit costs remain under control**

Source: Company, MOFSL

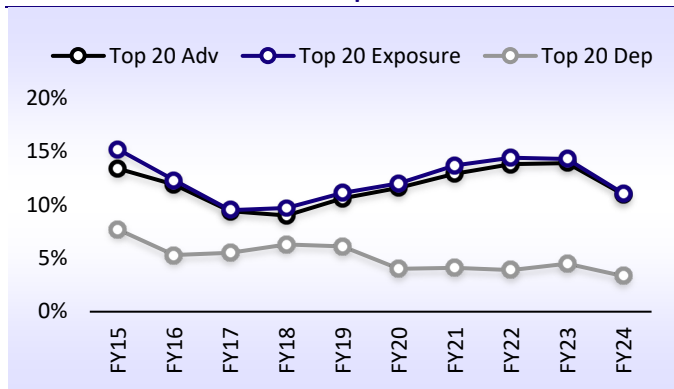
**Exhibit 37: FY24 write-offs stood at INR110b (0.4% of loans)**

Source: Company, MOFSL

### Capital ratios comfortable; concentration ratio moderates

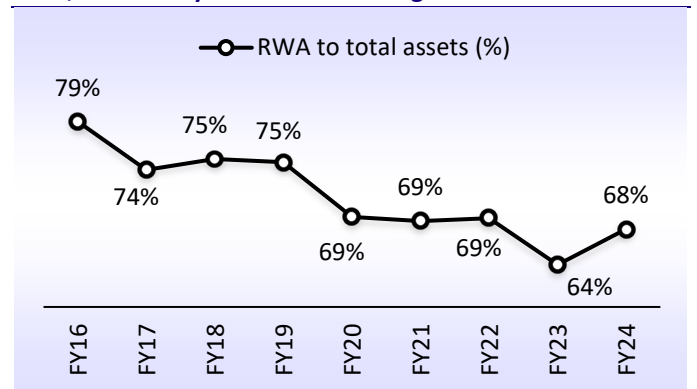
- The bank's overall CAR is comfortable at ~19.3% as per the Basel-3 guidelines, with CET-1 ratio at ~16.8%. The RWA decline was broadly in line with the sequential decline in net advances. The transition to the new investment norms and associated revaluation on Apr'24 has also resulted in a one-time accretion of ~INR4.8b (net of taxes) to the general reserve of the bank.
- The bank's focused lending to better-rated corporates and retail customers has resulted in an improvement in RWA density to 64% in FY23. However, RBI regulation to increase risk weights for unsecured advances led to an increase in RWA intensity to 68% in FY24. Furthermore, the concentration of the top 20 advances/exposures moderated to 11% each during the year. On the liability side, the concentration of the top 20 depositors reduced to 3.3%.

**Exhibit 38: Concentration of the top 20 advances/exposures moderated to 11% each and deposits at 3.3%**



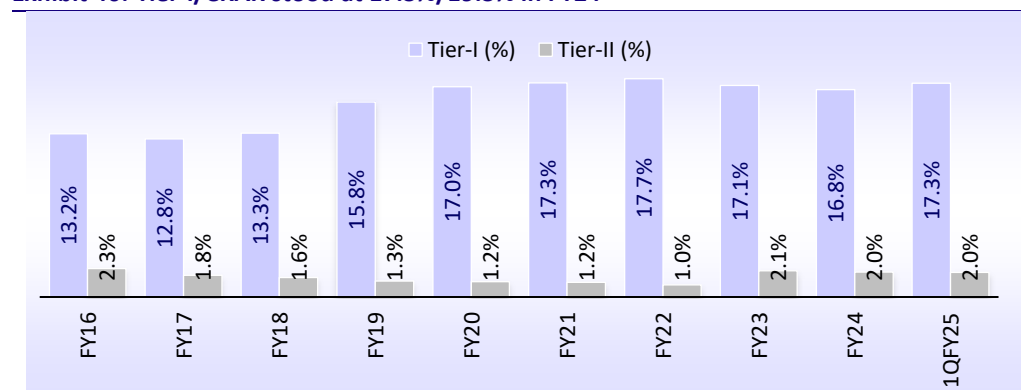
Source: MOFSL, Company

**Exhibit 39: RWA density stood at 68% in FY24 vs 64% in FY23, affected by increased risk-weights for unsecured loans**



Source: MOFSL, Company

**Exhibit 40: Tier-I/CRAR stood at 17.3%/19.3% in FY24**



Source: Company, MOFSL

## Focus on building strong digital prowess

### Increased throughput and superior customer experience to enable further growth

- HDFCB continues to maintain leading market share across multiple digital channels, with ~35% share in net card addition and a credit card base of 21.1m (~20.4% share).
- The bank has launched separate journeys for savings accounts, consumer durables and credit cards, which help customers open accounts in just one click. The digital acquisition platform is boosting throughput – the bank has digitally sold 510k units of various products and originated 650k credit cards digitally.
- Digital product launches: (i) **X-press car loans** – 30% of the customers are NTB and the bank takes less than five minutes for video KYC and <30min for total paperless processing; (ii) **HDFC Bank ONE** – 12.5m+ customers with over 22m interactions; (iii) **Smart Hub** – Payment platform for merchants; the bank has 150k merchants and processes INR120b+ per month; (iv) **Payzapp**: 1.1m customers in 45 days; average customer spending up 1.5x; this is the first app by the bank that is enabled with RuPay credit cards for UPI payments.
- About 97% of transactions happen digitally, owing to which the bank has shown continuous improvements in its cost ratios and business productivity. Around 79% of the bank's acquisitions are digital, and 73% of servicing happens digitally. The bank is continuously developing newer financial products and services to further solidify its position as a leader in the digital banking landscape.
- HDFCB is digitalizing customer touchpoints, document collection processes, and sales service and has enabled self-service digital capabilities across all branches. Going forward, the aim is to build capabilities for digital underwriting through data management and APIfication.
- The bank's cutting-edge fintech platform, "SmartWealth", offers a comprehensive solution for managing investments seamlessly. The state-of-the-art mobile application provides a highly personalized experience, democratizing wealth management across all customer segments by leveraging over two and a half decades of domain expertise.

### Key digital initiatives

- **PayZapp 2.0** – It was launched in FY23 and has continued its growth to become one of the fastest growing payment apps, providing customers with a seamless and intuitive user experience ensuring enhanced security features. This is the first app to be enabled with RuPay Credit Cards for UPI payments. **New features introduced**- Integration of UPI as a payment option in Shop section with Tap & Pay capability using PayZapp Prepaid Card & linked VISA Cards have also been introduced.
- **SmartHub Vyapar**- This is a comprehensive payments and banking solution, which continues to fulfill the everyday business needs of merchants, providing seamless digital solutions tailored to their requirements. More than 1.6m merchants are using the app, with over 70,000 new merchants being added every month. **New features introduced**: Instant, digital, and paperless merchant onboarding for HDFCB customers.

- **HDFC Bank One-** AI/ML-driven conversational Bot has revolutionized the bank's contact center operations, centralizing and streamlining customer interactions. Expanding its reach across India, it covers a wide spectrum of services including Phone Banking, IVR self-service, Virtual Relationship Management and Telesales. With an omnichannel approach spanning WhatsApp Chat Banking, SMS Banking, IVR, and agent-assisted services, it ensures a seamless and unified customer experience. **Growth of 35%** witnessed in customer engagements and interactions since Mar'23. Touching up to 32m from over 18m customers.
- Launched **UPI QR code interoperable with Central Bank Digital Currency (CBDC)**. Among the first banks in the country to complete the integration process.

**Exhibit 41: Market share in o/s credit cards**

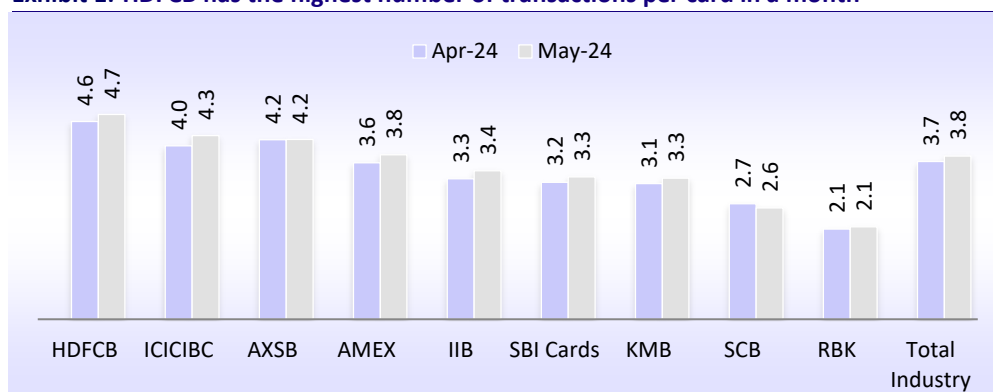
| Market Share (%) | FY20 | FY21 | FY22 | FY23 | FY24 | FY25YTD |
|------------------|------|------|------|------|------|---------|
| HDFCB            | 25.1 | 24.2 | 22.5 | 20.6 | 20.2 | 20.4    |
| SBI cards        | 18.3 | 19.1 | 18.7 | 19.7 | 18.6 | 18.5    |
| ICICIBC          | 15.8 | 17.1 | 17.6 | 16.9 | 16.7 | 16.5    |
| AXSB             | 12.1 | 11.5 | 12.3 | 14.2 | 14.0 | 13.9    |
| KMB              | 4.0  | 3.9  | 4.3  | 5.8  | 5.8  | 5.7     |

Source: MOFSL, Company

**Exhibit 42: Market share in credit card spending**

| Market Share (%) | FY20 | FY21 | FY22 | FY23 | FY24 | FY25YTD |
|------------------|------|------|------|------|------|---------|
| HDFCB            | 23.2 | 20.8 | 26.4 | 27.9 | 27.0 | 25.6    |
| SBI cards        | 14.4 | 13.1 | 19.1 | 18.2 | 17.8 | 15.8    |
| ICICIBC          | 9.9  | 9.8  | 20.0 | 17.9 | 17.7 | 19.1    |
| AXSB             | 8.4  | 5.6  | 8.6  | 9.4  | 11.9 | 11.7    |
| IIB              | 3.3  | 2.8  | 4.7  | 5.0  | 4.9  | 4.9     |

Source: MOFSL, Company

**Exhibit 1: HDFCB has the highest number of transactions per card in a month**

Source: MOFSL, RBI

**Exhibit 2: Market share in net card additions**

| Market Share in net card adds (%) | FY20 | FY21 | FY22 | FY23 | FY24 | YTD FY25 |
|-----------------------------------|------|------|------|------|------|----------|
| HDFCB                             | 18.9 | 11.3 | 13.4 | 8.6  | 18.5 | 34.7     |
| ICICIBC                           | 23.1 | 34.2 | 20.7 | 12.7 | 15.1 | 8.7      |
| SBI Cards                         | 21.4 | 29.6 | 16.8 | 25.7 | 12.9 | 15.2     |
| AXSB                              | 9.6  | 3.7  | 16.3 | 26.5 | 12.6 | 8.6      |
| KMB                               | 3.0  | 2.0  | 6.8  | 14.7 | 6.3  | -1.2     |
| IDFC First                        | 0.0  | 0.0  | 4.9  | 6.4  | 6.2  | 11.4     |
| RBK                               | 9.1  | 6.5  | 6.2  | 6.2  | 4.7  | 2.9      |
| IIB                               | 2.7  | 4.0  | 3.0  | 2.9  | 4.1  | 4.9      |
| Yes                               | 3.5  | 1.7  | 2.1  | 2.0  | 3.9  | 5.6      |
| BOB                               | 2.2  | 4.1  | 4.0  | 7.2  | 3.5  | 3.7      |
| Federal                           | 0.0  | 0.0  | 1.2  | 3.6  | 2.5  | 1.2      |
| AMEX                              | 2.2  | -3.7 | -1.3 | -0.4 | 0.1  | 0.8      |
| SCB                               | 1.5  | 0.6  | -1.2 | -2.4 | -0.2 | 0.4      |
| SBM                               | 0.0  | 2.7  | 3.8  | 4.4  | -0.8 | 0.1      |

Source: MOFSL, RBI

HDFCB, SBI Cards, and IDFC First gained market share in net card additions over FY24 levels

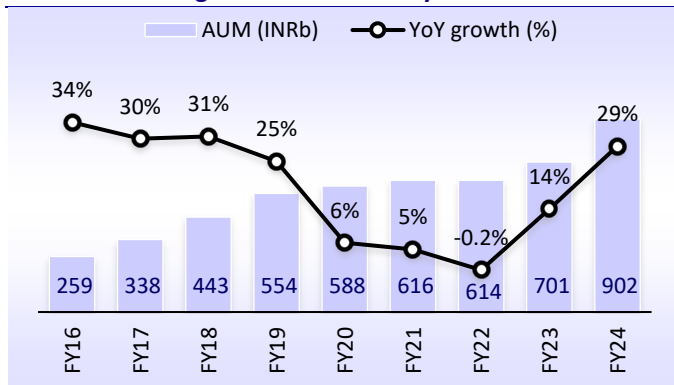
## Subsidiaries: HDB Financial and Securities businesses post healthy performance

### HDB Financial – healthy business performance; asset quality improves

HDB PAT grew 12% YoY in FY24

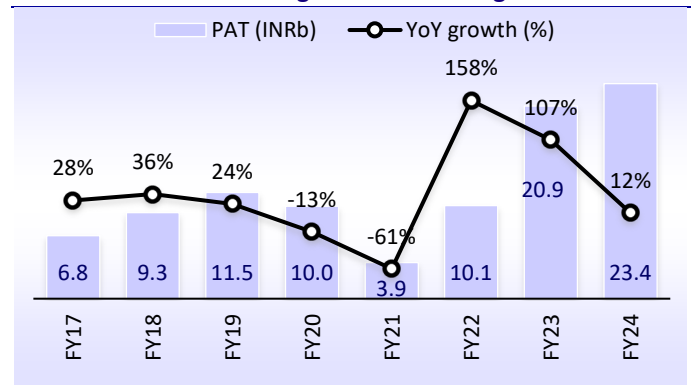
AUM growth stood healthy at 29% YoY in FY24, while PAT registered a growth of ~12% YoY to INR23.4b. GNPA/NNPA improved significantly to ~1.9%/0.6% while PCR stood at 66.8% in FY24. The return ratios stood healthy, RoA/RoE at 2.9%/18.6% in FY24. HDB Financial remains well-capitalized with Tier I/CAR of 14.1%/19.3%. The overall growth has been healthy, with asset quality improving in FY24.

**Exhibit 43: AUM growth stood healthy at 29% YoY...**



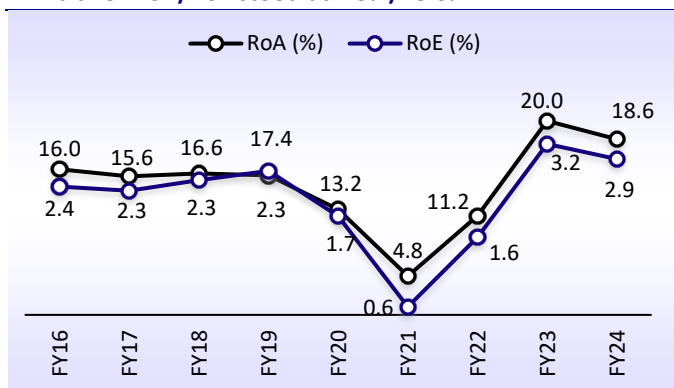
Source: MOFSL, Company

**Exhibit 44: ...while PAT registered 12% YoY growth**



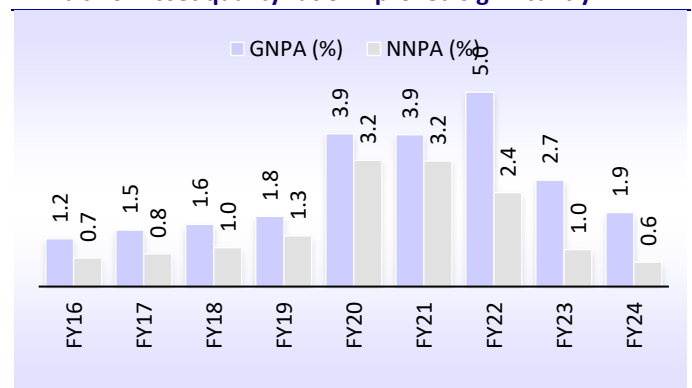
Source: MOFSL, Company

**Exhibit 45: RoA/RoE stood at 2.9%/18.6% in FY24**



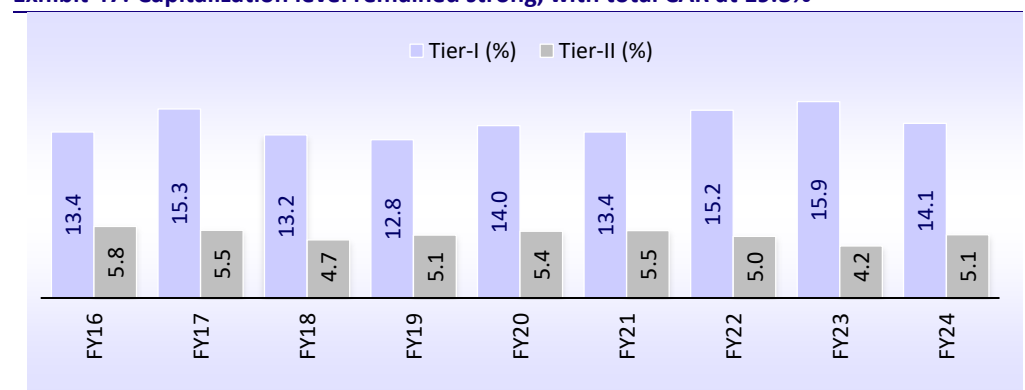
Source: MOFSL, Company

**Exhibit 46: Asset quality ratio improved significantly in FY24**



Source: MOFSL, Company

**Exhibit 47: Capitalization level remained strong, with total CAR at 19.3%**



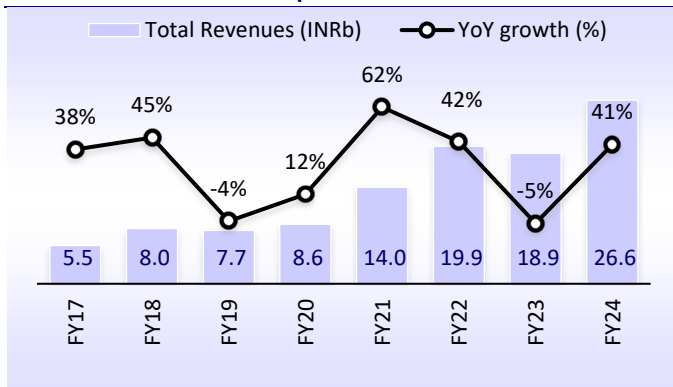
Source: MOFSL, Company

PAT clocks a CAGR of 24%  
over FY19–24

### HDFC Securities – healthy business performance; gaining momentum

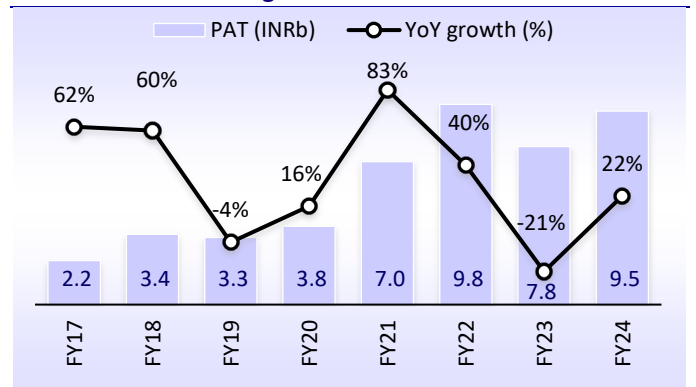
HDFC Securities posted a revenue/PAT CAGR of 28%/24% over FY19–24. HDFC Securities has a presence in 184 branches across 139 cities. Revenue was up 41% YoY to INR26.6b and PAT grew 22% YoY to INR9.5b in FY24. RoE expanded to ~51% (v/s 46% in FY23). The company has surpassed the customer base of 5m, with ~1.2m transacting customers, owing to which it is ranked among the top ten broking houses in India. The focus on digitization continued in FY24, with 84% of brokerage attributed to digital sources. Owing to improved operating leverage, growth in new customers, and overall growth, we expect the company to report healthy earnings over the next few years.

**Exhibit 48: Total income up 41% YoY in FY24...**



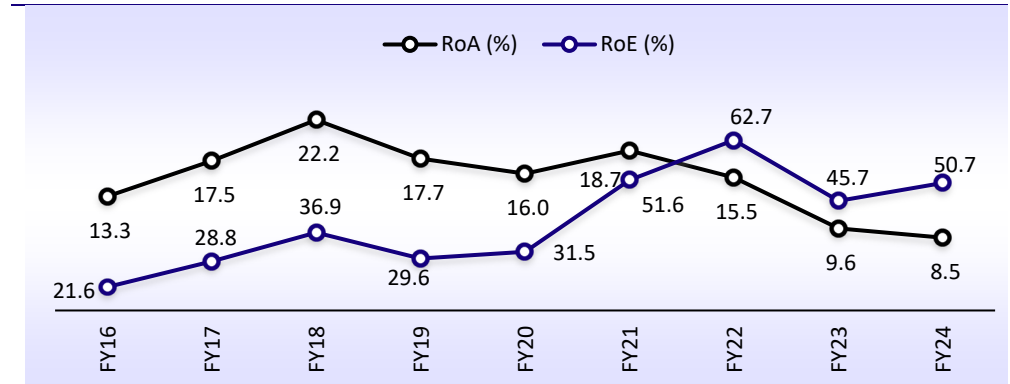
Source: MOFSL, Company

**Exhibit 49: ...with PAT growth at 22% YoY**



Source: MOFSL, Company

**Exhibit 50: Return ratios remained strong with RoE improving to ~51% for FY24**



Source: MOFSL, Company

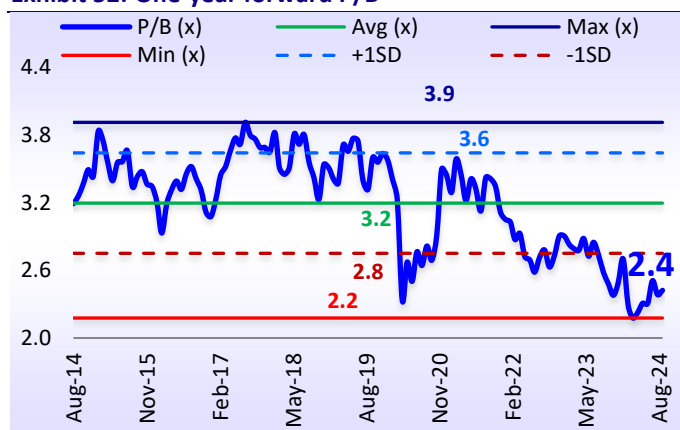
## Valuation and view

Amid persisting challenges on business growth and an intense focus on accelerating liability mobilization, HDFCB has been delivering a resilient performance in margins & asset quality. During the past two quarters, the bank has reported 7bp expansion in margin to 3.47% led by conscious improvement in the asset mix and the retirement of high-cost borrowings. Asset quality remains broadly stable while PCR stands at ~71.2%, which is closer to the levels it used to be before the announcement of the merger. The bank holds a healthy pool of provisions (floating + contingent) at INR269b/1.1% of loans. While the bank has not given any specific guidance on the C/D ratio, management has indicated that it will actively focus on bringing the ratio down at an accelerated pace. Consequently, we have factored in softer loan CAGR at ~10% over FY24-26E, while deposit CAGR to sustain at ~16%. However, the gradual retirement of high-cost borrowings, along with an improvement in operating leverage, will provide some support to margins and return ratios over the coming years. We thus estimate HDFCB to deliver an FY26E RoA/RoE of 1.86%/14.9%. **We reiterate our BUY rating on the stock with a TP of INR1,850 (premised on 2.3x FY26E ABV + INR256 for subsidiaries).**

Exhibit 51: SOTP-based pricing

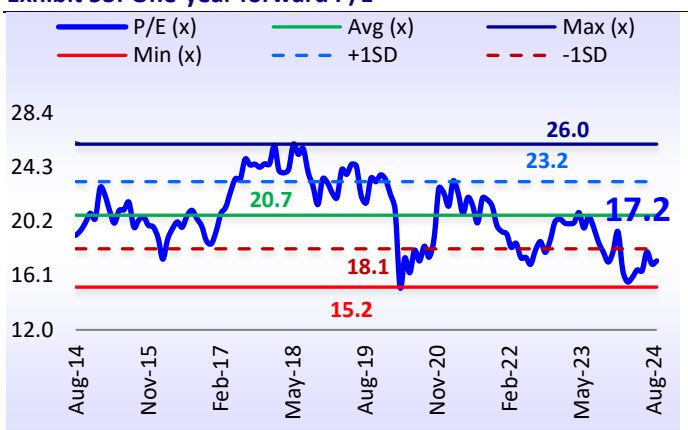
|                                          | Stake (%) | Proportionate Value INRb | Value USD b  | Per Share INR | % of Total  | Rationale             |
|------------------------------------------|-----------|--------------------------|--------------|---------------|-------------|-----------------------|
| <b>HDFC Bank</b>                         |           | <b>12,105.1</b>          | <b>145.0</b> | <b>1,593</b>  | <b>86.1</b> | <b>2.3x FY26E ABV</b> |
| HDB Financial Ser                        | 94.6      | 766.4                    | 9.2          | 101           | 5.5         | 4x FY26E Net worth    |
| HDFC Securities                          | 95.1      | 284.7                    | 3.4          | 37            | 2.0         | 18x FY26E PAT         |
| HDFC Life Insurance                      | 50.4      | 909.8                    | 10.9         | 120           | 6.5         | 2.8x FY26E EV         |
| HDFC Ergo General Insurance              | 50.5      | 117.4                    | 1.4          | 15            | 0.8         | 25x FY26E PAT         |
| HDFC AMC                                 | 52.6      | 355.3                    | 4.3          | 47            | 2.5         | 26x FY26E PAT         |
| <b>Total Value of Subs</b>               |           | <b>2,433.7</b>           | <b>29.1</b>  | <b>320</b>    | <b>17.3</b> |                       |
| Less: 20% holding Disc                   |           | 486.7                    | 5.8          | 64            | 3.5         |                       |
| <b>Value of Subs (Post Holding Disc)</b> |           | <b>1,946.9</b>           | <b>23.3</b>  | <b>256</b>    | <b>13.9</b> |                       |
| <b>Target Price</b>                      |           | <b>14,052.0</b>          | <b>168.3</b> | <b>1,850</b>  |             |                       |

Exhibit 52: One-year forward P/B



Source: MOFSL, Company

Exhibit 53: One-year forward P/E



Source: MOFSL, Company

**Exhibit 54: DuPont Analysis: Return ratios to remain modest**

| <b>Y/E March</b>              | <b>FY19</b> | <b>FY20</b> | <b>FY21</b> | <b>FY22</b> | <b>FY23</b> | <b>FY24</b> | <b>FY25E</b> | <b>FY26E</b> |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Interest Income               | 8.3         | 8.27        | 7.38        | 6.70        | 7.13        | 7.59        | 7.74         | 7.68         |
| Interest Expense              | 4.1         | 4.23        | 3.42        | 2.92        | 3.30        | 4.40        | 4.48         | 4.35         |
| <b>Net Interest Income</b>    | <b>4.18</b> | <b>4.05</b> | <b>3.96</b> | <b>3.77</b> | <b>3.83</b> | <b>3.19</b> | <b>3.25</b>  | <b>3.33</b>  |
| - Core Fee Income             | 1.34        | 1.38        | 1.15        | 1.22        | 1.24        | 0.98        | 0.74         | 0.79         |
| - Trading and others          |             | 0.19        | 0.30        | 0.39        | 0.33        | 0.13        | 0.46         | 0.53         |
| <b>Non-Interest income</b>    | <b>1.53</b> | <b>1.68</b> | <b>1.54</b> | <b>1.55</b> | <b>1.38</b> | <b>1.45</b> | <b>1.27</b>  | <b>1.32</b>  |
| <b>Total Income</b>           | <b>5.71</b> | <b>5.73</b> | <b>5.50</b> | <b>5.32</b> | <b>5.21</b> | <b>4.63</b> | <b>4.53</b>  | <b>4.65</b>  |
| <b>Operating Expenses</b>     | <b>2.26</b> | <b>2.21</b> | <b>2.00</b> | <b>1.96</b> | <b>2.10</b> | <b>1.86</b> | <b>1.84</b>  | <b>1.87</b>  |
| - Employee cost               | 0.67        | 0.69        | 0.63        | 0.63        | 0.68        | 0.65        | 0.66         | 0.67         |
| - Others                      | 1.59        | 1.53        | 1.36        | 1.33        | 1.42        | 1.21        | 1.18         | 1.20         |
| <b>Operating Profits</b>      | <b>3.44</b> | <b>3.51</b> | <b>3.50</b> | <b>3.36</b> | <b>3.11</b> | <b>2.77</b> | <b>2.69</b>  | <b>2.78</b>  |
| <b>Core operating Profits</b> |             | <b>3.26</b> | <b>3.22</b> | <b>3.11</b> | <b>3.03</b> | <b>2.97</b> | <b>2.31</b>  | <b>2.15</b>  |
| <b>Provisions</b>             | <b>0.65</b> | <b>0.88</b> | <b>0.96</b> | <b>0.79</b> | <b>0.53</b> | <b>0.69</b> | <b>0.31</b>  | <b>0.32</b>  |
| <b>PBT</b>                    | <b>2.79</b> | <b>2.64</b> | <b>2.54</b> | <b>2.57</b> | <b>2.58</b> | <b>2.08</b> | <b>2.38</b>  | <b>2.46</b>  |
| Tax                           | 0.96        | 0.75        | 0.64        | 0.63        | 0.63        | 0.30        | 0.58         | 0.60         |
| <b>RoA</b>                    | <b>1.83</b> | <b>1.89</b> | <b>1.90</b> | <b>1.94</b> | <b>1.95</b> | <b>1.79</b> | <b>1.80</b>  | <b>1.86</b>  |
| Leverage (x)                  | 9.0         | 8.7         | 8.7         | 8.6         | 8.7         | 8.2         | 8.1          | 8.0          |
| <b>RoE</b>                    | <b>16.5</b> | <b>16.4</b> | <b>16.6</b> | <b>16.7</b> | <b>17.0</b> | <b>14.6</b> | <b>14.6</b>  | <b>14.9</b>  |

## Financials and valuations

| Income Statement             |              |              |                |                |                |                | (INRb)         |
|------------------------------|--------------|--------------|----------------|----------------|----------------|----------------|----------------|
| Y/E March (INR b)            | FY20         | FY21         | FY22           | FY23           | FY24           | FY25E          | FY26E          |
| Interest Income              | 1,148.1      | 1,208.6      | 1,277.5        | 1,615.9        | 2,583.4        | 2,932.2        | 3,219.7        |
| Interest Expense             | 586.3        | 559.8        | 557.4          | 747.4          | 1,498.1        | 1,699.3        | 1,825.1        |
| <b>Net Interest Income</b>   | <b>561.9</b> | <b>648.8</b> | <b>720.1</b>   | <b>868.4</b>   | <b>1,085.3</b> | <b>1,232.9</b> | <b>1,394.6</b> |
| - growth (%)                 | 16.5         | 15.5         | 11.0           | 20.6           | 25.0           | 13.6           | 13.1           |
| Non-Interest Income          | 232.6        | 252.0        | 295.1          | 312.1          | 492.4          | 482.6          | 554.9          |
| <b>Total Income</b>          | <b>794.5</b> | <b>900.8</b> | <b>1,015.2</b> | <b>1,180.6</b> | <b>1,577.7</b> | <b>1,715.5</b> | <b>1,949.6</b> |
| - growth (%)                 | 20.6         | 13.4         | 12.7           | 16.3           | 33.6           | 8.7            | 13.6           |
| Operating Expenses           | 307.0        | 327.2        | 374.4          | 476.5          | 633.9          | 698.1          | 782.7          |
| <b>Pre Provision Profits</b> | <b>487.5</b> | <b>573.6</b> | <b>640.8</b>   | <b>704.0</b>   | <b>943.9</b>   | <b>1,017.4</b> | <b>1,166.8</b> |
| - growth (%)                 | 22.6         | 17.7         | 11.7           | 9.9            | 34.1           | 7.8            | 14.7           |
| <b>Core PPOP</b>             | <b>465.9</b> | <b>549.2</b> | <b>601.7</b>   | <b>663.2</b>   | <b>903.9</b>   | <b>945.2</b>   | <b>1,085.2</b> |
| Growth (%)                   | 22.5         | 17.9         | 9.6            | 10.2           | 36.3           | 4.6            | 14.8           |
| - growth (%)                 | 121.4        | 157.0        | 150.6          | 119.2          | 234.9          | 116.3          | 135.0          |
| <b>PBT</b>                   | <b>366.1</b> | <b>416.6</b> | <b>490.2</b>   | <b>584.9</b>   | <b>709.0</b>   | <b>901.1</b>   | <b>1,031.8</b> |
| Tax                          | 103.5        | 105.4        | 120.5          | 143.8          | 100.8          | 220.8          | 252.8          |
| Tax Rate (%)                 | 28.3         | 25.3         | 24.6           | 24.6           | 14.2           | 24.5           | 24.5           |
| <b>PAT</b>                   | <b>262.6</b> | <b>311.2</b> | <b>369.6</b>   | <b>441.1</b>   | <b>608.1</b>   | <b>680.4</b>   | <b>779.0</b>   |
| Growth (%)                   | 24.6         | 18.5         | 18.8           | 19.3           | 37.9           | 11.9           | 14.5           |

### Balance Sheet

| Y/E March (INR b)         | FY20            | FY21            | FY22            | FY23            | FY24            | FY25E           | FY26E           |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Equity Share Capital      | 5.5             | 5.5             | 5.5             | 5.6             | 7.6             | 7.6             | 7.6             |
| Reserves & Surplus        | 1,704.4         | 2,031.7         | 2,395.4         | 2,796.4         | 4,394.9         | 4,923.3         | 5,542.8         |
| <b>Net Worth</b>          | <b>1,709.9</b>  | <b>2,037.2</b>  | <b>2,400.9</b>  | <b>2,802.0</b>  | <b>4,402.5</b>  | <b>4,930.9</b>  | <b>5,550.4</b>  |
| <b>Deposits</b>           | <b>11,475.0</b> | <b>13,350.6</b> | <b>15,592.2</b> | <b>18,833.9</b> | <b>23,797.9</b> | <b>27,462.7</b> | <b>31,939.2</b> |
| Growth (%)                | 24.3            | 16.3            | 16.8            | 20.8            | 26.4            | 15.4            | 16.3            |
| <b>of which CASA Dep</b>  | <b>4,846.3</b>  | <b>6,156.8</b>  | <b>7,510.5</b>  | <b>8,359.9</b>  | <b>9,087.6</b>  | <b>9,694.3</b>  | <b>11,625.9</b> |
| Growth (%)                | 23.9            | 27.0            | 22.0            | 11.3            | 8.7             | 6.7             | 19.9            |
| Borrowings                | 1,446.3         | 1,354.9         | 1,848.2         | 2,067.7         | 6,621.5         | 5,653.2         | 4,946.7         |
| Other Liabilities & Prov. | 673.9           | 726.0           | 844.1           | 957.2           | 1,354.4         | 1,557.5         | 1,791.2         |
| <b>Total Liabilities</b>  | <b>15,305.1</b> | <b>17,468.7</b> | <b>20,685.4</b> | <b>24,660.8</b> | <b>36,176.2</b> | <b>39,604.3</b> | <b>44,227.4</b> |
| Current Assets            | 866.2           | 1,194.7         | 1,523.3         | 1,937.7         | 2,191.5         | 2,136.0         | 2,268.5         |
| <b>Investments</b>        | <b>3,918.3</b>  | <b>4,437.3</b>  | <b>4,555.4</b>  | <b>5,170.0</b>  | <b>7,024.1</b>  | <b>8,148.0</b>  | <b>9,451.7</b>  |
| Growth (%)                | 33.7            | 13.2            | 2.7             | 13.5            | 35.9            | 16.0            | 16.0            |
| <b>Loans</b>              | <b>9,937.0</b>  | <b>11,328.4</b> | <b>13,688.2</b> | <b>16,005.9</b> | <b>24,848.6</b> | <b>27,085.0</b> | <b>30,064.3</b> |
| Growth (%)                | 21.3            | 14.0            | 20.8            | 16.9            | 55.2            | 9.0             | 11.0            |
| Fixed Assets              | 44.3            | 49.1            | 60.8            | 80.2            | 114.0           | 179.0           | 209.4           |
| Other Assets              | 539.3           | 459.3           | 857.7           | 1,467.1         | 1,998.0         | 2,056.4         | 2,233.5         |
| <b>Total Assets</b>       | <b>15,305.1</b> | <b>17,468.7</b> | <b>20,685.4</b> | <b>24,660.8</b> | <b>36,176.2</b> | <b>39,604.3</b> | <b>44,227.4</b> |

### Asset Quality

| Y/E March                      | FY20  | FY21  | FY22  | FY23  | FY24  | FY25E | FY26E |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|
| GNPA (INR b)                   | 126.5 | 150.9 | 161.4 | 180.2 | 311.7 | 333.4 | 364.3 |
| NNPA (INR b)                   | 35.4  | 45.5  | 44.1  | 43.7  | 80.9  | 88.7  | 97.5  |
| Slippages (INR b)              | 175.6 | 160.4 | 268.6 | 245.4 | 402.6 | 389.5 | 414.3 |
| GNPA Ratio (%)                 | 1.3   | 1.3   | 1.2   | 1.1   | 1.2   | 1.2   | 1.2   |
| NNPA Ratio (%)                 | 0.4   | 0.4   | 0.3   | 0.3   | 0.3   | 0.3   | 0.3   |
| Slippage Ratio (%)             | 1.9   | 1.5   | 2.1   | 1.7   | 2.0   | 1.5   | 1.5   |
| Credit Cost (%)                | 1.3   | 1.5   | 1.2   | 0.8   | 1.2   | 0.4   | 0.5   |
| PCR (Excl Tech. write off) (%) | 72.0  | 69.8  | 72.7  | 75.8  | 74.0  | 73.4  | 73.2  |

Source: Company, MOFSLE

## Financials and valuations

### Ratios

| Y/E March (INR b)                  | FY20       | FY21       | FY22       | FY23       | FY24       | FY25E      | FY26E      |
|------------------------------------|------------|------------|------------|------------|------------|------------|------------|
| <b>Yield &amp; Cost Ratios (%)</b> |            |            |            |            |            |            |            |
| <b>Avg. Yield-Earning Assets</b>   | <b>9.0</b> | <b>8.1</b> | <b>7.4</b> | <b>8.0</b> | <b>8.4</b> | <b>8.6</b> | <b>8.5</b> |
| Avg. Yield on loans                | 10.1       | 8.9        | 7.9        | 8.6        | 8.8        | 9.1        | 9.0        |
| Avg. Yield on Invt                 | 6.1        | 5.6        | 5.8        | 6.5        | 6.8        | 7.0        | 6.9        |
| <b>Avg. Cost-Int. Bear. Liab.</b>  | <b>5.0</b> | <b>4.1</b> | <b>3.5</b> | <b>3.9</b> | <b>5.3</b> | <b>5.3</b> | <b>5.2</b> |
| Avg. Cost of Deposits              | 4.9        | 4.0        | 3.4        | 3.6        | 4.7        | 5.1        | 5.1        |
| <b>Interest Spread</b>             | <b>4.0</b> | <b>4.0</b> | <b>3.9</b> | <b>4.1</b> | <b>3.2</b> | <b>3.3</b> | <b>3.3</b> |
| <b>Net Interest Margin</b>         | <b>4.2</b> | <b>4.1</b> | <b>3.9</b> | <b>4.1</b> | <b>3.4</b> | <b>3.5</b> | <b>3.5</b> |

### Capitalisation Ratios (%)

|         |      |      |      |      |      |      |      |
|---------|------|------|------|------|------|------|------|
| CAR     | 18.3 | 18.5 | 18.7 | 19.3 | 18.8 | 19.8 | 19.8 |
| Tier I  | 17.0 | 17.3 | 17.7 | 17.1 | 16.8 | 17.3 | 17.5 |
| - CET-1 |      | 16.9 | 16.7 | 16.4 | 16.3 | 17.0 | 17.4 |
| Tier II | 1.2  | 1.2  | 1.0  | 2.1  | 2.0  | 2.5  | 2.3  |

### Business Ratios (%)

|                          |      |      |      |      |       |      |      |
|--------------------------|------|------|------|------|-------|------|------|
| Loans/Deposit            | 86.6 | 84.9 | 87.8 | 85.0 | 104.4 | 98.6 | 94.1 |
| CASA Ratio               | 42.2 | 46.1 | 48.2 | 44.4 | 38.2  | 35.3 | 36.4 |
| Cost/Assets              | 2.0  | 1.9  | 1.8  | 1.9  | 1.8   | 1.8  | 1.8  |
| Cost/Total Income        | 38.6 | 36.3 | 36.9 | 40.4 | 40.2  | 40.7 | 40.1 |
| Cost/Core Income         | 39.7 | 37.3 | 38.4 | 41.8 | 41.2  | 42.5 | 41.9 |
| Staff Cost/Total Expense | 31.0 | 31.7 | 32.1 | 32.6 | 35.1  | 35.7 | 35.6 |
| Int. Expense/Int. Income | 51.1 | 46.3 | 43.6 | 46.3 | 58.0  | 58.0 | 56.7 |
| Fee Income/Total Income  | 24.1 | 20.9 | 22.9 | 23.9 | 21.2  | 16.4 | 17.0 |
| Other Inc./Total Income  | 29.3 | 28.0 | 29.1 | 26.4 | 31.2  | 28.1 | 28.5 |

### Efficiency Ratios (INRm)

|                                 |       |       |       |       |       |       |       |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Employee per branch (in nos)    | 21.6  | 21.4  | 22.3  | 22.1  | 24.4  | 24.7  | 24.4  |
| Staff cost per employee (INR m) | 0.8   | 0.9   | 0.8   | 0.9   | 1.0   | 1.0   | 1.0   |
| CASA per branch (INR m)         | 895   | 1,098 | 1,184 | 1,069 | 1,040 | 991   | 1,051 |
| Deposits per branch (INR m)     | 2,119 | 2,381 | 2,459 | 2,408 | 2,723 | 2,806 | 2,888 |
| Bus. per Employee (INR m)       | 198   | 205   | 207   | 201   | 228   | 226   | 229   |
| Profit per Employee (INR m)     | 2.5   | 2.6   | 2.6   | 2.5   | 2.8   | 2.8   | 2.9   |

| Valuation                             | FY20        | FY21        | FY22        | FY23        | FY24        | FY25E       | FY26E       |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| RoE                                   | 16.4        | 16.6        | 16.7        | 17.0        | 14.6        | 14.6        | 14.9        |
| RoA                                   | 1.9         | 1.9         | 1.9         | 1.9         | 1.8         | 1.8         | 1.9         |
| RoRWA                                 | 2.6         | 2.8         | 2.8         | 2.9         | 2.7         | 2.6         | 2.7         |
| Book Value (INR)                      | 312         | 370         | 433         | 502         | 580         | 649         | 731         |
| Growth (%)                            | 13.8        | 18.5        | 17.2        | 16.0        | 15.4        | 12.0        | 12.6        |
| <b>Price-BV (x)</b>                   | <b>5.1</b>  | <b>4.3</b>  | <b>3.7</b>  | <b>3.2</b>  | <b>2.8</b>  | <b>2.5</b>  | <b>2.2</b>  |
| Adjusted BV (INR)                     | 300         | 357         | 420         | 490         | 555         | 622         | 699         |
| <b>Price-ABV (x)</b>                  | <b>5.3</b>  | <b>4.5</b>  | <b>3.8</b>  | <b>3.3</b>  | <b>2.9</b>  | <b>2.6</b>  | <b>2.3</b>  |
| EPS (INR)                             | 48.0        | 56.6        | 66.8        | 79.3        | 80.0        | 89.6        | 102.5       |
| Growth (%)                            | 21.2        | 17.8        | 18.1        | 18.6        | 1.0         | 11.9        | 14.5        |
| <b>Price-Earnings (x)</b>             | <b>33.4</b> | <b>28.4</b> | <b>24.0</b> | <b>20.2</b> | <b>20.1</b> | <b>17.9</b> | <b>15.7</b> |
| <b>Price-Earnings (x) - Adj. Subs</b> | <b>28.1</b> | <b>23.8</b> | <b>20.2</b> | <b>17.0</b> | <b>16.8</b> | <b>15.1</b> | <b>13.2</b> |
| Dividend Per Sh (INR)                 | 11.9        | 6.5         | 15.5        | 19.0        | 19.0        | 20.0        | 21.0        |
| <b>Dividend Yield (%)</b>             | <b>0.7</b>  | <b>0.4</b>  | <b>1.0</b>  | <b>1.2</b>  | <b>1.2</b>  | <b>1.2</b>  | <b>1.3</b>  |

Source: Company, MOFSLE

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NOTES

| Explanation of Investment Rating |                                                                                              |
|----------------------------------|----------------------------------------------------------------------------------------------|
| Investment Rating                | Expected return (over 12-month)                                                              |
| BUY                              | >=15%                                                                                        |
| SELL                             | < - 10%                                                                                      |
| NEUTRAL                          | < - 10 % to 15%                                                                              |
| UNDER REVIEW                     | Rating may undergo a change                                                                  |
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