

- ❑ The Bank's net revenues increased by 18.0% to ₹232975 million for Q1FY2022 from ₹197407 million for Q1FY2021. Net interest income for Q1FY2022 grew to ₹170090 million from ₹156654 million for Q1FY2021, driven by advances growth of 14.4%, and a core net interest margin of 4.1%. The Bank's continued focus on deposits helped in the maintenance of a healthy liquidity coverage ratio at 126%, well above the regulatory requirement.
- ❑ Pre-provision Operating Profit (PPOP) at ₹151370 million grew by 18.0% over the corresponding quarter of the previous year. Provisions and contingencies for Q1FY2022 were ₹48308 million as against ₹38915 million for Q1FY2021. Total provisions for the current quarter included contingent provisions of approximately ₹6000 million.
- ❑ The second wave of COVID-19 disrupted business activities for close to two thirds of the quarter, leading to a decrease in the efficiency in collection efforts, and a higher level of provisions. The total credit cost ratio was at 1.67%, as compared to 1.64% for Q4FY2021 and 1.54% for Q1FY2021.
- ❑ Total advances rose 14.4% y-o-y to ₹11.5 lakh crore, of which retail loans were up 9.3% y-o-y to ₹4.58 lakh crore. Similarly, commercial and rural banking loans were up 25% from a year ago to ₹3.86 lakh crore. The bank also said wholesale loans were up 10% y-o-y to ₹3.14 lakh crore. Total deposits of the bank grew 13.2% y-o-y to ₹13.4 lakh crore. CASA deposits grew by 28.1% y-o-y with savings account deposits at ₹4.2 lakh crore and current account deposits at ₹1.85 lakh crore.
- ❑ The bank has exhibited slight deterioration in the asset quality with the higher fresh slippages of loan in the quarter ended June 2021. Gross non-performing assets were at 1.47% of gross advances end June 2021, (1.3% excluding NPAs in the agricultural segment) as against 1.32% end March 2021 (1.2% excluding NPAs in the agricultural segment) and 1.36% end June 2020 (1.2% excluding NPAs in the agricultural segment). Net non-performing assets were at 0.48% of net advances end June 2021.
- ❑ The Bank's total Capital Adequacy Ratio (CAR) as per Basel III guidelines was at 19.1% end June 2021 compared with 18.9% end June 2020. Tier 1 CAR was at 17.9% end June 2021 compared to 17.5% end June 2020.

- ❑ The management commentary on SME and Retail book asset quality was positive. Recovery in disbursements and collections was seen in June-July. The management guided a reversion to the cost-to-income ratio to 38-39% in the near-term from 35% in Q1FY22. It also expects restructuring in Q2FY22 to increase. On the subsidiary front, the performance of HDB Financial subsidiary deteriorated with GNPA spike to 7.8% from 3.9% QoQ.
- ❑ Despite a challenging environment, HDFC Bank has exhibited decent growth. We believe the company remains well positioned for continued growth given its strong market position, stable asset quality, healthy capital position, increasing wholesale and retail loan portfolio and growing deposit base. Further, higher provisions would help in offsetting the impact of any likely deterioration in NPA in coming quarters. We remain positive on the company and maintain our **Hold** rating with a target price of **₹1,642** per share.

## Quarterly Result

(In ₹ mn)	Q4-FY21	Q4-FY20	Chg	FY21	FY20	Chg
Interest Earned	304,830	303,780	0.3%	1,208,582	1,148,127	5.3%
Interest Expended	134,740	147,126	-8.4%	559,787	586,264	-4.5%
Net Interest Income	170,090	156,654	8.6%	648,796	561,863	15.5%
Other Income	62,885	40,753	54.3%	252,049	232,608	8.4%
Operating Expenses	81,604	69,115	18.1%	327,226	306,975	6.6%
Pre-Provision Profits	151,370	128,293	18.0%	573,618	487,496	17.7%
Provsions	48,308	38,915	24.1%	157,029	121,424	29.3%
PBT	103,062	89,378	15.3%	416,590	366,072	13.8%
Tax	25,766	22,791		105,425	103,498	
Exceptional Items	-	-		-	-	
<b>PAT</b>	<b>77,296</b>	<b>66,586</b>	<b>16.1%</b>	<b>311,165</b>	<b>262,573</b>	<b>18.5%</b>

Key Metrics	Q1-FY22	Q4-FY21	Q1-FY21
GNPA	1.5%	1.3%	1.4%
NNPA	0.5%	0.4%	0.3%

Source: Company, Anand Rathi Research



## Standalone Financials

(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
Interest Earned	1,148,127	1,208,582	1,539,171	1,789,070
Interest Expended	586,264	559,787	746,664	844,729
Net Interest Income	561,863	648,796	792,507	944,341
Other Income	232,608	252,049	288,194	342,950
Operating Expenses	306,975	327,226	378,207	429,207
Pre-Provision Profits	487,495	573,618	702,493	858,085
Provisions	121,424	157,029	226,121	300,741
PBT	366,072	416,590	476,372	557,344
Tax	103,498	105,425	119,903	140,284
PAT	262,573	311,165	356,469	417,061
Minority /Other Adj.	-	-	-	-
Consolidated PAT	262,573	311,165	356,469	417,061

Margins	FY-20	FY-21	FY-22E	FY-23E
Operating Margin %	48.9%	53.7%	51.5%	52.8%
Net Margin %	22.9%	25.7%	23.2%	23.3%

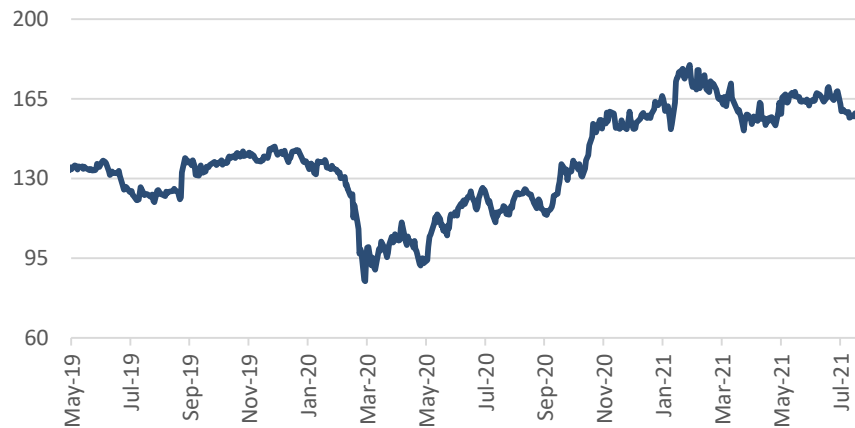
(In ₹ mn)	FY-20	FY-21	FY-22E	FY-23E
<b>Liabilities</b>				
Equity Share Capital	5,483	5,504	5,504	5,504
Reserves & Surplus	1,704,377	2,010,413	2,373,075	2,800,951
Total Shareholder's Funds	1,709,860	2,015,917	2,378,579	2,806,455
Minority Interest	-	-	-	-
Deposits	11,475,023	12,852,026	14,651,309	17,142,032
Borrowings	1,446,285	1,561,988	1,686,947	2,108,684
Other Liabilities & Provisions	673,944	1,097,007	1,350,193	1,360,407
<b>Total</b>	<b>15,305,113</b>	<b>17,526,938</b>	<b>20,067,028</b>	<b>23,279,100</b>
<b>Assets</b>				
Cash and balance with RBI	722,051	476,977	425,702	343,400
Balances with banks	144,136	147,019	149,959	199,227
Investments	3,918,267	4,310,093	4,568,699	5,071,256
Advances	9,937,029	11,924,435	14,190,077	17,169,993
Net Block	44,319	43,392	51,703	(44,087)
Other Assets	539,311	539,311	539,311	539,311
<b>Total</b>	<b>15,305,113</b>	<b>17,526,938</b>	<b>20,067,028</b>	<b>23,279,100</b>

Particulars	FY-20	FY-21	FY-22E	FY-23E
EPS (₹)	47.6	56.4	56.4	64.7
P/E (x)	30.7	25.9	25.9	22.6
P/B (x)	4.7	4.0	3.4	2.9
ROA	1.89%	1.90%	1.78%	1.90%



## Rating and Target Price History:

HDFC Bank rating history & price chart



Source: Bloomberg, Anand Rathi Research

NOTE: Prices are as on 4 August 2021 close.

HDFC Bank rating details

Date	Rating	Target Price	Share Price
29-Oct-18	BUY	1210	962
17-Jun-19	BUY	1410	1211
30-Jul-19	BUY	1410	1126
5-Nov-19	BUY	1410	1240
30-Jan-20	BUY	1410	1226
7-May-20	BUY	1330	925
23-Nov-20	BUY	1556	1395
4-Aug-21	HOLD	1642	1466

Source: Ace Equity, Anand Rathi Research

## Risks :

- ❑ The company is exposed to credit, liquidity and interest rate risk. Any adverse movement in these macroeconomic indicators may lead to lower than estimated growth and profitability.
- ❑ General slowdown in economy.

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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
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