

## HDFC Bank (HDFCB) - BUY

### Q4FY26 Result Update

Current Market Price (CMP) <b>Rs.800</b>	Fair Value (FV) <b>Rs.1050</b>
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### Rationale:

- HDFC Bank delivered ~10% yoy earnings growth, driven by 5% yoy operating profit growth and ~20% yoy decline in provisions.
- Loan growth was at 12% yoy, while Net Interest Margin (NIM) was flat qoq at 3.3%.
- While the recent valuation reset improves the stock's attractiveness, execution complexity, funding constraints and competitive pressures make a durable re-rating slower than previously anticipated.
- Maintain BUY rating with an unchanged FV of 1,050.

### 👍 Positives:

- Credit Deposit ratio in the quarter reverted lower to 95%.
- Growth in overall net advances stood at 12% yoy, while total loan book (including off-balance sheet loans) grew 10% yoy.
- Total deposits grew 14% yoy led by 16% growth in term deposits, while CASA deposits grew 12% yoy.
- Gross Non Performing Loans (NPL) ratio declined ~10 bps during the quarter to 1.2%, while the net NPL ratio was flat qoq at 0.4%.
- Annualized gross slippage ratio was at 0.9%, which was substantially lower qoq (down ~35 bps qoq) amounting to Rs6,200 cr.

### 👎 Negatives:

- Retail segment growth was sluggish at 6% yoy, with similar growth in mortgages.
- Net Interest Margin for the bank has been fairly range-bound at ~3.4% over the past two years contrary to an expectation of improvement.



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

## RATING SCALE (PRIVATE CLIENT GROUP)

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL** – We expect the stock to deliver < -5% returns over the next 12 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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