

# HDFC Bank Ltd.

**CMP: Rs. 1400**
**TGT: Rs. 1600**


## Technical Outlook

The Nifty bank space has seen a healthy retracement in the last two months. It is currently seen rebounding after a base at the 200 days EMA. Our preferred pick within the space is HDFC Bank which we expect to outperform. The stock has retraced to the extent of 38.2% of the entire rally since Mar'20 (738-1757), a shallow retracement signals a robust price structure and a favorable risk reward set up. Going ahead we expect the stock to resume its up move and head higher towards 1600 levels in the coming weeks/months being the 61.2% retracement of the immediate previous breather (1721-1363). Among the oscillators the daily RSI has generated a buy signal moving above its nine periods average thus validating positive bias.

## Fundamental Outlook

- HDFC Bank, known for its consistency, had delivered an earnings growth of 30% YoY every quarter for a very long period and that moderated to 20% YoY in the past few years.
- During 3QFY24, it has posted healthy credit growth of 17% YoY/5% QoQ on merged basis, backed by strong momentum in retail mortgages and CRB (Commercial Rural Banking). But deposit growth was relatively moderate at 17% YoY and 2% sequentially.
- During the quarter, HDFC Bank's reported NIM as well as core NIM remained stable at 3.6% and 3.4%, respectively.
- On asset quality front, after a sharp jump in NPAs during 2QFY24 due to the merger, the bank's GNPA/NNPA ratio improved by 8bps/4bps QoQ to 1.3%/0.3%, respectively, due to contained slippages.
- Bank continue its strategy to focus on aggressive strengthening of distribution capabilities. HDFC Bank has reported steady operational performance with RoA of 2%.
- Going ahead, gradual improvement in CD ratio, decline in CI ratio to below 40% and steady credit cost is expected to result in sustainable RoA for HDFC Bank.

# Kotak Mahindra Bank Ltd.

**CMP: Rs. 1735**
**TGT: Rs. 2015**


## Technical Outlook

The stock is on a base building mode around the level of 1700-1725 where it has honored the support level and witnessed pullback multiple number of times since July'2021 onward. Presently it is griding around the 200 Weekly EMA thus provides favorable risk reward set up. On the oscillator front too the stock is witnessing Class C bullish divergence. Though such divergence in technical parlance is being considered as the weakest form but considering the historical chart setup and risk reward perspective one can assume the stock to resume upmove. We expect the stock to head higher hereon towards 2015 levels being the 61.8% retracement of the entire decline since Dec 2023 (1926-1691)

## Fundamental Outlook

- Kotak Mahindra Bank reported steady performance in Q3FY2024. Net interest income grew by 16% YoY and 4% QoQ. Deposit growth during the quarter, outpaced loan growth driven by term deposits.
- The 'ActivMoney' product grew at a strong 23% QoQ, helping the bank fund credit demand.
- Healthy credit growth was fuelled by the unsecured retail book which contributed 11.6% of loans vs. 11% in Q2FY24, which is in line with the bank's strategy of taking unsecured share to the mid-teens.
- The NIM during the quarter remained stable at 5.2% supported by an increased share of high-yielding assets which offset the higher cost of deposits.
- On asset quality front, the controlled slippages led to flat GNPA/NNPA of 1.7%/0.3% while PCR improved 150bps QoQ.
- The reported credit cost during the quarter improved to 40bps from 47bps in Q2FY24.
- Further, Kotak Mahindra Bank is well capitalized with CAR at 21.3%.

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