

HDFC Ltd.	
ACCUMULATE	
CMP	Rs. 2600
Target Price	Rs. 3131
Time Frame	9-12 months
Risk	Medium
Sector	Financials



Price & Volume Analysis	
% Change from previous Day	0.87%
% Change from previous Month	2.38%
52 Week High	2895
52 Week Low	1473
Weekly H/L	2666/2507
Deliverable	56.92%
Book Value / Share	555
EPS	61.44
Market Cap (Rs. CR)	4,68,339

Housing Development Finance Corporation (HDFC) was incorporated in 1977 provides housing finance to individuals and corporate customers in India. HDFC also provides construction finance to real estate developers and provides lease financing. It offers loans for the purchase and construction of houses; home improvement and extension, plot, and top-up loans; loans to agriculturists, planters, horticulturists, and dairy farmers; loans against property; and loans for non-residential premises and commercial plots.

Momentum Analysis	
RSI (14, E9) Monthly	63
Smoothed RSI	67
Stochastic oscillator monthly (1,3,3)	23

The momentum oscillators are in an excellent bullish cycle mode as the Relative Strength Indicator (RSI) is trending north and Stochastic indicators especially on monthly time frames are indicating reverse divergences. Buy signals are generated in weekly charts too. Long remains the play.

CONCLUSION The biggest positive catalyst in favor of HDFC is its strong balance sheets in the non-banking sector with Capital adequacy ratio standing at 20.9% (vs. 17.6% in Q3FY20) with 19.9% Tier 1 capital and 1.0% Tier 2 capital (vs. 16.5% & 1.1% in Q3FY20 respectively). Pick-up in individual business and broadly stable asset quality glorifies to the fundamental story of HDFC. Net interest income registered a healthy growth of 25.6% YoY (+11.5% QoQ) to Rs. 4,068cr in Q3FY21. Individual loan book on AUM basis grew ~10% YoY as the individual loan approvals were up ~32% YoY and Non-individual loan book saw an increase of ~7% YoY.

Further going forward, as the economy picks up — there is likely to be a significant recovery in volume and we suspect, the momentum is expected to continue on backdrop of low interest rates environment, low-trending property prices, on-going work-from-home and study-from-home theme, concessional stamp duty rates and most importantly, amidst the theme of fiscal incentives on home loans and governments' drive to affordable housing loans.

We remain structurally positive on HDFC on backdrop of an optimistic India's GDP forecast for the coming fiscal. Mortgage lender HDFC is expected to build on to its strong brand equity and maintain its dominant leadership position (market share 19%) in the housing finance industry.

Support & Resistance Analysis	
Support 1	2351
Support 2	2050
Resistance 1	2896
Resistance 2	3101

Technically, brace yourselves for a probable 'Flag Pattern' breakout play on monthly charts on backdrop of recent sequence of higher high intact in all-time-frames. The impulse uptrend continues on the monthly time scale, with positive SAR series. That said, the move now needs to scale above 2896 to make further inroads to its uncharted territory. Immediate support however seen at 2351 and then major make-or-break support seen at 2050. Buying aggressively on any declines should be the preferred strategy.

Trend Analysis	
Moving Average - 50 Days	2647
Moving Average - 200 Days	2129
ADX (14d)	20
Bollinger Band Weekly	2023-2897
MACD Weekly	167

The uptrend is quite sustainable as the price is seen above the 200-day moving average, and now seen consolidating just a tad below its 50-day moving average. The general rule is if a stock is trading above its 200-DMA, the trend is largely upward. MACD is witnessing overbought technical conditions hence buying aggressively on corrective declines should be the preferred strategy.

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Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.