

CMP	: INR 1,957
Reco	: BUY ↔
Target Price	: INR 2,270 ↔
Target Price Change	: No Change
Target 1HFY28 P/BV (x)*	: 2.3
EPS Change FY26/ 27	: 0.5%/-0.8%

* for banking business, INR 280 for subsidiaries

Manjith Nair

+91 22 6911 3420
manjith.nair@antiquelimited.com

Pashmi Chheda

+91 22 6911 3442
pashmi.chheda@antiquelimited.com

Raju Barnawal

+91 22 6911 3499
raju.barnawal@antiquelimited.com

Market data

Sensex	: 81,758
Sector	: BANKS
Market Cap (INR bn)	: 15,009.2
Market Cap (USD bn)	: 174.204
O/S Shares (mn)	: 7,667.9
52-wk HI/LO (INR)	: 2027/1588
Avg. Daily Vol ('000)	: 8,669
Bloomberg	: HDFCB IN

Source: Bloomberg

Valuation

	FY26e	FY27e	FY28e
EPS (INR)	96	113	133
BVPS (INR)	710	797	941
P/E Ratio	17.9	14.9	14.7
P/BV (x)*	2.4	2.1	1.8
NIM (%)	3.3	3.5	3.6

Source: Antique;

* adjusted for subs; FY25-27 - Merged financials

Returns (%)

	1m	3m	6m	12m
Absolute	1	3	20	21
Relative	2	(0)	11	20

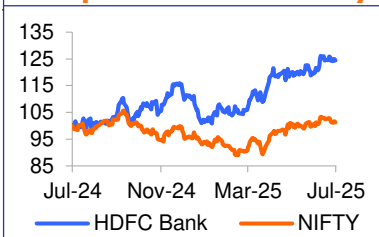
Source: Company, Antique

Shareholding pattern

Promoters	: 0%
Public	: 100%
Others	: 0%

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg, Indexed to 100

1QFY26 RESULT REVIEW

HDFC Bank

Largely in-line results

HDFCB delivered 1QFY26 PAT of INR 172 bn (-2% QoQ, 6.6% YoY), largely in-line with estimate. The bank had windfall gains of (i) INR 91 bn/ INR 78 bn (post tax) from stake sale in HDB Financials Services and (ii) Tax write-backs of INR 11 bn which it utilized to create floating/ contingent provisions of INR 68 bn/ INR 13 bn post tax. The bank also declared a special dividend of INR 5/share and a 1:1 bonus issue. Other key highlights: (1) Weak and below system advances growth (flattish QoQ, 6.7% YoY) was due to weakness in retail and corporate credit. (2) Calculated NIM decline of 8 bps QoQ was marginally higher than our estimate of 6 bps decline. (3) Other income (ex. INR 91 bn stake sale gain) declined 3% QoQ, 9.6% YoY. (4) Opex remained flattish QoQ, 5% YoY. (5) PPOP (ex. gains from stake sale) declined 3.2% QoQ, +7.6% YoY. (6) GNPA (ex. The seasonal agri segment) remained stable QoQ. (7) The bank delivered 1QFY26 RoA of 1.85% (adjusted for one-offs). We largely retain our estimates and roll over to 1HFY28E (earlier FY27) valuing the standalone bank at 2.3x on P/B and assign INR 280 per share for the subsidiaries. We retain our TP to INR 2,270. Maintain BUY.

Weak loan growth due to continued weakness in retail and corporate credit: Gross advances growth was weak—flattish QoQ, 6.7% YoY, below system loan growth of 9.5% (as of June 27, 2025). Weakness in growth was mainly due to decline in corporate & other wholesale advances (-1.3% QoQ, 1.7% YoY) and weak retail loan growth (0.3% QoQ, 8.1% YoY). Within retail, growth continued to remain soft in mortgages (0.8% QoQ, 7% YoY) and unsecured credit (PL + payments products; 0.7% QoQ, 9% YoY). Growth was strong in gold loans (6.8% QoQ, 26.8% YoY) and small and mid-market segment (2.4% QoQ, 17.1% YoY). **Despite the weak 1Q growth, the bank has maintained its FY26 growth guidance to be in-line with system growth and expects growth to be largely back-ended (in 4Q).**

Margins impacted by faster repricing of EBLR book due to policy rate cuts: C-D ratio reduced to 95.1% (-140 bps QoQ). Reported NIM as % of total assets at 3.35% declined by -11 bps QoQ (ex. IT refund benefit of +8 bps in 4Q). This was led by 14 bps decline in funding yield (ex. IT refunds) which was partly offset by 4 bps decline in funding costs. While the impact of Fed'25 and April'25 policy rate cuts on the EBLR book are largely absorbed fully in the current quarter, the full quarter impact of Jun'25 rate cut will be seen in 2QFY26. **However, management indicated that margins are likely to bottom out in 2QFY26 and revert back to 4QFY25 levels in a couple of quarters.**

Asset quality largely stable barring a seasonal increase in agri slippages; buffer provisions augmented using windfall gains: GNPA increased to 1.4% (+10 bps QoQ) due to a seasonal increase in agri slippages. 4 qtr lagged slippage ratio increased to 1.46% vs 1.21% QoQ. However, GNPA (ex. agri) was largely stable at 1.14% QoQ. During the quarter, the bank utilized post-tax windfall gains of INR 89 bn (INR 78 bn from stake sale in HDB Financial Services, INR 11 bn from tax credit write-back) to create floating provision of INR 68 bn post-tax (26 bps of gross advances) and contingent provisions of INR 13 bn post-tax (5 bps of gross advances). Total floating + contingent buffer is 1.38% of gross advances as of Jun'25.

Investment Summary

HDFC Bank remains our preferred pick within large private banks due to (i) Improved growth outlook, (ii) RoA expansion levers from deposit substitution of higher cost borrowings, reduction in RIDF investments, lower opex as operating leverage picks up due to the addition of branches in recent years ramping up to full capacity along with pick-up in growth and benign credit costs, (iii) Valuation discount vs. ICICI still remains higher at 11% vs. 5% average discount since Apr'22 (when merger with e.HDFCL was announced).

Table 1: Quarterly earnings snapshot

Profit and Loss (INR mn)	Merged 1QFY26	Merged 1QFY25	YoY %	Merged 4QFY25	QoQ %	1QFY26E	Deviation (%)
Net Interest Income	3,14,380	2,98,371	5.4	3,20,658	-2.0	3,17,063	-0.8
Other Income	2,08,170	1,06,681	95.1	1,20,279	73.1	1,21,588	71.2
Reported Fee income	92,198	84,381	9.3	99,679	-7.5	1,01,888	-9.5
Core Income	4,06,578	3,82,753	6.2	4,20,337	-3.3	4,18,951	-3.0
Other non core Income	1,15,972	22,300	420.1	20,600	463.0	19,700	488.7
Operating Expenses	1,74,338	1,66,206	4.9	1,75,570	-0.7	1,78,387	-2.3
Employee	61,580	58,489	5.3	61,159	0.7	62,260	-1.1
Others	1,12,759	1,07,717	4.7	1,14,410	-1.4	1,16,127	-2.9
Core Operating Profits	2,32,240	2,16,546	7.2	2,44,767	-5.1	2,40,564	-3.5
Operating Profits	3,48,212	2,38,846	45.8	2,65,367	31.2	2,60,264	33.8
Provisions	1,44,416	26,021	455.0	31,931	352.3	31,921	352.4
PBT	2,03,795	2,12,826	-4.2	2,33,437	-12.7	2,28,343	-10.8
Taxes	31,371	51,078	-38.6	57,275	-45.2	52,519	-40.3
PAT	1,72,424	1,61,748	6.6	1,76,161	-2.1	1,75,824	-1.9

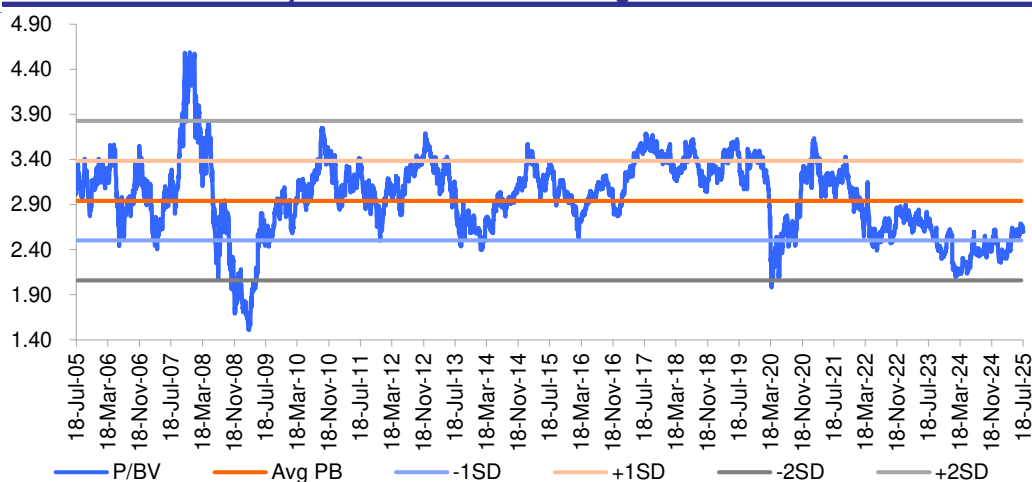
Source: Company, Antique

Table 2: We largely retain our earnings estimates

INR bn	Old Estimates		New Estimates		Change (%)	
	FY26	FY27	FY26	FY27	FY26	FY27
Net Interest Income	1,311	1,543	1,304	1,534	-0.5	-0.6
Other Income	513	577	604	576	17.8	0.0
Total Income	1,823	2,120	1,908	2,110	4.7	-0.4
Operating Expenses	736	825	736	825	0.0	0.0
Operating Profits	1,087	1,295	1,172	1,286	7.8	-0.7
Provisions	136	159	243	159	78.7	0.0
PBT	951	1,136	929	1,127	-2.3	-0.8
Tax	219	261	193	259	-11.6	-0.8
PAT	732	875	736	867	0.5	-0.8

Source: Company, Antique

Exhibit 1: HDFCB currently trades -1SD below LT average



Source: Company, Antique

Table 3: Quarterly dupont: Core PPOP reduced to 2.4% due to margin decline

	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
Interest Income	8.1	8.1	8.2	8.0	8.1	8.2	8.2	8.1	7.9
NII	3.6	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.2
Other Income	1.4	1.3	1.3	2.0	1.2	1.3	1.2	1.3	2.2
Fee Income	1.1	1.0	0.9	1.0	0.9	1.1	1.0	1.0	0.9
Operating Cost	2.0	1.8	1.8	2.0	1.9	1.9	1.8	1.8	1.8
Employee Expense	0.6	0.6	0.6	0.8	0.7	0.7	0.6	0.6	0.6
Other Expenses	1.3	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.1
Core PPP	2.7	2.4	2.4	2.3	2.4	2.5	2.5	2.6	2.4
PPP	3.0	2.7	2.7	3.3	2.7	2.7	2.7	2.8	3.6
Provisions	0.4	0.3	0.5	1.5	0.3	0.3	0.3	0.3	1.5
NPL Provisions	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4
PBT	2.5	2.4	2.2	1.8	2.4	2.4	2.3	2.4	2.2
Tax	0.6	0.5	0.4	-0.1	0.6	0.6	0.5	0.6	0.3
PAT	2.0	1.9	1.9	1.9	1.8	1.9	1.8	1.8	1.8
Leverage	8.0	8.4	8.4	8.2	8.0	7.9	7.9	7.8	7.7
RoEs	15.9	16.0	15.8	15.3	14.4	14.6	14.1	14.3	14.2

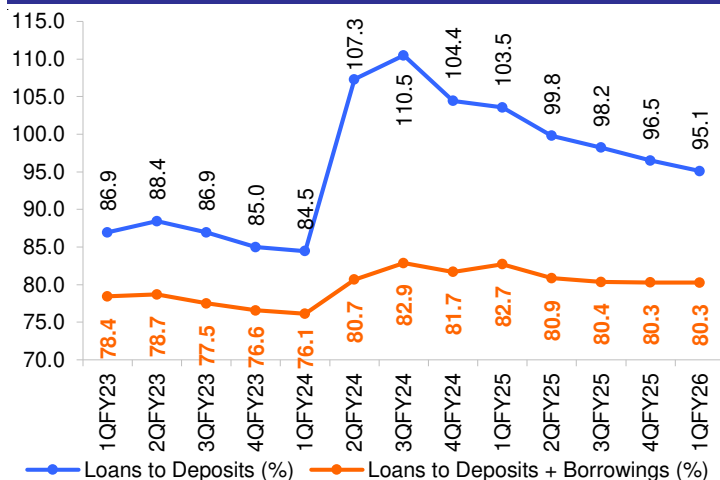
Source: Company, Antique

Table 4: RoA to sustain around 1.8% - 1.9% over FY26-28E

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
NII	4.2	4.2	4.0	4.0	3.8	3.9	3.2	3.3	3.2	3.3	3.4
Other Income	1.6	1.5	1.7	1.5	1.5	1.4	1.4	1.2	1.5	1.2	1.2
Fee Income	1.3	1.3	1.3	1.1	1.2	1.2	0.9	1.0	1.0	1.0	1.1
CEB	1.2	1.2	1.2	1.0	1.0	1.1	0.8	0.8	0.9	0.9	0.9
Forex	0.2	0.1	0.2	0.1	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Non-core Income	0.2	0.2	0.3	0.4	0.3	0.1	0.5	0.2	0.4	0.2	0.2
Operating Cost	2.4	2.3	2.2	2.0	2.0	2.1	1.9	1.8	1.8	1.8	1.8
Employee Expense	0.7	0.7	0.7	0.6	0.6	0.7	0.7	0.6	0.6	0.6	0.6
Other Expenses	1.6	1.6	1.5	1.4	1.3	1.4	1.2	1.2	1.2	1.2	1.2
Core PPP	3.1	3.3	3.2	3.1	3.0	3.0	2.3	2.4	2.4	2.6	2.7
PPP	3.4	3.4	3.5	3.5	3.4	3.1	2.8	2.7	2.8	2.8	2.8
Provisions	0.6	0.7	0.9	1.0	0.8	0.5	0.7	0.3	0.6	0.3	0.3
NPL Provisions	0.5	0.6	0.7	0.7	0.5	0.5	0.3	0.3	0.3	0.3	0.3
PBT	2.8	2.8	2.6	2.5	2.6	2.6	2.1	2.4	2.3	2.4	2.5
Tax	1.0	1.0	0.7	0.6	0.6	0.6	0.3	0.6	0.5	0.6	0.6
RoA	1.8	1.8	1.9	1.9	1.9	2.0	1.8	1.8	1.8	1.9	1.9
Leverage	10.4	9.3	8.9	7.2	6.1	6.2	8.4	8.2	8.0	8.0	7.9
RoE	18.9	17.0	16.8	13.6	11.8	12.2	14.9	14.7	14.3	15.0	15.3

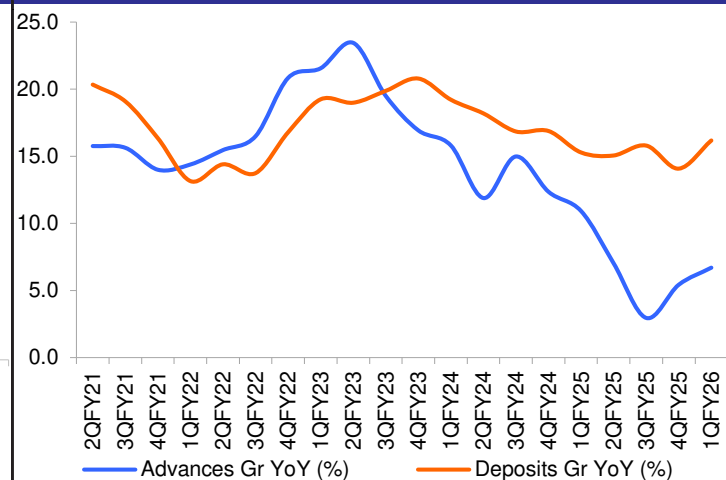
Source: Company, Antique

Exhibit 2: LDR decline sequentially by -150bps



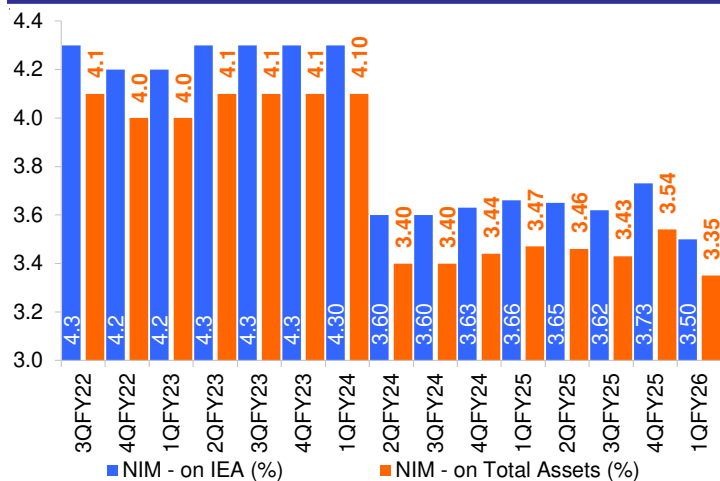
Source: Company, Antique

Exhibit 3: Advances growth remains below system credit growth



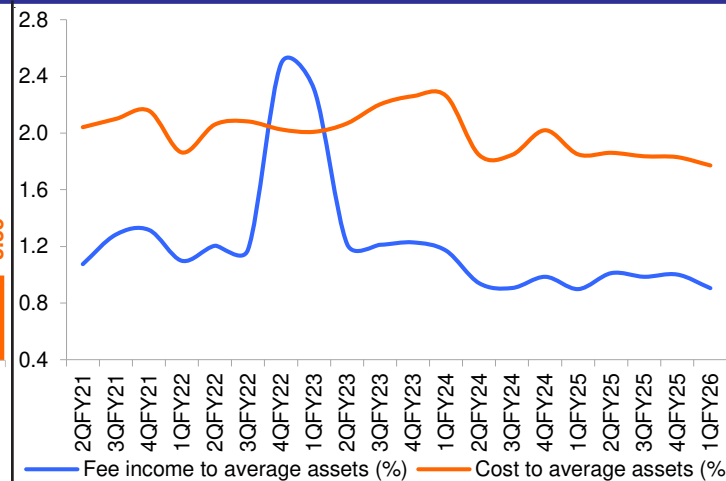
Source: Company, Antique; 2Q, 3Q & 4QFY24 YoY growth numbers are on pro-forma merged basis

Exhibit 4: NIM declined sequentially due to EBLR book repricing on the back of policy rate cuts



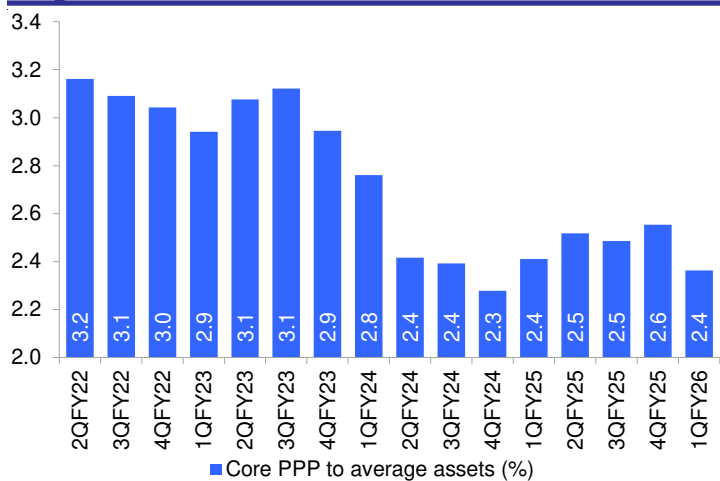
Source: Company, Antique

Exhibit 5: Fee income and opex remain steady



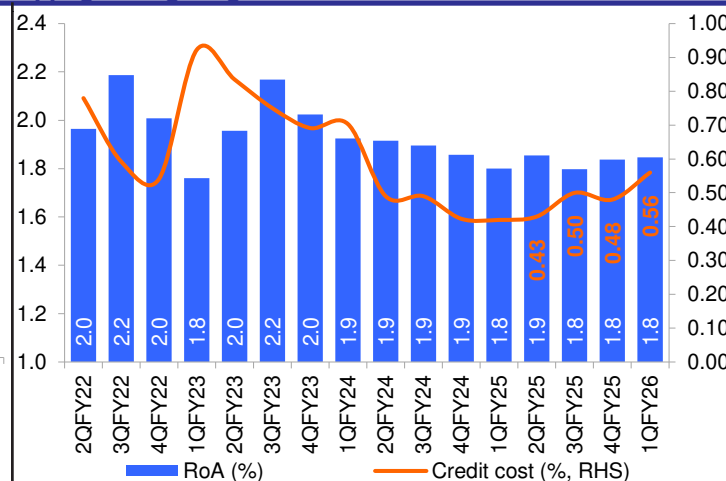
Source: Company, Antique

Exhibit 6: Core PPOP reduced to 2.4% mainly due to margin decline



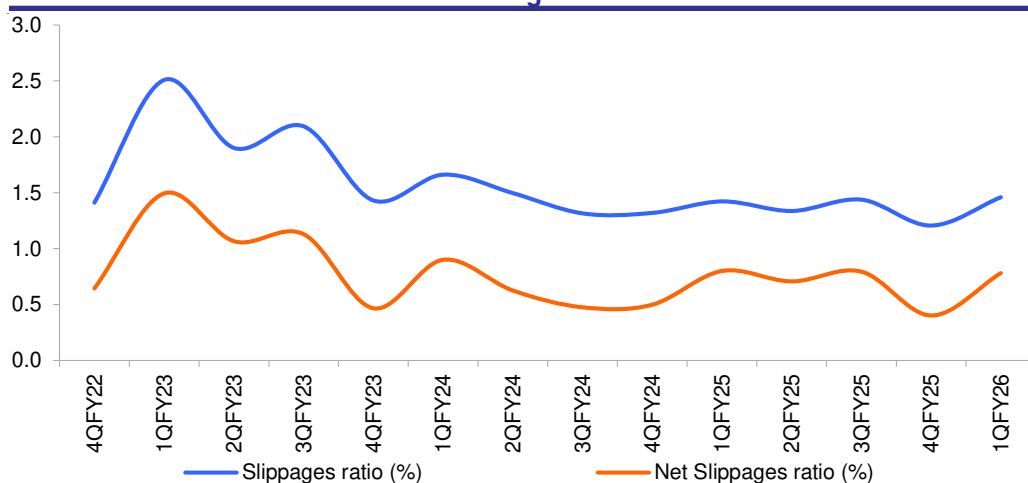
Source: Company, Antique

Exhibit 7: Slippages inched up due to seasonally higher slippages in agri segment



Source: Company, Antique

Exhibit 8: Credit costs continue to remain benign and bank delivered RoA of 1.8%



Source: Company, Antique

Table 5: Quarterly performance

	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	QoQ %	YoY %
Profit and Loss (INR m)	Merged	Merged	Merged	Merged	Merged	Merged	Merged	Merged		
Net Interest Income	2,73,852	2,84,713	2,90,768	2,98,371	3,01,139	3,06,533	3,20,658	3,14,380	-2	5
Other Income	1,07,078	1,11,370	1,81,663	1,06,681	1,14,827	1,14,536	1,20,279	2,17,298	81	104
Trading profits	10,410	14,700	75,900	2,200	2,900	700	3,900	1,01,100	2,492	4,495
Total Income	3,80,931	3,96,084	4,72,431	4,05,053	4,15,966	4,21,068	4,40,937	5,31,678	21	31
Operating Expenses	1,53,992	1,59,611	1,79,688	1,66,206	1,68,909	1,71,064	1,75,570	1,74,338	-1	5
Operating Profits	2,26,939	2,36,473	2,92,742	2,38,846	2,47,057	2,50,004	2,65,367	3,57,340	35	50
Provisions	29,038	42,166	1,35,116	26,021	27,005	31,539	31,931	1,44,416	352	455
PBT	1,97,901	1,94,307	1,57,626	2,12,826	2,20,053	2,18,466	2,33,437	2,12,923	-9	0
PAT	1,59,761	1,63,725	1,65,119	1,61,748	1,68,210	1,67,355	1,76,161	1,81,552	3	12
Asset Quality										
GNPA	3,15,779	3,10,117	3,11,733	3,30,257	3,42,506	3,60,186	3,52,226	3,70,408	5	12
NNPA	80,728	76,641	80,917	95,084	1,03,085	1,15,875	1,13,204	1,22,760	8	29
GNPA (%)	1.3	1.3	1.2	1.3	1.4	1.4	1.3	1.4	7	7
NNPA (%)	0.4	0.3	0.3	0.4	0.4	0.5	0.4	0.5	4	8
PCR (Calc, %)	74.4	75.3	74.0	71.2	69.9	67.8	67.9	66.9	-100	-435
Slippage (%), Calc	1.5	1.3	1.3	1.4	1.3	1.4	1.2	1.5	25	4
Ratios - calculated (%)										
Fees to Total Income	22.2	21.4	20.0	22.3	23.4	23.7	23.1	18.8	-434	-355
Cost to Core Income	41.6	41.9	45.3	41.3	40.9	40.7	40.2	40.5	32	-77
Tax Rate	19.3	15.7	-4.8	24.0	23.6	23.4	24.5	14.7	-980	-927
CASA (Reported)	37.6	37.7	38.2	36.3	35.3	34.0	34.8	33.9	-90	-240
Deposit growth (%)	18.2	16.8	16.9	15.3	15.1	15.8	14.1	16.2	211	91
Loan growth (%)	11.9	15.0	12.3	10.9	7.0	3.0	5.4	6.7	127	-423
Loan/Deposit	107.3	110.5	104.4	103.5	99.8	98.2	96.5	95.1	-140	-846
RoA	1.8	1.8	1.8	1.7	1.8	1.7	1.8	1.8	1	6
RoE	16.0	15.8	15.3	14.4	14.6	14.1	14.3	14.2	-13	-21
Margins (%) - Calculated										
Yield on loans	9.5	9.5	9.4	9.5	9.6	9.6	9.4	9.2	-23	-32
Yield on funds	8.6	8.6	8.5	8.6	8.7	8.7	8.6	8.3	-20	-29
Spreads	2.8	2.9	2.9	2.9	2.9	2.8	2.9	2.7	-16	-19
Margins	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.4	-15	-14
Margins (%) - Reported	3.4	3.4	3.4	3.5	3.5	3.4	3.5	3.4	-19	-12

Source: Company, Antique

Financials

Profit and loss account (INR mn)

Year-ended	March 31	FY24	FY25	FY26e	FY27e	FY28e
Interest Income		25,83,406	30,05,170	31,86,803	35,72,272	40,49,515
Interest Expense		14,98,081	1,778,470	18,82,309	20,38,100	22,74,480
Net Interest Income		10,85,325	12,26,701	13,04,495	15,34,171	17,75,034
% NII Growth		1.4	13.0	6.3	17.6	15.7
Fee Income		2,81,607	3,18,986	3,66,833	4,21,858	4,97,793
Non-interest income		4,92,410	4,56,323	6,03,783	5,76,321	6,54,536
Net Revenue		15,77,735	16,83,024	19,08,277	21,10,492	24,29,571
Employees Expenses		2,22,402	2,39,005	2,58,126	2,89,101	3,18,011
Other Op. Expenses		4,11,458	4,42,744	4,78,163	5,35,543	6,07,562
Operating Profit		9,43,875	10,01,275	11,71,989	12,85,849	15,03,998
% OP Growth		24	6.1	170	97	170
Tax		1,00,830	2,11,307	1,93,351	2,59,099	3,03,977
Total Provisions		2,34,922	1,16,494	2,42,984	1,59,333	1,82,357
Net Profit		6,08,123	6,73,474	7,35,654	8,67,417	10,17,664

Balance sheet (INR mn)

Year-ended	March 31	FY24	FY25	FY26e	FY27e	FY28e
Capital		7,597	7,652	7,652	7,652	7,652
Reserves and Surplus		43,94,861	50,06,594	55,70,840	62,36,149	73,22,771
Deposits		2,37,97,863	2,71,47,149	3,13,54,957	3,63,71,750	4,21,91,230
Borrowings		66,21,531	54,79,309	48,64,210	44,65,691	47,32,937
Other Liabilities & Provisions		13,54,379	14,61,285	16,44,715	19,72,622	22,74,713
Total liabilities		3,61,76,231	3,91,01,989	4,34,42,375	4,90,53,865	5,65,29,302
Cash & Balances with RBI		17,86,832	14,43,550	16,73,406	19,28,725	22,21,662
Bal. with banks/ call money		4,04,642	9,52,156	5,64,389	6,54,692	7,59,442
Investment		70,24,150	83,63,597	95,27,354	1,07,18,273	1,24,33,197
Loans and advances		2,48,48,615	2,61,96,086	2,92,08,636	3,30,05,759	3,79,56,623
Fixed Assets		1,13,990	1,36,554	1,57,037	1,80,593	2,07,682
Other Assets		19,98,002	20,10,046	23,11,553	25,65,824	29,50,697
Total assets		3,61,76,231	3,91,01,989	4,34,42,375	4,90,53,865	5,65,29,302

Asset Quality

Year-ended	March 31	FY24	FY25	FY26e	FY27e	FY28e
Gross NPA (INR mn)		3,11,733	3,52,226	3,82,783	4,70,973	7,41,463
Gross NPA (%)		1.24	1.33	1.30	1.41	1.93
Net NPA (INR mn)		80,917	1,13,204	1,07,179	1,22,453	1,92,780
Net NPA (%)		0.33	0.39	0.31	0.30	0.40
% coverage of NPA		74.0	67.9	72.0	74.0	74.0
Delinquencies (%)		1.3	1.3	1.4	1.5	2.0

Source: Company, Antique; Note: FY24 to 27 are merged numbers

Capital Adequacy Ratio

Year-ended	March 31	FY24	FY25	FY26e	FY27e	FY28e
RWA (INRm)		2,46,80,281	2,66,00,039	2,95,40,815	3,52,08,469	4,25,47,619
Tier I (%)		16.8	17.7	17.8	16.9	15.7
Tier II (%)		2.0	1.9	1.7	1.5	1.4
Total CAR (%)		18.8	19.6	19.6	18.4	17.1

Business Ratios

Year-ended	March 31	FY24	FY25	FY26e	FY27e	FY28e
Credit / Deposit (%)		104.4	96.5	93.2	90.7	90.0
Investment / Deposit (%)		23.1	25.6	26.3	26.2	26.5
CASA (%)		38.2	34.8	35.6	37.4	34.4
RoA (%)		1.8	1.8	1.8	1.9	1.9
Core RoE (%)		14.9	14.7	14.3	15.0	15.3
Dividend Yield (%)		1.0	1.2	1.4	1.6	1.8

Key assumptions

Year-ended	March 31	FY24	FY25	FY26e	FY27e	FY28e
Deposit						
Deposit growth (%)		16.9	14.1	15.5	16.0	16.0
Cost of deposits (%)		4.5	4.9	4.7	4.6	4.5
Advances						
Advances growth (%)		12.3	5.4	11.5	13.0	15.0
Yield on advances (%)		8.8	9.3	8.9	8.9	9.0
Investments						
Investments growth (%)		14.3	19.1	13.9	12.5	16.0
Yield on investments (%)		6.7	6.9	6.8	6.8	6.5

Earnings Ratios

Year-ended	March 31	FY24	FY25	FY26e	FY27e	FY28e
Interest Inc. / Avg. assets (%)		7.6	8.0	7.7	7.7	7.7
Interest Exp./ Avg. assets (%)		4.4	4.7	4.6	4.4	4.3
NIM (%)		3.4	3.5	3.3	3.5	3.6
Int. exp/ Int earned (%)		58.0	59.2	59.1	57.1	56.2
Oth. Inc./ Tot. Inc. (%)		31.2	27.1	31.6	27.3	26.9
Staff exp./Total opt. exp (%)		35.1	35.1	35.1	35.1	34.4
Cost/ Income Ratio (%)		40.2	40.5	38.6	39.1	38.1
Prov./ Operating Profit (%)		24.9	11.6	20.7	12.4	12.1
Loan loss prov./Avg. loans (bps)		100.0	45.6	87.7	51.2	51.4

Per Share Data

Year-ended	March 31	FY24	FY25	FY26e	FY27e	FY28e
Book value per share (INR)		562	636	710	797	941
Adj. BVPS (INR)		554	625	700	786	923
Price/ Adj. Book value*		3.1	2.8	2.4	2.1	1.8
EPS(INR)		80	88	96	113	133
P/E Ratio*		21.8	19.9	17.9	14.9	14.7
DPS		19.3	23.2	27.6	30.8	35.1

Source: Company Antique; * adjusted for subs; Note: FY24 to 27 are merged numbers