

## Steady quarter; NIMs under watch

HDFC Bank reported a steady quarter with strong PAT of ~INR 182bn (+12%/+3% YoY/QoQ), supported by strong growth in other income and well-managed operating expenses, even as net interest income declined sequentially (-2% QoQ). In 1QFY26, the bank booked a one-time gain of INR 91bn from the sale of stake in its NBFC sub, excluding which, operating profit stood at INR 266bn (+11% YoY, flat QoQ). NIMs (IEA) contracted ~20bps QoQ to 3.5% due to falling CD ratio and continued rate transmission. Loan growth remained healthy at +7% YoY, led by commercial & rural banking and retail (notably gold/agri loans). Deposit growth outpaced credit growth at +16%/+2% YoY/QoQ, driving improvement in CD ratio to 95.1% (vs. 96.5% QoQ). Asset quality was broadly stable with marginal inch up in gross/net slippages at 1.4%/0.7% (up ~10/2bps YoY). The bank made additional provisions of INR 107bn, largely from stake sale proceeds, with adjusted credit cost at 57bps (vs. ~50/42bps in 4Q/1Q25). Mgmt. expects loan growth to be in-line with system in FY26 and higher than system in FY27, while margins are likely to remain under pressure in the near term. We expect loan/deposit CAGR of ~12%/~15% over FY25–27E and RoA/RoE of ~1.7%/13%. We resume coverage with a BUY and TP of INR 2,200, valuing the core bank at 2.4x FY27E Adj. BVPS. Though, ICICI Bank continues to remain our top pick in large banks.

- Steady loan growth; Retail momentum intact:** In 1QFY26, HDFC Bank sustained its growth momentum in net advances, which increased +7% YoY and remained flat QoQ. The performance was driven by strong growth in the commercial and rural banking segment (+13%/+1% YoY/QoQ) and the retail book (+8%/+1% YoY/QoQ). Within retail, momentum was led by gold loans (+27%/+7% YoY/QoQ), followed by the Agri book (+15%/+5% YoY/QoQ) and auto loans (+12%/+2% YoY/QoQ). Deposit growth also remained healthy at +16%/+2% YoY/QoQ, led by term deposits (+21%/+3% YoY/QoQ), while CASA deposits posted moderate growth (+8%/-1% YoY/QoQ). Consequently, the CD ratio improved to 95.1% (vs. 96.5% QoQ). **Mgmt. expects loan growth to be in-line with system in FY26 and higher than system in FY27.** We build in a ~12% loan CAGR over FY25–27E.
- Improvement in operating performance; margins under pressure:** In 1QFY26, HDFC Bank reported a sharp rise in operating profit to INR 357bn (+50%/+35% YoY/QoQ), driven by the one-time gain of INR 91bn from the sale of a stake in its NBFC subsidiary. Excluding this, operating profit stood at INR 266bn (+11.4% YoY, flat QoQ), supported by strong growth in other income (+18%/+5% YoY/QoQ) and well-managed operating expenses (+5%/-1% YoY/QoQ), even as net interest income declined sequentially (-2% QoQ). With continued monetary easing, both cost of funds and asset yields declined sequentially by 20bps and 10bps, respectively, leading to a 20bps QoQ contraction in NIMs (IEA) to 3.5%. **Management indicated that margins are likely to remain under pressure in the near term due to the lag in rate transmission but are expected to stabilize as deposit costs plateau.**
- Asset quality stable; proactive provisions impact credit cost:** Asset quality saw a modest deterioration in 1QFY26, with gross/net slippage ratios rising to 1.4%/0.7%

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit	608,123	673,474	696,976	800,021	953,444
Net Profit (YoY) (%)	25.3%	21.8%	3.5%	14.8%	19.2%
Assets (YoY) (%)	46.7%	8.1%	10.5%	13.1%	14.5%
ROA (%)	1.8%	1.8%	1.7%	1.7%	1.8%
ROE (%)	16.9%	14.3%	13.2%	13.7%	14.6%
EPS	85.8	88.0	91.1	104.5	124.6
EPS (YoY) (%)	8.6%	2.5%	3.5%	14.8%	19.2%
<b>PE (x)</b>	<b>22.8</b>	<b>22.2</b>	<b>21.5</b>	<b>18.7</b>	<b>15.7</b>
BV	580	655	724	804	899
BV (YoY) (%)	15.4%	13.1%	10.6%	11.0%	11.8%
<b>P/BV (x)</b>	<b>3.38</b>	<b>2.99</b>	<b>2.70</b>	<b>2.43</b>	<b>2.18</b>

Source: Company data, JM Financial. Note: Valuations as of 18/Jul/2025

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#### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,200
Upside/(Downside)	12.4%
Previous Price Target	NA
Change	3.3%

#### Key Data – HDFCB IN

Current Market Price	INR1,957
Market cap (bn)	INR15,009.2/US\$174.2
Free Float	89%
Shares in issue (mn)	7,596.9
Diluted share (mn)	
3-mon avg daily val (mn)	INR20,419.0/US\$237.0
52-week range	2,027/1,588
Sensex/Nifty	81,758/24,968
INR/US\$	86.2

#### Price Performance

%	1M	6M	12M
Absolute	1.1	19.6	21.8
Relative*	1.9	10.9	20.1

\* To the BSE Sensex

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

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(+18bps/+34bps QoQ). During the quarter, the bank created a contingent provision of INR 17bn and a floating provision of INR 90bn, utilising gains from stake sale—taking the total additional provisioning to INR 107bn. Adjusting for these, underlying credit cost would have stood at 57bps (vs. 50bps in 4QFY25). The provision coverage ratio (PCR) declined marginally to 67% (vs. 68% QoQ). Management indicated that credit costs may gradually normalize from the current benign levels, although no visible stress has emerged across segments. **We factor in an average credit cost of ~58bps over FY26–27E.**

- **Valuation and view:** Gradual improvement in loan growth alongside a steady reduction in the CD ratio is expected to support HDFC Bank's valuation trajectory. Key positives include its robust asset quality and well-diversified asset mix, which should enable the bank to deliver healthy return ratios, with RoA/RoE estimated at ~1.7%/13% over FY26–27E. We believe that the ongoing reduction in reliance on borrowings, recovery in growth momentum, and sustained asset quality will remain key drivers. We forecast ~9% profit CAGR over FY25–27E. We maintain our BUY rating with a revised target price of INR 2,200, valuing the core bank at 2.4x FY27E Adj. BVPS, and subsidiaries at INR 296/share.

## Key trends: 1QFY26

## Exhibit 1. HDFC Bank: Result Summary

Earnings Table (INR mn.)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
<b>NII</b>	<b>298,371</b>	<b>320,658</b>	<b>314,380</b>	<b>5%</b>	<b>-2%</b>
Fee based Income	70,500	85,300	76,000	8%	-11%
Forex Income	14,000	14,400	16,000	14%	11%
Trading Profits	2,200	3,900	101,000	4491%	2490%
Other Misc Income	19,981	16,679	24,298	22%	46%
<b>Non-Interest income</b>	<b>106,681</b>	<b>120,279</b>	<b>217,298</b>	<b>104%</b>	<b>81%</b>
<b>Total Income</b>	<b>405,053</b>	<b>440,937</b>	<b>531,678</b>	<b>31%</b>	<b>21%</b>
Employee Cost	58,489	61,159	61,580	5%	1%
Other Operating Expenses	107,717	114,410	112,759	5%	-1%
Total Operating Expenses	166,206	175,570	174,338	5%	-1%
<b>Operating Profit</b>	<b>238,846</b>	<b>265,367</b>	<b>357,340</b>	<b>50%</b>	<b>35%</b>
Loan Loss Provisions	<b>216,665</b>	<b>244,788</b>	<b>232,041</b>	<b>7%</b>	<b>-5%</b>
<b>Total Provisions</b>	<b>26,021</b>	<b>31,931</b>	<b>144,416</b>	<b>455%</b>	<b>352%</b>
PBT	<b>212,826</b>	<b>233,437</b>	<b>212,923</b>	<b>0%</b>	<b>-9%</b>
Tax	51,078	57,275	31,371	-39%	-45%
<b>Reported Profit</b>	<b>161,748</b>	<b>176,161</b>	<b>181,552</b>	<b>12%</b>	<b>3%</b>
<b>Balance sheet (INR bn.)</b>					
Deposits	23,791	27,147	27,641	16%	2%
Net Advances	24,635	26,196	26,284	7%	0%
<b>Total Assets</b>	<b>35,672</b>	<b>39,102</b>	<b>39,541</b>	<b>11%</b>	<b>1%</b>
Low-cost Deposits (%)	36.3%	34.8%	33.9%	-2.40%	-0.90%
Loan-Deposit ratio (%)	103.5%	96.5%	95.1%	-8.46%	-1.40%
<b>Key Ratios</b>					
<b>Credit Quality</b>					
Gross NPAs (INR mn.)	330,257	352,226	370,408	12.2%	5.2%
Net NPAs (INR mn.)	95,084	113,204	122,760	29.1%	8.4%
Gross NPA (%)	1.33%	1.33%	1.40%	0.07%	0.06%
Net NPA (%)	0.39%	0.43%	0.47%	0.08%	0.03%
Loan Loss Provisions (%)	0.42%	0.50%	2.20%	1.78%	1.70%
Coverage Ratio (%)	71.2%	67.9%	66.9%	-4.35%	-1.00%
<b>Capital Adequacy</b>					
Tier I (%)	17.30%	17.70%	17.80%	0.50%	0.10%
CAR (%)	19.33%	19.55%	19.90%	0.57%	0.35%
<b>Du-pont Analysis</b>					
NII / Assets (%)	3.32%	3.34%	3.20%	-0.12%	-0.15%
Non-Interest Inc. / Assets (%)	1.19%	1.25%	2.21%	1.02%	0.96%
Operating Cost / Assets (%)	1.85%	1.83%	1.77%	-0.08%	-0.06%
Operating Profits / Assets (%)	2.66%	2.77%	3.64%	0.98%	0.87%
Provisions / Assets (%)	0.29%	0.33%	1.47%	1.18%	1.14%
<b>ROA (%)</b>	<b>1.80%</b>	<b>1.84%</b>	<b>1.85%</b>	<b>0.05%</b>	<b>0.01%</b>

Source: Company, JM Financial

**Exhibit 2. HDFC Bank : Gross loan mix**

Gross Loan Mix (INR bn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Personal loans	1,859	1,993	2,016	8%	1%
Auto	1,330	1,457	1,483	12%	2%
Home Loans	7,880	8,357	8,428	7%	1%
Payment Products	1,034	1,136	1,135	10%	0%
Two wheeler	120	124	120	0%	-3%
Gold loans	149	177	189	27%	7%
Other retail	445	513	469	5%	-9%
<b>Retail - Total</b>	<b>12,817</b>	<b>13,757</b>	<b>13,840</b>	<b>8%</b>	<b>1%</b>
Comm and Rural Banking (ex - Agri)	7,128	7,865	7,996	12%	2%
Agri	<b>1,001</b>	<b>1,184</b>	<b>1,153</b>	<b>15%</b>	<b>-3%</b>
Corporate and other wholesale	<b>4,805</b>	<b>4,926</b>	<b>4,830</b>	<b>1%</b>	<b>-2%</b>
IBPC/BRDS	<b>-881</b>	<b>-1,298</b>	<b>-1,288</b>	<b>46%</b>	<b>-1%</b>
<b>Total Loans (Gross)</b>	<b>24,870</b>	<b>26,434</b>	<b>26,531</b>	<b>7%</b>	<b>0%</b>
Personal loans	7.5%	7.5%	7.6%	12	6
Auto	5.3%	5.5%	5.6%	24	8
Home Loans	<b>31.7%</b>	<b>31.6%</b>	<b>31.8%</b>	<b>8</b>	<b>15</b>
Payment Products	4.2%	4.3%	4.3%	12	(2)
Two wheeler	0.5%	0.5%	0.5%	(3)	(2)
Gold loans	0.6%	0.7%	0.7%	11	4
Other retail	1.8%	1.9%	1.8%	(2)	(17)
<b>Retail - Total</b>	<b>51.5%</b>	<b>52.0%</b>	<b>52.2%</b>	<b>63</b>	<b>12</b>
Comm and Rural Banking (ex - Agri)	28.7%	29.8%	30.1%	148	38
Agri	4.0%	4.5%	4.3%	32	(13)
Corporate and other wholesale	19.3%	18.6%	18.2%	(112)	(43)
IBPC/BRDS	-3.5%	-4.9%	-4.9%	(131)	6
<b>Total Loans (Gross)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>		

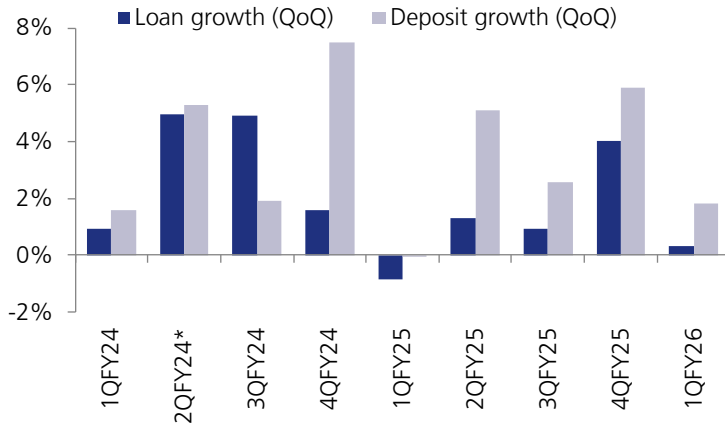
Source: Company, JM Financial

**Exhibit 3. HDFC Bank: Deposit composition**

Deposits Composition (INR bn)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Current	2,673	3,141	2,980	11%	-5%
Saving	5,964	6,305	6,390	7%	1%
Time	15,154	17,701	18,271	21%	3%
<b>Total Deposits</b>	<b>23,791</b>	<b>27,147</b>	<b>27,641</b>	<b>16%</b>	<b>2%</b>
Current	11.2%	11.6%	10.8%	-0.5%	-0.8%
Saving	25.1%	23.2%	23.1%	-2.0%	-0.1%
<b>CASA</b>	<b>36.3%</b>	<b>34.8%</b>	<b>33.9%</b>	<b>-2.4%</b>	<b>-0.9%</b>
Time	63.7%	65.2%	66.1%	2.4%	0.9%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>		

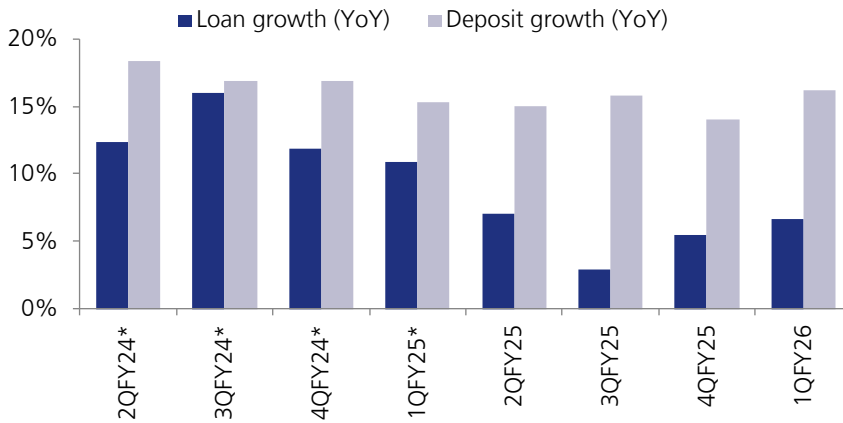
Source: Company, JM Financial

Exhibit 4. HDFC Bank: Loan growth & Deposit growth (QoQ)



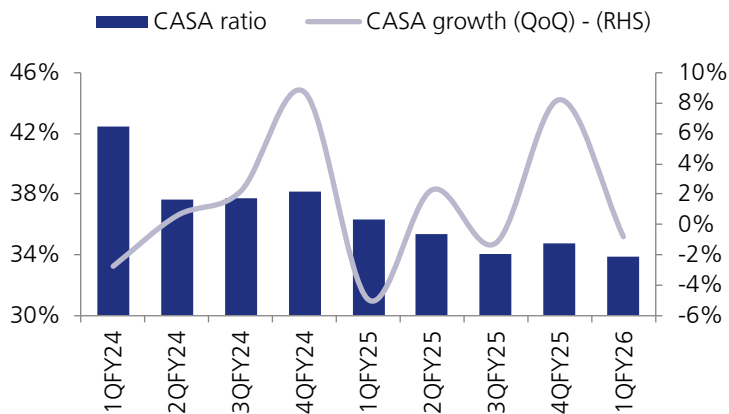
Source: Company, JM Financial

Exhibit 5. HDFC Bank: Loans & Deposit growth (YoY)



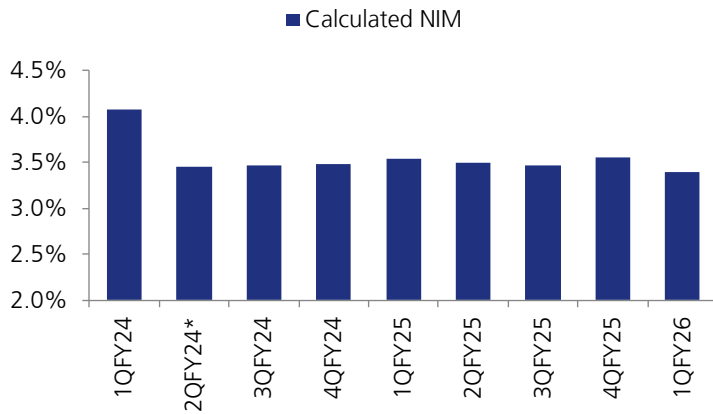
Source: Company, JM Financial

Exhibit 6. HDFC Bank: Trends in CASA



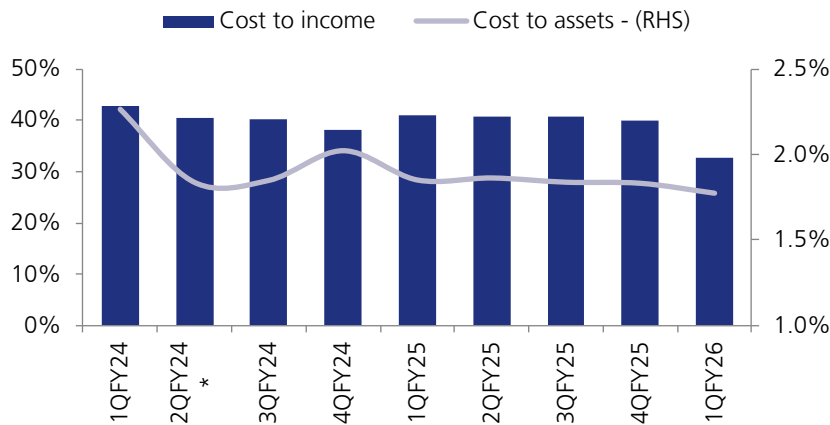
Source: Company, JM Financial

Exhibit 7. HDFC Bank: Trends in NIMs (calc.)



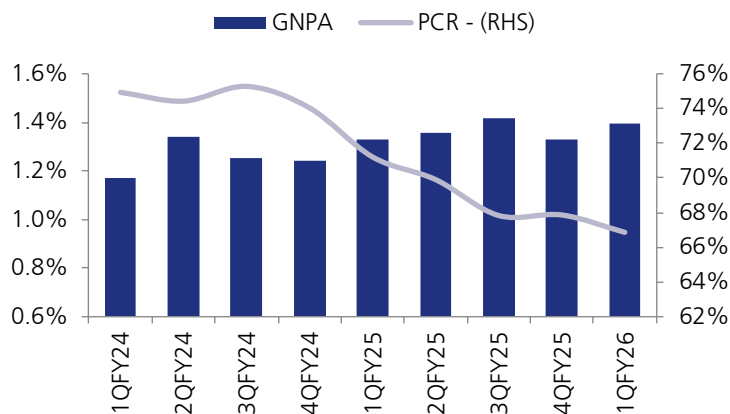
Source: Company, JM Financial

Exhibit 8. HDFC Bank: Trends in cost ratios



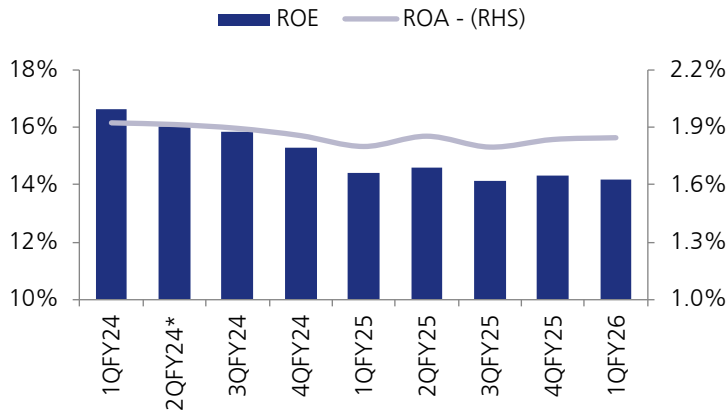
Source: Company, JM Financial

Exhibit 9. HDFC Bank: Trends in asset quality



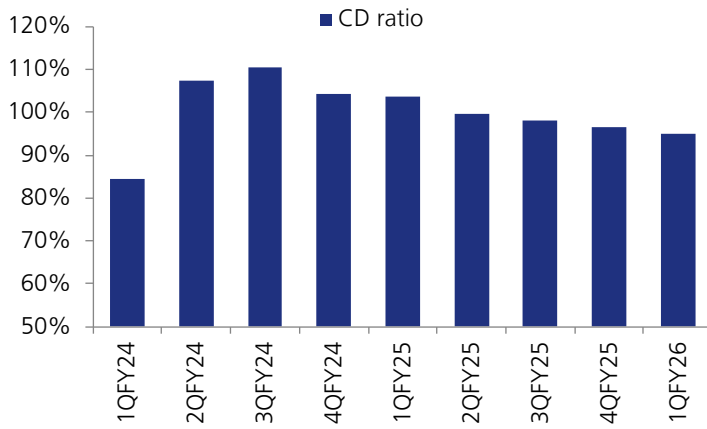
Source: Company, JM Financial

Exhibit 10. HDFC Bank: Trends in return metrics



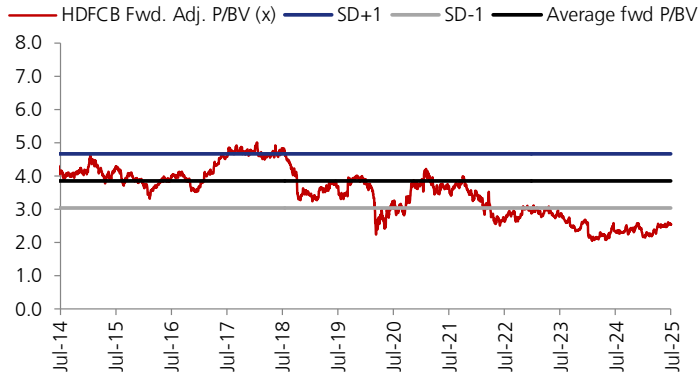
Source: Company, JM Financial

Exhibit 11. HDFC Bank: Trends in CD ratio



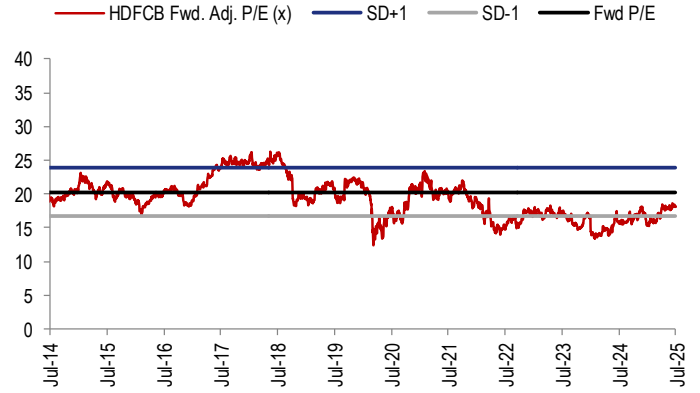
Source: Company, JM Financial

**Exhibit 12. HDFC Bank: One year forward P/BV (x)**



Source: Company, JM Financial

**Exhibit 13. HDFC Bank: One year forward P/E (x)**



Source: Company, JM Financial

## Financial Tables (Standalone)

Profit & Loss						(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Net Interest Income	1,085,325	1,226,701	1,259,829	1,473,635	1,721,980	
Profit on Investments	115,261	17,543	118,000	15,000	15,000	
Exchange Income	40,011	49,190	0	0	0	
Fee & Other Income	281,607	318,986	413,151	476,914	559,655	
<b>Non-Interest Income</b>	<b>492,410</b>	<b>456,323</b>	<b>603,151</b>	<b>569,464</b>	<b>658,587</b>	
<b>Total Income</b>	<b>1,577,735</b>	<b>1,683,024</b>	<b>1,862,980</b>	<b>2,043,098</b>	<b>2,380,567</b>	
Operating Expenses	633,860	681,749	718,660	814,032	937,308	
<b>Pre-provisioning Profits</b>	<b>943,875</b>	<b>1,001,275</b>	<b>1,144,320</b>	<b>1,229,066</b>	<b>1,443,259</b>	
Loan-Loss Provisions	119,107	130,015	246,809	167,236	178,019	
Provisions on Investments	102	-878	0	0	0	
Others Provisions	115,713	-12,643	2,000	2,200	2,400	
<b>Total Provisions</b>	<b>234,922</b>	<b>116,494</b>	<b>248,809</b>	<b>169,436</b>	<b>180,419</b>	
<b>PBT</b>	<b>708,953</b>	<b>884,781</b>	<b>895,510</b>	<b>1,059,630</b>	<b>1,262,840</b>	
Tax	100,830	211,307	198,535	259,609	309,396	
<b>PAT (Pre-Extraordinaries)</b>	<b>552,860</b>	<b>673,474</b>	<b>696,976</b>	<b>800,021</b>	<b>953,444</b>	
Extra ordinaries (Net of Tax)	55,263	0	0	0	0	
<b>Reported Profits</b>	<b>608,123</b>	<b>673,474</b>	<b>696,976</b>	<b>800,021</b>	<b>953,444</b>	
Dividend paid	148,140	168,349	167,274	192,005	228,827	
<b>Retained Profits</b>	<b>459,983</b>	<b>505,125</b>	<b>529,702</b>	<b>608,016</b>	<b>724,618</b>	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Growth (YoY) (%)</b>					
Deposits	26.4%	14.1%	15.0%	15.3%	15.0%
Advances	55.2%	5.4%	10.3%	13.0%	14.3%
Total Assets	46.7%	8.1%	10.5%	13.1%	14.5%
NII	25.0%	13.0%	2.7%	17.0%	16.9%
Non-interest Income	57.7%	-7.3%	32.2%	-5.6%	15.7%
Operating Expenses	33.0%	7.6%	5.4%	13.3%	15.1%
Operating Profits	34.1%	6.1%	14.3%	7.4%	17.4%
Core Operating profit	15.2%	18.1%	4.5%	19.1%	18.3%
Provisions	97.1%	-50.4%	113.6%	-31.9%	6.5%
Reported PAT	25.3%	21.8%	3.5%	14.8%	19.2%
<b>Yields / Margins (%)</b>					
Interest Spread	3.20%	2.82%	2.62%	2.81%	2.93%
NIM	3.80%	3.45%	3.24%	3.40%	3.49%
<b>Profitability (%)</b>					
Non-IR to Income	31.2%	27.1%	32.4%	27.9%	27.7%
Cost to Income	40.2%	40.5%	38.6%	39.8%	39.4%
ROA	1.82%	1.79%	1.69%	1.74%	1.82%
ROE	16.9%	14.3%	13.2%	13.7%	14.6%
<b>Assets Quality (%)</b>					
Slippages	2.52%	1.29%	1.30%	1.45%	1.50%
Gross NPA	1.24%	1.33%	1.37%	1.15%	1.20%
Net NPAs	0.33%	0.43%	0.46%	0.36%	0.36%
Provision Coverage	74.0%	67.9%	67.0%	69.0%	70.0%
Specific LLP	0.53%	0.50%	0.55%	0.56%	0.64%
Net NPAs / Networth	1.8%	2.3%	2.4%	1.9%	2.0%
<b>Capital Adequacy (%)</b>					
Tier I	16.80%	17.70%	17.81%	17.57%	17.25%
CAR	18.80%	19.55%	19.50%	19.07%	18.55%

Source: Company, JM Financial

Balance Sheet						(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E	
Equity Capital	7,597	7,652	7,652	7,652	7,652	
Reserves & Surplus	4,368,334	4,968,542	5,498,244	6,106,260	6,830,877	
Deposits	23,797,863	27,147,149	31,223,520	35,992,285	41,391,128	
Borrowings	6,621,531	5,479,309	4,665,583	4,562,402	5,246,763	
Other Liabilities	1,354,379	1,461,285	1,769,671	2,161,797	2,451,054	
<b>Total Liabilities</b>	<b>36,176,231</b>	<b>39,101,989</b>	<b>43,202,722</b>	<b>48,868,448</b>	<b>55,965,526</b>	
Investments	7,024,150	8,363,597	9,331,167	10,544,219	12,125,851	
Net Advances	24,848,615	26,196,086	28,890,728	32,646,523	37,310,312	
Cash & Equivalents	2,191,474	2,395,707	2,512,237	2,838,828	3,264,652	
Fixed Assets	113,990	136,554	157,037	180,593	207,682	
Other Assets	1,998,002	2,010,046	2,311,553	2,658,286	3,057,028	
<b>Total Assets</b>	<b>36,176,231</b>	<b>39,101,989</b>	<b>43,202,722</b>	<b>48,868,448</b>	<b>55,965,526</b>	

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
NII / Assets	3.57%	3.26%	3.06%	3.20%	3.29%
Other Income / Assets	1.62%	1.21%	1.47%	1.24%	1.26%
Total Income / Assets	5.19%	4.47%	4.53%	4.44%	4.54%
Cost / Assets	2.08%	1.81%	1.75%	1.77%	1.79%
PBP / Assets	3.10%	2.66%	2.78%	2.67%	2.75%
Provisions / Assets	0.77%	0.31%	0.60%	0.37%	0.34%
PBT / Assets	2.33%	2.35%	2.18%	2.30%	2.41%
Tax rate	14.2%	23.9%	22.2%	24.5%	24.5%
ROA	2.00%	1.79%	1.69%	1.74%	1.82%
RoRWAs	3.00%	2.63%	2.49%	2.55%	2.67%
Leverage	8.2	7.8	7.8	7.9	8.1
ROE	16.9%	14.3%	13.2%	13.7%	14.6%

Source: Company, JM Financial

Valuations					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shares in Issue	7,596.9	7,652.2	7,652.2	7,652.2	7,652.2
EPS (INR)	85.8	88.0	91.1	104.5	124.6
EPS (YoY) (%)	8.6%	2.5%	3.5%	14.8%	19.2%
PER (x)	22.8	22.2	21.5	18.7	15.7
BV (INR)	580	655	724	804	899
BV (YoY) (%)	15.4%	13.1%	10.6%	11.0%	11.8%
ABV (INR)	580	655	724	804	899
ABV (YoY) (%)	15.4%	13.1%	10.6%	11.0%	11.8%
P/BV (x)	3.38	2.99	2.70	2.43	2.18
P/ABV (x)	3.38	2.99	2.70	2.43	2.18
DPS (INR)	19.5	22.0	21.9	25.1	29.9
Div. yield (%)	1.0%	1.1%	1.1%	1.3%	1.5%

Source: Company, JM Financial

## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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\* REITs refers to Real Estate Investment Trusts.

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