

HDFC BANK LIMITED

Franchise strength shines through; asset quality at cycle best

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HDFC Bank reported a solid quarterly performance, driven by healthy growth in advances across retail, SME and corporate segments. While margins remained steady, bottom-line improved on sharper decline in provision expenses (-18.3% YoY) and stable operating efficiency. Moreover, the bank has achieved multi-year best asset quality in the midst of geopolitical issues and shall continue to monitor sectoral impacts regularly to ensure growth remains profitable and sustainable. With deposit growth of 14.4% YoY outpacing credit, LDR concerns continue to recede. We, therefore, remain optimistic about the bank's ability to deliver RoA/RoE of 2.1%/15.6% by FY28E, on the back of sustained franchise strength and normalising credit costs. Hence, we upgrade our rating to BUY, with a Sum-of-the-Parts (SOTP)-based target price of ₹1,002, given attractive valuations.

Business growth momentum sustained

During the quarter, HDFC bank's net advances rose 12.1% YoY (+4.1% QoQ), led by growth in retail segment (+6.5% YoY), SME segment (+17.2% YoY) and corporate segment (+13% YoY). This 12% growth exceeded the bank's initial estimate of system credit growth (10.5% to 11.5%). Moreover, the bank's deposit grew 14.4% YoY where its CASA ratio stands at 34%. The bank anticipates continued positive momentum in loan growth for FY27, driven by corporate and retail segments, but acknowledges potential tempering due to geopolitical factors, therefore, we expect, the bank to deliver a loan book growth of 14.3% CAGR over FY27-FY28E.

Steady margins; profitability inches up higher

In Q4FY26, the bank's net-interest income (NII) grew 3.2% YoY (1.4% QoQ) to ₹331 bn, driven by healthy growth in advances. While its yield decreased 60 bps YoY, the bank's net interest margin (NIM) contracted to 3.4%, a 12 bps YoY contraction, as this was partly offset by 50 bps decrease in cost of funds. Further, PPOP increased 4.8% YoY to ₹278 bn, due to stable operating efficiency with cost-to-income (C/I) at 39.9% (vs. 39.8% in Q4FY25). Subsequently, PAT grew 9.1% YoY to ₹192 bn (3.0% QoQ), owing to decrease in provision expenses to ₹26 bn (18.3% YoY/8.0% QoQ).

NPAs at cycle lows

Asset quality improved notably, with gross non-performing assets (NPAs) and net NPAs at 1.15% and 0.38%, respectively (vs. 1.24% and 0.42% in Q3FY26). This improvement was led by lower incremental slippage and stronger recoveries. Gross slippages were ₹62 bn vs. ₹86 bn in Q3FY26. Recoveries and upgrades (excluding write-offs and sale) were ₹46 bn vs. ₹45 bn in the previous quarter. As a result, credit cost improved to 35 bps vs. 55 bps in Q3FY26.

Key Financials (₹ bn)	FY24	FY25	FY26	FY27E	FY28E
Loan & Advances	24,849	26,196	29,372	33,513	38,406
Net Interest Income	1,085	1,227	1,287	1,454	1,666
PPP ex Except. Items	944	1,001	1,186	1,402	1,645
Reported Profits	608	673	747	922	1,100
Earnings Per Share (₹)	40.0	44.0	48.5	59.9	71.5
P/E (x)	19.9	18.1	16.4	13.3	11.1
Adj. BV (₹)	285.3	321.4	359.1	419.0	490.4
P/ABV (x)	2.8	2.5	2.2	1.9	1.6
Gross NPAs Ratio (%)	1.2	1.3	1.2	1.1	1.1
Adj. RoA (%)	2.0	1.8	1.8	2.0	2.1
Adj. RoE (%)	16.9	14.4	14.1	15.3	15.6

BUY

Current Market Price (₹)	795
12M Price Target (₹)	1002
Potential Return (%)	26

Stock Data

Sector	: Private Sector Bank
Face Value (₹)	: 1
Total MCap (₹ bn)	: 12,241
Free Float MCap (₹ bn)	: 12,137
52-Week High / Low (₹)	: 1,021 / 727
BSE Code / NSE Symbol	: 500180 / HDFCBANK
Bloomberg	: HDFCB IN
Sensex / Nifty	: 78,520 / 24,365

Shareholding Pattern

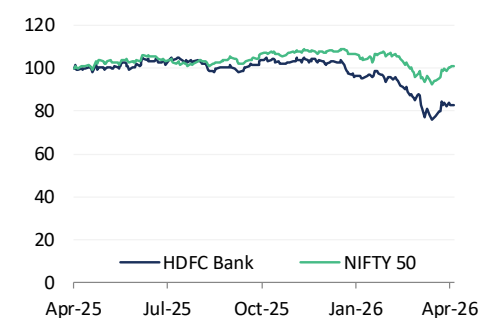
(%)	Mar-26	Dec-25	Sep-25	Jun-25
Promoter	0.00	0.00	0.00	0.00
FPIs	44.05	47.67	48.39	46.29
MFs	29.54	26.66	26.02	25.61
Bodies Corp.	1.68	1.62	1.64	1.73
Insurance	7.21	7.18	7.26	7.54
Others	17.52	16.87	16.69	18.83

Source: BSE

Price Performance (%)

(%)	1M	3M	6M	12M
HDFCBANK	1.9%	-14.6%	-20.7%	-17.4%
NIFTY 50	5.4%	-3.4%	-5.7%	1.0%

* To date / current date : April 20, 2026

HDFCBANK vs NIFTY 50

Quarterly Financial Snapshot

(₹ bn)	4Q FY26	4Q FY25	% yoy / bps	3Q FY26	% qoq / bps	FY26	FY25	% yoy / bps
Interest Inc.	766	775	(1.1)	768	(0.2)	3,075	3,005	2.3
Interest Expenses	435	454	(4.1)	441	(1.4)	1,788	1,778	0.6
Net Interest Income	331	321	3.2	326	1.4	1,287	1,227	4.9
NIM (%)	3.4	3.5	(12)	3.4	3	3.3	3.5	(16)
Other Income - Total	132	120	9.7	133	(0.4)	625	456	37.0
Net Operating Revenue	463	441	5.0	459	0.9	1,912	1,683	13.6
Employee Expenses	62	61	1.8	72	(13.5)	261	239	9.0
Other Opex	122	114	7.1	116	5.9	466	443	5.3
Total Opex	185	176	5.2	188	(1.6)	727	682	6.6
Cost to Income Ratio (%)	39.9	39.8	11	40.9	(100)	38.0	40.5	(251)
Pre Provision Profits	278	265	4.8	271	2.6	1,186	1,001	18.4
PPP ex Except. Items	278	265	4.8	271	2.6	1,186	1,001	18.4
Provisions & Contingencies	26	32	(18.3)	28	(8.0)	234	116	100.8
Profit Before Tax	252	233	7.9	243	3.8	952	885	7.6
Tax	60	57	4.3	56	6.5	205	211	(3.0)
Reported Profits	192	176	9.1	187	3.0	747	673	10.9
Basic EPS	12.5	11.5	8.4	12.1	3.0	48.6	44.2	10.1

Source: Company, LKP Research

Sum of Total Part Valuation (SOTP)

Business Line	Year	Method	NW / PAT/ EV / AUM / Mcap (₹ mn)	Assigned Multiple (X)	Value of Firm (₹ mn)	Stake (%)	Value Assigned to Listed Entity (₹ mn)	Per Share (₹)
Standalone Entity	FY28E	P/ABV	75,49,656	1.9	1,43,44,347	100%	1,43,44,347	932
Subsidiaries / Associates								
Lending Business								
HDB Financial services Ltd	FY26	P/BV	2,06,640	2.0	4,13,280	74.1%	3,06,323	20
HDFC Life Insurance Co Ltd	FY25	P/EV	6,21,000	2.0	12,42,000	50.2%	6,23,608	41
HDFC Ergo General Insurance Ltd	FY25	P/BV	48,624	1.0	48,624	50.3%	24,472	2
HDFC AMC Ltd	FY25	AUM	59,968	12.0	7,19,616	52.4%	3,76,863	24
HDFC Securities Ltd	FY25	P/E	9,509	1.4	13,313	94.0%	12,515	1
Value of Investment & Sub (Rs Mn)							13,43,782	87
HOLD Company Discounts							20%	
Value of Investment & Sub - ex HOLD Co Discounts							10,75,025	70
SOTP Based Enterprise Valuation							1,54,19,372	1,002

Source: Company, LKP Research

Key Concall Highlights

Business highlights

- While the bank's loan growth was 12% for FY26 with a Loan-to-Deposit Ratio (LDR) of 94.6%, the overall system credit growth for the same period was approximately 13.5% to 13.9%.
- Retail loan growth has stepped up across wheels, personal loans, business loans, and mortgages, supported by increased distribution (nearly 8,000 mortgage locations), digital channels, customer acquisition, salary accounts, and the gold loan business.
- Corporate growth is expected to sustain across sectors like electronics, food processing, auto, renewables, and semiconductors, including opportunities in acquisition and project financing.
- The SME business remains a primary engine, with the bank holding a leading market position in 25 out of 28 Indian states and expecting continued growth in the 18% to 21% range.
- The bank continues to gain 30 to 50 bps of deposit market share annually over the last 5 years, with deposit growth rate outpacing its credit growth.
- The LDR is no longer viewed as a binding constraint for growth. However, the bank remains cautious about geopolitical uncertainties, which could impact the broader economic trajectory in the early part of the new financial year.

Operational highlights

- The 125 bps rate reduction cycle led to immediate transmission on approximately 70% of floating-rate loans, while deposit pricing transmission has been slower, around 40 to 50 bps.
- Management expects NIMs to be range-bound, with the focus shifting to maintaining stable or increasing ROA through operating and credit efficiencies, especially given the current geopolitical situation and hardening rates in the securities market.
- **Resignation of HDFC's former part-time Chairman:** The bank experienced the resignation of its former part-time Chairman during the quarter. The Government of India, Reserve Bank of India, and SEBI provided unequivocal support for the exit of its part-time Chairman. Statements were provided to the Reserve Bank of India and SEBI regarding the former Chairman's resignation and the Dubai branch matter, with both regulators issuing statements in the bank's favor. A legal review is currently in process regarding these matters. The bank has committed to providing a summary of the findings once the review is completed.

Asset quality

- The bank reports having the lowest NPA percentages in the industry for a portfolio of its size within its mortgage book.
- While the bank currently reports no stress in its portfolio due to geopolitical issues, it has proactively built a large provisioning buffer of nearly 125 bps to absorb any potential future shocks.

Annual Projections

Profit and Loss Statement

(₹ bn)	FY24	FY25	FY26	FY27E	FY28E
Int. Income	2,583	3,005	3,075	3,371	3,756
Interest Expenses	1,498	1,778	1,788	1,917	2,089
Net Interest Income	1,085	1,227	1,287	1,454	1,666
<i>NIM (%)</i>	3.8	3.5	3.3	3.3	3.4
Other Income - Total	492	456	625	768	912
Net Operating Revenue	1,578	1,683	1,912	2,222	2,578
Employee Exp.	222	239	261	293	331
Other Opex	411	443	466	527	602
Total Opex	634	682	727	820	933
<i>C/I Ratio</i>	40.2	40.5	38.0	36.9	36.2
Pre Provision Profits	944	1,001	1,186	1,402	1,645
<i>PPP Growth (yoy %)</i>	34.1	6.1	18.4	18.2	17.3
Provisions & Contingencies	235	116	234	227	243
<i>Credit Cost (As % of Op. AUM)</i>	1.11	0.35	0.67	0.56	0.53
Profit Before Tax	709	885	952	1,175	1,402
Tax	101	211	205	253	302
<i>Effective Tax Rate</i>	14.2	23.9	21.5	21.5	21.5
Reported Profits	608	673	747	922	1,100
<i>PAT Growth (yoy %)</i>	37.9	10.7	10.9	23.5	19.3

Source: Company, LKP Research

Balance Sheet

(₹ bn)	FY24	FY25	FY26	FY27E	FY28E
Equity Share Capital	8	8	15	15	15
Reserves (ex Revel. Reserve)	4,368	4,969	5,568	6,490	7,590
Net Worth - Ex Revaluation	4,376	4,976	5,584	6,506	7,606
Deposits	23,798	27,147	31,053	35,816	41,214
<i>Growth (yoy %)</i>		14.1%	14.4%	15.3%	15.1%
Borrowings	6,622	5,479	4,894	4,700	4,529
Other Lia. & Prov.	1,354	1,461	2,073	2,324	2,538
Total Liabilities	36,176	39,102	43,649	49,391	55,932
Assets					
Cash & Cash Equivalent	2,191	2,396	2,985	3,444	3,766
Investments	7,024	8,364	8,842	9,530	10,255
Loan & Advances	24,849	26,196	29,372	33,513	38,406
<i>Growth (yoy %)</i>		5.4	12.1	14.1	14.6
Fixed Assets	114	137	147	175	197
Other Assets	1,998	2,010	2,303	2,729	3,308
Total Assets	36,176	39,102	43,649	49,391	55,932

Source: Company, LKP Research

Detailed ROA Tree

Y/E Mar	FY24	FY25	FY26	FY27E	FY28E
Yields / Margins					
Yield on Advance	10.1	9.3	8.6	8.4	8.3
Yield on Funds	9.0	8.5	7.9	7.7	7.6
Cost of Funds (CoF)	5.8	5.6	5.2	5.0	4.8
Interest Spread	3.2	2.8	2.7	2.7	2.7
NIM's	3.8	3.5	3.3	3.3	3.4
Interest Income / Assets	8.5	8.0	7.4	7.2	7.1
Interest Exp. / Assets	4.9	4.7	4.3	4.1	4.0
NII / Assets	3.6	3.3	3.1	3.1	3.2
Fee Income / Assets	1.1	0.8	1.0	1.1	1.2
Other Non Core Income / Assets	0.1	0.1	0.1	0.1	0.1
Other Income / Assets	1.6	1.2	1.5	1.6	1.7
Net Operating Income / Assets	5.2	4.5	4.6	4.8	4.9
Operating Ratios					
NII to Net Operative Income	68.8	72.9	67.3	65.5	64.6
Other Income to Net Operative Income	31.2	27.1	32.7	34.5	35.4
Empl. Cost/Oper. Exps.	35.1	35.1	35.9	35.7	35.5
Other Op. Exps./Oper. Exps.	64.9	64.9	64.1	64.3	64.5
C/I Ratio	40.2	40.5	38.0	36.9	36.2
Provisions as % PPP	14.9	6.9	12.2	10.2	9.4
Credit Cost (As % of Op. AUM)	1.1	0.4	0.7	0.6	0.5
Effective Tax Rate	14.2	23.9	21.5	21.5	21.5
Employee Exp. / Assets	0.7	0.6	0.6	0.6	0.6
Other Opex/ Assets	1.4	1.2	1.1	1.1	1.1
Total Opex / Assets	2.1	1.8	1.8	1.8	1.8
Operating Profits / Assets	3.1	2.7	2.9	3.0	3.1
Op Profit ex Except Items / Assets	3.1	2.7	2.9	3.0	3.1
Provisions / Assets	0.8	0.3	0.6	0.5	0.5
Profit Before Tax / Assets	2.3	2.4	2.3	2.5	2.7
Tax Expenses / Assets	0.3	0.6	0.5	0.5	0.6
RoA	2.0	1.8	1.8	2.0	2.1
Leverage (x)	8.3	7.9	7.8	7.6	7.4
RoE	16.9	14.4	14.1	15.3	15.6
Adj. RoA	2.0	1.8	1.8	2.0	2.1
Adj. RoE	16.9	14.4	14.1	15.3	15.6

Source: Company, LKP Research

Key Assumptions & Forecasts

(₹ bn)	FY24	FY25	FY26	FY27E	FY28E
Loan & Advances	24,849	26,196	29,372	33,513	38,406
Growth (yoy %)		5.4	12.1	14.1	14.6
Interest Bearing Liabilities	30,419	32,626	35,946	40,516	45,742
Growth (yoy %)		7.3	10.2	12.7	12.9
Yield on Funds	9.0	8.5	7.9	7.7	7.6
Cost of Funds (CoF)	5.8	5.6	5.2	5.0	4.8
Interest Spread	3.2	2.8	2.7	2.7	2.7
NIM's	3.8	3.5	3.3	3.3	3.4
Other Income Growth	57.7	(7.3)	37.0	22.7	18.8
C/I Ratio	40.2	40.5	38.0	36.9	36.2
Effective Tax Rate	14.2	23.9	21.5	21.5	21.5
<u>Return Ratios</u>					
Adj. RoA	2.0	1.8	1.8	2.0	2.1
Adj. RoE	16.9	14.4	14.1	15.3	15.6
<u>Asset Quality Metrics</u>					
Credit Cost (As % of Op. AUM)	1.1	0.4	0.7	0.6	0.5
Gross NPAs Ratio (%)	1.2	1.3	1.2	1.1	1.1
Net NPAs Ratio (%)	0.3	0.4	0.4	0.3	0.3

Source: Company, LKP Research

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