

About the Company

HDFC Bank (HDFCB) is the second-largest bank in the country with a balance sheet size of over ~Rs 43+ Tn (post-merger). The bank has over 9,600+ branches and 20,000+ ATMs spread across India. Key subsidiaries of the bank post the merger with HDFC Ltd. are HDFC Life, HDFC ERGO General Insurance, HDFC AMC, HDB Financial, and HDFC Securities.

Investment Rationale

- **Leadership Succession Overhang Addressed:** The RBI approved the appointment of Mr Anup Bagchi as the MD & CEO of HDFC Bank w.e.f. 27th October, 2026 for a 3-year term. This is a positive development for the bank and should support stock performance in the near term. Mr Bagchi has over 3 decades of experience across banking, insurance, and capital markets. **His appointment removes the overhang on the stock regarding the leadership succession and ensures a full 3-year term and beyond.** With the leadership succession overhang now addressed, focus will shift to improving growth, especially in the retail portfolio, improving NIMs and strengthening the CASA franchise and strategy execution.
- **Improving Growth Trajectory:** In its Q2FY27E provisional update, the bank reported an improvement in credit growth to ~5% QoQ, which is the best in 9 quarters. We expect credit growth momentum to pick up further hereon. Management expects to improve the mix of the retail portfolio in the overall mix to 60% over the medium term, vs 52% in Jun'26. Management remains optimistic about sustaining credit growth momentum, while it remains selective in the corporate segment amid intense competition and thin spreads, with a focus on deepening client relationships.
- **NIM improvement Underway:** Post the merger, the bank's margins remained under pressure. However, on expectations of a reversal in the rate cycle, HDFCB's margins stand to benefit given a higher share of EBLR-linked loans. Moreover, the mix of borrowings as a % of overall assets is also on a downward trajectory (down from 21% in Sep'24 to ~10.5% in Jun'26), and should further support margins. However, near-term pressure on margin (in Q2) is inevitable.
- **Deposit Momentum Healthy:** HDFCB's deposit mobilisation trends fared better in Q2FY27E. While CASA accretion has been muted so far and the CASA Ratio has deteriorated sharply from ~38% at the time of the merger to ~31.6% in Q2E, the management had indicated its medium-term aspiration to restore the CASA ratio to pre-merger levels of 38-40%. Moreover, management does not expect any sharp recovery in the CASA ratio in the near-term, with normalisation likely driven by calibrated customer acquisition, improving branch productivity and deeper engagement across its expanded distribution network.

Valuation & Recommendation

With the leadership succession overhang addressed, focus shifts to operational performance. Improving operating efficiency, driving Opex ratio improvement and pristine asset quality metrics, keeping credit cost benign, remain key RoA expansion drivers, especially when NIM improvement, though underway, is a multi-quarter journey. We expect RoA improvement to 1.8-1.9% over FY27-29E despite immediate NIM pressures. **We recommend a BUY on the stock with a target price of Rs 785/share, implying an upside of 10% from the CMP.**

Financial Summary (Standalone)

Y/E March	NII (Rs Bn)	PPOP (Rs Bn)	PAT (Rs Bn)	EPS (Rs)	ABV (Rs)	P/ABV (x)	RoA (%)	NNPA (%)
FY26	1,287	1,186	747	48.5	358.4	2.0	1.8	0.4
FY27E	1,437	1,226	818	53.2	398.7	1.8	1.8	0.4
FY28E	1,663	1,449	957	62.1	445.8	1.6	1.8	0.4
FY29E	1,919	1,704	1,128	73.3	501.2	1.4	1.9	0.4

Source: Axis Securities Research; CMP as on 05th October, 2026

Duration: 3-6 Months

CMP (Rs)	715
Target Price (Rs)	785
Upside (%)	10%

| Why HDFC Bank Ltd.?

- ✓ **Leadership Succession Overhang Addressed**
- ✓ **Growth Momentum Improving**
- ✓ **Pristine Asset Quality**
- ✓ **RoA in an Improving Trend**

| Key Risks

- ✓ **Slower Replacement of Borrowings by Deposits**
- ✓ **Continued Pressure on Margins**

MARKET DATA

No. of Shares	1540.1 Cr
Market Cap	11,09,137 Cr
52-week High / Low	1,021/682
BSE Code	500180
NSE Code	HDFCBANK

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| OBJECTIVE



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| Axis PUNCH is a strong, research-based idea based on



Events-Based: Our recommendations are based on the following critical factors, providing a comprehensive approach to medium-term investment opportunities:

- **Company-Specific Events:** Recommendations consider significant company-specific events such as new orders, product launches, acquisitions, management changes, and the commissioning of new plants.
- **Commodity Price Fluctuations:** We analyse changes in commodity prices, including metals, cement, chemicals, and pharmaceutical materials.
- **Macro-Economic Events:** Key macroeconomic events such as RBI Monetary Policy, US Fed decisions, inflation rates, GDP figures, budget announcements, and changes in government policies are factored into our recommendations.
- **Sector Developments:** Material developments within sectors, including monthly production and sales numbers in industries like Auto, Cement, and Steel, as well as competitive landscape changes due to business actions or new entrants/exits, are considered.
- **Earnings Surprises:** We identify companies expected to report better-than-anticipated earnings in upcoming quarters.
- **Corporate Actions:** Corporate actions such as mergers and acquisitions, capital raising programs, and regulatory announcements that impact a company or its industry form crucial elements for our recommendations.

Strategic Insights: Benefit from insights based on a blend of critical business events, economic trends, and thorough company valuations.

Informed Decisions: Make well-informed investment decisions backed by the expertise of our dedicated research team.

Medium-term Horizon: Enjoy the medium-term investment strategy, perfectly suited for those looking to optimise returns over 3 to 6 months.

| Why to choose Axis PUNCH



These medium-term recommendations are crafted by the fundamental research team of Axis Securities, ensuring a rigorous analysis of developments around the company. Please note that Axis Punch recommendations may differ from our long-term company recommendations. Key investment rationale and risks are clearly highlighted in stock ideas.

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HOLD	Between 10% and -10%
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