Dated: 04 Aug 2026

HDFC Bank (HDFCB) - BUY

Company Update Q1FY27

Current Market Price (CMP)	Fair Value (FV)
Rs.753	**Rs.1050**

Rationale:

- HDFC Bank navigated a challenging FY26, with Net Interest Margin (NIM) coming under pressure from the interest-rate cycle and an unfavorable funding mix, but offset by improving loan growth and stable asset quality.
- The post-merger RoE/valuation recovery has been slower than expected, while the recent overhang from the Chairman's resignation persists.
- However, competitive intensity is easing, liability-side conditions are improving and the FCNR window offers incremental funding flexibility.
- We maintain BUY rating as improving NIM visibility could drive earnings upgrades and support a re- rating, while current valuations already reflect most near-term concerns.

Positives:

- FY26 saw improvement in loan growth at 12% yoy ; recovery in loan growth was driven by the non-retail segment.
- Asset-quality ratios are holding up well with the bank not seeing any increase in stress in its early warning indicators across products.
- As funding pressures moderate and margin headwinds recede, the outlook for NIM expansion is improving.

Negatives:

- In FY26 reported NIM declined 15 bps qoq to 3.4%, led by the impact of rate cycle and composition of liabilities.
- Bank's post-merger investment thesis has taken longer than expected to play out, with the anticipated RoE recovery delayed by a sluggish improvement in NIMs.
- Capital market subsidiaries (securities and asset management) had a mixed performance.

Holding Period: 12 months

Rating Scale (Private Client Group)

Definitions of ratings

BUY – We expect the stock to deliver more than 15% returns over the next 12 months

ADD – We expect the stock to deliver 5% - 15% returns over the next 12 months

REDUCE – We expect the stock to deliver -5% - +5% returns over the next 12 months

SELL – We expect the stock to deliver < -5% returns over the next 12 months

NR – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.

SUBSCRIBE – We advise investor to subscribe to the IPO.

RS – **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.

NA – **Not Available or Not Applicable.** The information is not available for display or is not applicable

NM – **Not Meaningful.** The information is not meaningful and is therefore excluded.

NOTE – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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