

HDFC Bank Limited

Sector: Banking

4th November, 2025

HOLD

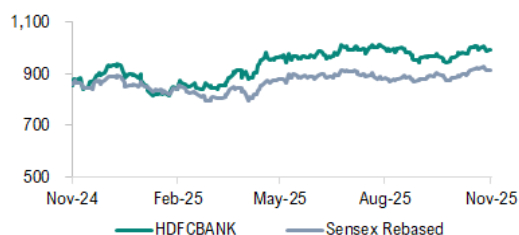
Key Changes		Target		Rating		Earnings		Target	Rs. 1,075
Stock Type	Bloomberg Code	Sensex		NSE Code		BSE Code	Time Frame	CMP	Rs. 985
Large Cap	HDFCB:IN	83,459		HDFCBANK		500180	12 Months	Return	+9%

Data as of: 04-11-2025, 16:00 hrs

Stable asset quality, cautious outlook

Company Data			
Market Cap (Rs. cr)			1,514,758
52 Week High — Low (Rs.)			1,020 - 812
Outstanding Shares (cr)			1,536.4
Free Float (%)			99.1
Dividend Yield (%)			2.2
6m average volume (cr.)			1.9
Beta			1.3
Face value (Rs.)			1.0
Shareholding (%)	Q4FY25	Q1FY26	Q2FY26
Promoters	0.0	0.0	0.0
FII's	48.3	48.9	48.5
MFs/Insti	35.9	36.0	36.3
Public	12.9	14.1	12.8
Others	3.0	1.0	2.4
Total	100.0	100.0	100.0
Promoter Pledge	0.0	0.0	0.0
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-1.4%	3.1%	14.2%
Absolute Sensex	4.2%	4.3%	5.3%
Relative Return	-5.5%	-1.2%	8.9%

*over or under performance to benchmark index



Y.E March (cr)	FY25A	FY26E	FY27E
Net Interest Income	152,473	154,708	178,780
<i>Growth (%)</i>	<i>17.7</i>	<i>1.5</i>	<i>15.6</i>
<i>NIM (%)</i>	<i>4.1</i>	<i>3.9</i>	<i>4.2</i>
Pre-Provision Profit	110,417	121,943	129,572
Net Profit	70,792	71,495	83,346
<i>Growth (%)</i>	<i>10.5</i>	<i>1.0</i>	<i>16.6</i>
Adj. EPS	46.2	48.3	56.3
<i>Growth (%)</i>	<i>2.6</i>	<i>4.5</i>	<i>16.6</i>
BVPS	340.9	373.4	416.5
P/E	19.8	20.6	17.6
P/B	2.7	2.7	2.4
<i>RoE (%)</i>	<i>14.5</i>	<i>13.1</i>	<i>13.7</i>
<i>RoA (%)</i>	<i>1.7</i>	<i>1.5</i>	<i>1.6</i>

Incorporated in August 1994, HDFC Bank provides financial services in the areas of corporate and retail banking, custodial services, treasury and capital markets, project advisory services and capital market products.

- In Q2FY26, HDFC Bank's interest income increased 4.8% YoY to Rs. 86,993cr on the back of a 19.6% YoY growth in income from investments.
- Net interest income (NII) rose 7.1% YoY to Rs. 40,253cr in the quarter due to a 9.9% YoY growth in loans. However, net interest margin (NIM) decreased 20bps YoY to 3.27% owing to front-loading of interest rate cuts on balance sheet assets.
- In Q2FY26, pre-provisioning operating profit rose 13.6% YoY to Rs. 30,941cr on a 7% YoY fall in expenditure. Cost-to-income ratio reduced 140bps YoY to 39.2%.
- Reported profit after tax (PAT) increased 9.3% YoY to Rs. 20,364cr, driven by a growth in interest income and a reduction in expenses.
- The gross non-performing assets (GNPA) ratio decreased from 1.4% in Q2FY25 to 1.2% in Q2FY26 and the net NPA ratio was stable at 0.4%, indicating improvement in asset quality.

Outlook & Valuation

Growth in loans was seen across segments and is expected to continue in the second half of the year due to the festival season and rising credit demand in the small and medium enterprises (SME) segment. It expects to hold on to its market share gain in deposits. Savings rate repricing has led to a decrease in the cost of funds in the quarter. HDFC Bank expects time deposit repricing to become beneficial after six quarters. It is focusing on creating an operational leverage in the long term through investments in distribution and technology. The bank expects deposit repricing to have a positive impact on the NIM over 6-12 months. Loan to Deposit Ratio is around 96%, and the bank aims to reduce it to 85-90%. This is expected to temporarily limit the bank's loan growth. Therefore, we **reduce the rating on the stock from BUY to HOLD** , **based on 2.6x FY27E BVPS, with a revised target price of Rs. 1,075.**

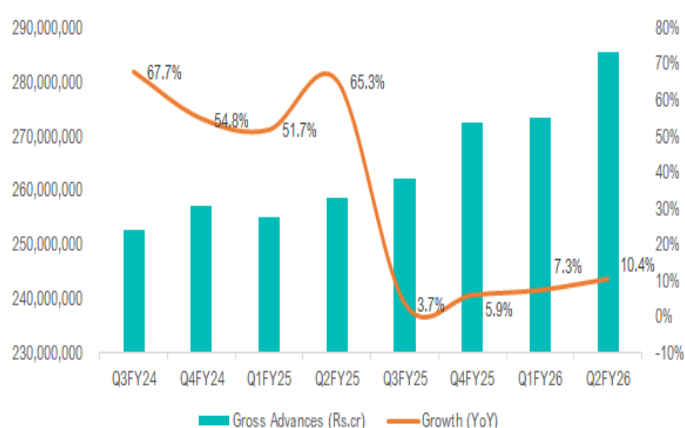
Quarterly Finance Consol.

Rs.cr	Q2FY26	Q2FY25	YoY Growth (%)	Q1FY26	QoQ Growth (%)	H1FY26	H1FY25	YoY Growth (%)
Net Interest Income	40,253	37,588	7.1	39,663	1.5	79,916	74,554	7.2
Total Income	118,561	121,457	-2.4	133,055	-10.9	251,616	238,453	5.5
Total Expenditure	87,620	94,219	-7.0	96,892	-9.6	184,511	185,345	-0.5
Pre-Provision Profit	30,941	27,237	13.6	36,163	-14.4	67,104	53,108	26.4
PBT	26,659	23,968	11.2	20,850	27.9	47,509	46,696	1.7
Rep. PAT	20,364	18,627	9.3	17,090	19.2	37,454	35,815	4.6
Adj PAT	20,364	18,627	9.3	17,090	19.2	37,454	35,815	4.6
EPS (Rs.)	12.8	11.7	9.2	10.6	20.5	23.4	22.5	3.8

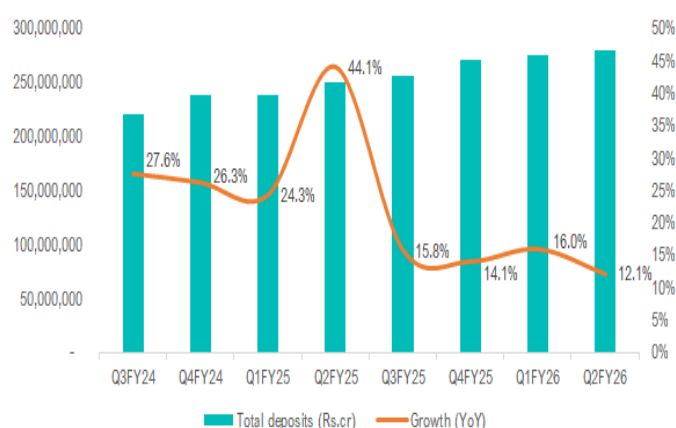
Key Concall Highlights

- HDFC Bank's CASA ratio was 34% in Q2FY26 vs 35% in Q2FY25. Deposits grew 12.1% YoY to Rs. 28,01,700cr, driven by growth across savings accounts (+7.3% YoY), current accounts (+7.6% YoY) and time deposits (+14.6% YoY).
- Loan book grew across segments: Retail by 7.4% YoY, small and mid-market by 17% and corporate and other wholesale by 6.4%.
- The bank's deposit growth was good, but the incremental LDR (Loan-to-Deposit Ratio) rose. The bank aims to maintain a strategic objective of loan growth at market rates in FY26 and faster than the market in FY27. The LDR started the year at around 96% and is expected to be managed accordingly.
- The yield on assets ratio decreased from 8.3% in Q2FY25 to 7.8% in Q2FY26. The yield on assets has come down by 50 bps since December, with 30 bps of that change occurring in the last quarter, roughly 70% of the 100 bps change in policy rates.
- The cost of funds improved from 4.9% in Q2FY25 to 4.6% Q2FY26, with savings deposit changes fully implemented. The cost of funds is expected to continue decreasing over the next few quarters, assuming a stable rate scenario, as time deposit changes take effect.
- Branch network increased from 9,092 in Q2FY25 to 9,545 in Q2FY26 and the customer base increased from 65 million in Q2FY25 to 99 million in Q2FY26.

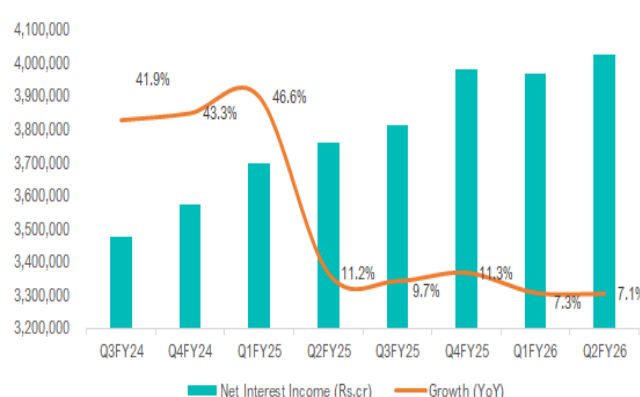
Advances



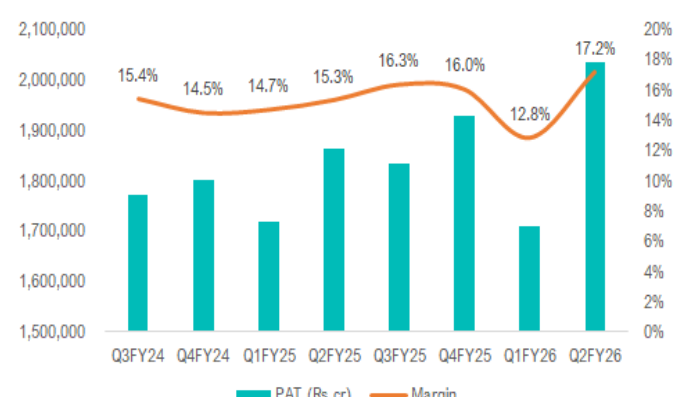
Deposits



Net Interest Income



PAT



Change in Estimates

	Old estimates		New estimates		Change (%)	
Year / Rs cr	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Interest Income	155,862	176,720	154,708	178,780	-0.7	1.2
Net Interest Margin	3.8	4.0	3.9	4.2	10bps	20bps
Pre-Provision Profit	118216.3	130092.5	121942.8	129572.4	3.2	-0.4
Net Profit	75,266	82,165	71,495	83,346	-5.0	1.4
EPS	51.0	55.7	48.3	56.3	-5.3	1.0



Standalone Financials

Profit & Loss

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Interest Income	170,754	283,649	336,367	355,767	400,140
Interest Expense	77,780	154,139	183,894	201,059	221,359
Net Interest Income	92,974	129,510	152,473	154,708	178,780
% Change	20.2	39.3	17.7	1.5	15.6
Non-Interest Income	33,912	124,346	134,549	144,236	154,693
Net Income	126,886	253,856	287,022	298,944	333,473
Total Income	204,666	407,995	470,916	500,003	554,833
Operating Ex- penses	51,534	152,269	176,605	177,001	203,901
Total Expenditure	129,314	306,408	360,499	378,061	425,260
Pre-Provisioning Profit	75,352	101,587	110,417	121,943	129,572
Provisions	13,854	25,018	14,175	24,745	16,264
Profit Before Tax	61,498	76,569	96,242	97,198	113,308
Tax	15,350	11,122	22,802	23,028	26,845
Tax Rate (%)	25.0	14.5	23.7	23.7	23.7
Minority Interests	152	1,384	2,648	2,674	3,117
Net Profit	45,997	64,062	70,792	71,495	83,346
% Change	20.9	39.3	10.5	1.0	16.6
Adj.	-	-	-	-	-
Adj. Net Profit	45,997	64,062	70,792	71,495	83,346
No. of Shares (cr)	560.9	727.1	765.2	1536.4	1536.4
Adj. EPS (Rs.)	41.1	45.0	46.2	48.3	56.3
% Change	20.4	9.4	2.6	4.5	16.6
DPS	9.5	9.8	11.0	14.5	13.2

* 1:1 bonus shares issued on Aug 27, 2025

Balance Sheet

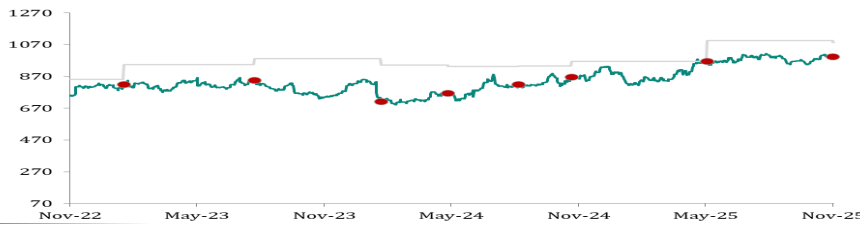
Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash & Bal- ances	197,148	228,835	249,948	526,968	535,310
Investments	511,582	1,005,682	1,186,473	1,283,764	1,389,032
Advances	1,661,949	2,571,917	2,724,938	2,773,987	3,140,153
Fixed Assets	8,283	12,604	15,258	18,699	22,915
Other Assets	151,471	211,158	215,801	255,724	303,032
Total Assets	2,530,432	4,030,194	4,392,417	4,859,141	5,390,443
Capital	558	760	765	765	765
Reserves & Surplus	288,880	455,636	521,024	572,943	639,087
Deposits	1,882,663	2,376,887	2,710,898	3,117,533	3,572,693
Borrowings	256,549	730,615	634,606	616,519	598,949
Other Liabili- ties	101,783	466,296	525,124	551,380	578,949
Total Liabili- ties	2,530,432	4,030,194	4,392,417	4,859,141	5,390,443
BVPS	258.0	313.8	340.9	373.4	416.5
Adj. BVPS	254.1	308.3	340.9	369.8	412.4
% Change	16.8	21.3	10.6	8.5	11.5

Ratio

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Valuation					
P/E (x)	19.3	16.1	19.8	20.6	17.6
P/BV (x)	3.1	2.3	2.7	2.7	2.4
Div. Yield (%)	1.2	1.3	1.2	1.5	1.3
Profitability & Return (%)					
Yield on Advances	8.8	10.3	9.5	9.6	9.5
Cost of Deposits	4.0	5.9	5.7	5.7	5.6
Spread	4.8	4.4	3.8	3.9	3.9
NIM (calculated)	-	-	-	-	-
ROE	17.1	17.2	14.5	13.1	13.7
ROA	2.0	2.0	1.7	1.5	1.6
Capital Adequacy (%)					
CAR	19.3	18.8	19.6	19.3	19.1
Tier I	17.1	16.8	17.7	17.6	17.6
Tier II	2.2	2.0	1.9	1.7	1.5
Asset Quality (%)					
GNPA	1.1	1.2	1.3	1.0	1.0
NNPA	0.3	0.3	0.4	0.2	0.2
Operating Ratios (%)					
Credit/Deposit	88.3	108.2	100.5	89.0	87.9
Cost/Income	40.6	60.0	61.5	59.2	61.1
CASA	44.4	38.2	34.8	36.8	36.8



Recommendation Summary (Last 3 years)



Dates	Rating	Target
19.Jan.23	BUY	945
25.Jul.23	BUY	982
23.Jan.24	BUY	942
29.Apr.24	BUY	933
08.Aug.24	BUY	935
23.Oct.24	BUY	966
06.May.25	BUY	1,096
04.Nov.25	HOLD	1,075


Investment Rating Criteria


Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%


Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:  Upgrade

 No Change

 Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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