

Retail Equity Research

HDFC Bank Limited

HOLD

Sector: Banking

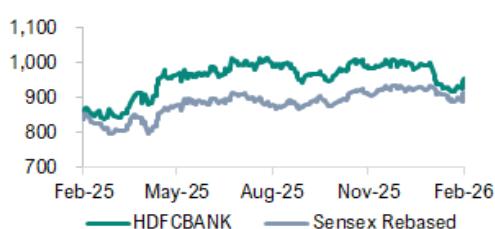
10th February, 2026

Key Changes		Target	▼	Rating	●	Earnings	▲	Target	Rs. 1,022
Stock Type	Bloomberg Code	Sensex		NSE Code	BSE Code	Time Frame		CMP	Rs. 932
Large Cap	HDFCB:IN	84,274		HDFCBANK	500180	12 Months		Return	+10%

Data as of: 10-02-2026, 16:00 hrs

Company Data			
Shareholding (%)	Q1FY26	Q2FY26	Q3FY26
Promoters	0.0	0.0	0.0
FII's	48.9	48.5	47.7
MFs/Insti	36.0	36.3	37.2
Public	14.1	12.8	12.4
Others	1.0	2.4	2.8
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-3.2%	-4.3%	10.7%
Absolute Sensex	0.4%	3.5%	6.7%
Relative Return	-3.6%	-7.7%	4.1%

*over or under performance to benchmark index



Y.E March (cr)	FY26E	FY27E	FY28E
Net Interest Income	145,772	168,710	188,115
Growth (%)	-4.4	15.7	11.5
NIM (%)	3.6	3.7	3.7
Pre-Provision Profit	127,631	134,843	157,167
Net Profit before NCI	78,993	87,795	102,133
Growth (%)	7.6	11.1	16.3
Adj. EPS	51.3	57.1	66.4
Growth (%)	11.1	11.1	16.3
BVPS	380.2	425.9	476.7
P/E	18.6	16.7	14.4
P/B	2.5	2.2	2.0
RoE (%)	13.8	13.6	14.2
RoA (%)	1.7	1.7	1.7

LDR remains a concern for future loan growth

Incorporated in August 1994, HDFC Bank provides corporate and retail banking, custodial, treasury, and project advisory services, along with capital market products.

- Consolidated interest income in Q3FY26 increased 2.4% to Rs. 87,067cr owing to an increase in interest/discount on advances/bills (+1.2% YoY) and income on investments (+9.0% YoY).
- In Q3FY26, net interest income grew 8.2% YoY to Rs. 41,246cr supported by a decrease in cost of funds to 4.5% in Q3FY26 from 4.9% in Q3FY25, because of downward re-pricing of term deposits and lower borrowing. However, net interest margin fell to 3.35% in Q3FY26 from 3.46% in Q3FY25.
- Pre-provisioning operating profit in Q3FY26 rose 9.5% YoY to Rs. 30,582cr, aided by a 13.1% YoY increase in total income. Cost- to-income ratio improved to 39.2% in Q3FY26 from 40.6% in Q3FY25.
- Reported PAT increased 12.8% YoY to Rs. 20,691cr as provisions fell 8.5% YoY to Rs. 3,621cr.
- Gross non-performing asset (NPA) ratio improved to 1.2% in Q3FY26 from 1.4% in Q3FY25, while net NPA ratio declined to 0.4% in Q3FY26 from 0.5% in Q3FY25, indicating improved asset quality.

Outlook & Valuation

The bank's growth prospects appear promising, driven by its robust retail customer segments, granular deposit growth, and exemplary credit quality. Despite short-term challenges, the bank's emphasis on rate discipline, cost efficiency, and productivity enhancements has yielded encouraging results. With a stable political environment, a consistent policy framework, and a supportive regulatory backdrop, the bank is expected to surpass loan growth in the coming year. We believe that the bank's strengths is expected to drive profitable growth, positioning it as an attractive investment opportunity. However, the increased loan-to-deposit ratio remains a concern as it limits the ability of the bank to accelerate loan growth. Therefore, we maintain our HOLD rating on the stock based on 2.1x FY28E BVPS, with a rolled-forward target price of Rs. 1,022.

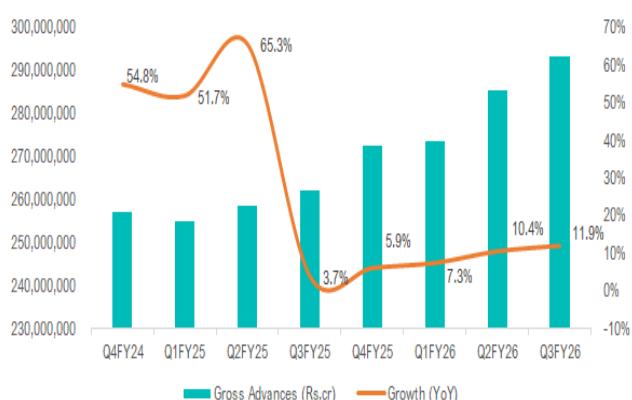
Quarterly Financials Consolidated

Rs.cr	Q3FY26		YoY Growth (%)	QoQ Growth (%)	9MFY26	9MFY25	YoY Growth (%)	
	Q3FY25	Q2FY26						
Net Interest Income	41,246	38,126	8.2	2.5	121,162	112,680	7.5	
Total Income	126,927	112,194	13.1	7.1	378,543	350,647	8.0	
Total Expenditure	96,345	84,264	14.3	10.0	280,857	269,609	4.2	
Pre-Provision Profit	30,582	27,930	9.5	-1.2	97,686	81,038	20.5	
PBT	26,961	23,973	12.5	26,659	1.1	74,470	70,669	5.4
Rep. PAT	20,691	18,340	12.8	20,364	1.6	58,145	54,156	7.4
Adj PAT	20,691	18,340	12.8	20,364	1.6	58,145	54,156	7.4
EPS (Rs.)	12.8	11.5	11.5	12.7	0.9	36.1	33.9	6.3

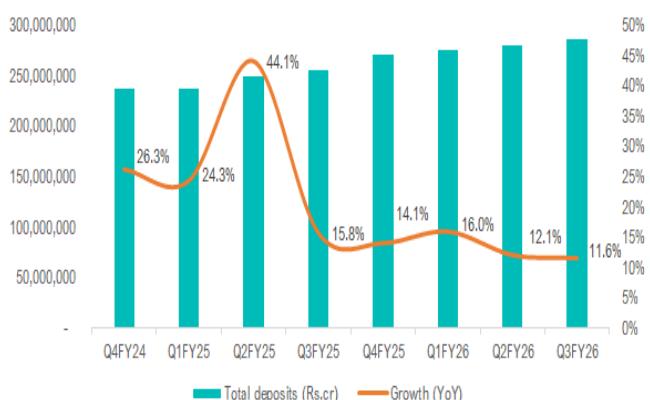
Key Concalt Highlights

- In Q3FY26, CASA ratio remained flat at 34%. The bank's deposits grew 11.6% YoY to Rs. 28,60,100cr owing to growth across savings accounts (+9.3% YoY), current accounts (+12.1% YoY) and time deposits (+12.3% YoY).
- Gross advances rose 11.9% YoY to Rs. 28,44,600cr across segments: Retail grew 6.9%, while small and mid-market rose 17.2% and corporate and other wholesale increased 10.3%.
- Other income rose 16% YoY to Rs. 13,250cr aided by growth of 12.8% YoY in fees and commission, offset partially by a reduction in miscellaneous income.
- As of December 31, 2025, HDFC Bank's distribution network consisted of 9,616 branches and 21,176 automated teller machines (ATMs) across 4,170 cities and towns, compared with 9,143 branches and 21,049 ATMs in 4,101 cities and towns as of December 31, 2024. Half of these branches are located in semi-urban and rural areas.
- In Q3FY26, operating expenses increased 35.3% YoY to Rs. 50,524cr because of the Rs. 800cr impact in the employee benefit costs, following the revision in labour laws.

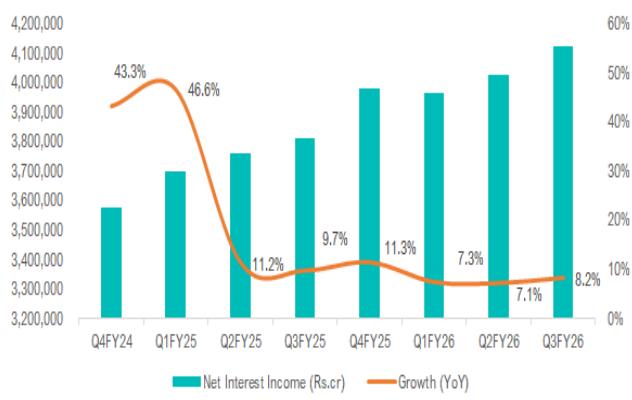
Advances



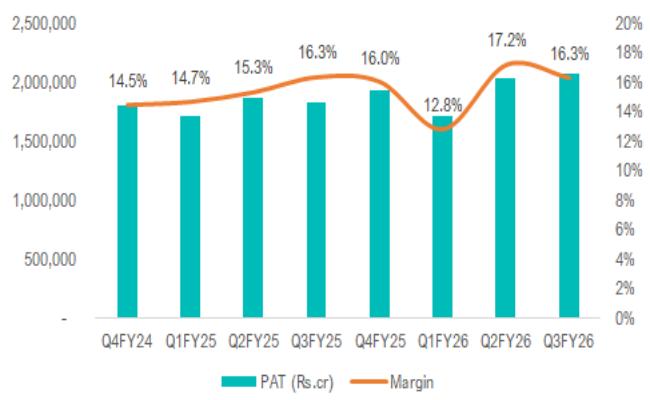
Deposits



Net Interest Income



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Net Interest Income	154,708	178,780	145,772	168,710	188,115	-5.8
Net Interest Margin	3.9	4.2	3.6	3.7	3.7	-30bps
Pre-Provision Profit	121,943	129,572	127,631	134,843	157,167	4.7
Net Profit before NCI	71,495	83,346	78,993	87,795	102,133	10.5
EPS	48.3	56.3	51.3	57.1	66.4	6.3
						1.4

Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY24A	FY25A	FY26E	FY27E	FY28E
Interest Income	283,649	336,367	342,729	384,519	426,117
Interest Expense	154,139	183,894	196,957	215,809	238,003
Net Interest	129,510	152,473	145,772	168,710	188,115
% Change	39.3	17.7	-4.4	15.7	11.5
Non-Interest Income	124,346	134,549	144,640	155,777	169,018
Net Income	253,856	287,022	290,412	324,487	357,133
Total Income	407,995	470,916	487,369	540,296	595,135
Operating Expenses	152,269	176,605	162,781	189,644	199,965
Total Expenditure	306,408	360,499	359,738	405,453	437,968
Pre-Provisioning Profit	101,587	110,417	127,631	134,843	157,167
Provisions	25,018	14,175	24,372	20,078	23,660
Profit Before Tax	76,569	96,242	103,259	114,765	133,508
Tax	11,122	22,802	24,266	26,970	31,374
Tax Rate (%)	14.5	23.7	23.5	23.5	23.5
Minority Interests	1,384	2,648	2,848	3,165	3,682
Net Profit	64,062	70,792	76,145	84,630	98,451
% Change	39.3	10.5	7.6	11.1	16.3
Adj.	-	-	-	-	-
Adj. Net Profit	64,062	70,792	76,145	84,630	98,451
No. of Shares (cr)	727.1	765.2	1538.5	1538.5	1538.5
Adj. EPS (Rs.)	45.0	46.2	51.3	57.1	66.4
% Change	9.4	2.6	11.1	11.1	16.3
DPS	9.8	11.0	10.3	11.4	15.6

Ratio

Y.E March	FY24A	FY25A	FY26E	FY27E	FY28E
Valuation					
P/E (x)	16.1	19.8	18.6	16.7	14.4
P/BV (x)	2.3	2.7	2.5	2.2	2.0
Div. Yield (%)	1.3	1.2	1.1	1.2	1.6
Profitability & Return (%)					
Yield on Advances	10.3	9.5	9.6	9.7	9.8
Cost of Deposits	5.9	5.7	5.6	5.5	5.4
Spread	4.4	3.8	4.0	4.2	4.4
NIM (calculated)	4.5	4.1	3.6	3.7	3.7
ROE	17.2	14.5	13.8	13.6	14.2
ROA	2.0	1.7	1.7	1.7	1.7
Capital Adequacy (%)					
CAR	18.8	19.6	19.4	19.5	19.6
Tier I	16.8	17.7	17.7	18.0	18.3
Tier II	2.0	1.9	1.7	1.5	1.3
Asset Quality (%)					
GNPA	1.2	1.3	1.0	1.1	1.2
NNPA	0.3	0.4	0.2	0.2	0.2
Operating Ratios (%)					
Credit/Deposit	108.2	100.5	94.4	92.1	90.1
Cost/Income	60.0	61.5	56.1	58.4	56.0
CASA	38.2	34.8	36.5	36.8	37.1

Recommendation Summary

(Last 3 years)



Dates	Rating	Target
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
10-Feb-26	HOLD	1,022

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			

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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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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