

Bloomberg	HDFCB IN
Equity Shares (m)	7668
M.Cap.(INRb)/(USDb)	15009.2 / 174.2
52-Week Range (INR)	2027 / 1588
1, 6, 12 Rel. Per (%)	1/12/21
12M Avg Val (INR M)	26388

<b>Financials &amp; Valuations (INR b)</b>			
<b>Y/E March</b>	<b>FY25</b>	<b>FY26E</b>	<b>FY27E</b>
NII	1,227	1,307	1,571
OP	1,001	1,181	1,323
NP	673	721	872
NIM (%)	3.5	3.4	3.7
EPS (INR)	88.0	94.3	113.9
EPS Gr. (%)	9.9	7.1	20.8
BV/Sh. (INR)	655	717	810
ABV/Sh. (INR)	627	686	776
<b>Ratios</b>			
RoA (%)	1.8	1.8	1.9
RoE (%)	14.5	13.7	14.9
<b>Valuations</b>			
P/E(X)	22.2	20.7	17.2
P/E(X)*	19.0	17.7	14.7
P/BV (X)	3.0	2.7	2.4
P/ABV (X)*	2.7	2.4	2.2

\* adjusted for subs

<b>Shareholding pattern (%)</b>			
<b>As On</b>	<b>Jun-25</b>	<b>Mar-25</b>	<b>Jun-24</b>
Promoter	0.0	0.0	0.0
DII	31.1	31.0	30.7
FII	55.7	55.3	54.3
Others	13.2	13.7	15.0

FII Includes depository receipts

**CMP: INR1,956**      **TP: INR2,300 (+18%)**      **Buy**

### **Steady quarter; growth poised to gain traction**

#### **Prudentially deploys HDB gains to lift floating & contingent provisions**

- HDFC Bank (HDFCB) reported a 1QFY26 profit of INR181.6b (12% YoY growth, 4% beat), aided by tax reversals (tax rate of 15%).
- NII grew 5% YoY to INR314.4b (3% miss). Margin on total assets contracted 11bp QoQ to 3.35% from 3.46% (adjusted for interest income on IT refund).
- Other income was INR217.3b, boosted by gains from the stake sale in HDB Financial amounting to INR91.3b. Opex rose 5% YoY to INR174.3 (in line).
- Provisions spiked to INR144b as the bank made floating provisions of INR90b and contingency provisions of INR17b, prudently utilizing the stake sale gains in its subsidiary HDB Financial and other treasury gains.
- Fresh slippages stood at INR90b (INR68b ex-agri). The GNPA/NNPA ratios rose 7bp/4bp QoQ to 1.4%/0.5%. PCR stood broadly stable at 66.9%.
- Advances book grew 6.7% YoY but was flat QoQ at INR26.3t; deposits grew 16.2% YoY/2% QoQ to INR27.6t. The CD ratio eased to 95.1%.
- **We tweak our earnings estimates and project HDFCB to deliver an FY27E RoA/RoE of 1.9%/14.9%. Reiterate BUY with a TP of INR2,300 (premised on 2.6x FY27E ABV + INR284 for subsidiaries).**

#### **Credit growth to gain traction; asset quality remains robust**

- HDFCB reported a 1QFY26 profit of INR181.6b (12% YoY growth, 4% beat). NII grew 5% YoY to INR314.4b (3% miss). Margin on total assets contracted 11bp QoQ to 3.35%.
- Other income stood at INR217.3b, boosted by gains from the stake sale in HDB Financial amounting to INR91.3b. Total treasury gains stood at INR101.1b.
- Opex grew 5% YoY to INR174.3b (inline). PPOp stood at INR357.3b, while provisioning expenses stood at INR144.4b.
- The loan book grew at 6.7% YoY (flat QoQ), led by small and mid-market loans. Deposits grew 16.2% YoY/2% QoQ, with the CASA ratio moderating 90bp QoQ to 33.9%. The C/D ratio declined 140bp QoQ to 95.1%. The bank aims to grow advances in line with the system in FY26 and higher than the system in FY27E.
- The GNPA/NNPA ratios increased by 7bp/4bp QoQ to 1.4%/0.5%. PCR stood broadly stable at 66.9%. Fresh slippages were INR90b (ex-agri at INR68b) vs. INR75b in 4QFY25. CAR stood at 19.9%, with Tier 1 at 17.8% (CET1 at 17.4%).
- The Board has approved a bonus issue in the ratio of 1:1 with a record date of 27<sup>th</sup> Aug'25. The bank has also announced a special dividend of INR5/sh.
- **Subsidiaries' performance: HDB Financial** reported a loan growth of 14.3% YoY/2.3% QoQ to INR1093b, while PAT stood at INR5.7b. GS3 assets stood at 2.56%, while CAR was 20.2%. **HDFC Securities:** Revenue grew 11% YoY to INR7.3b, while PAT declined 21% YoY to INR2.3b.

### Highlights from the management commentary

- Loan growth is expected to grow in line with the system in FY26 and grow faster than the system in FY27. In the medium term, HDFCB aspires to reach a CD ratio of 87-90%.
- The bank has made additional INR17b contingent provisions (57bp of loan book).
- The C/I ratio is a key priority for the bank, the current normalized rate of which is 39.6%. The bank expects this to keep improving moving forward.
- Credit costs in 1Q are elevated due to seasonality (agri). Credit costs are expected to remain in control going forward.

### Valuation and view: Reiterate BUY with a TP of INR2,300

HDFCB posted a steady quarter with a slight earnings beat due to tax reversals. The NIM contracted 11bp QoQ and is expected to moderate further in 2Q due to the rate cut impact. Business growth aligns with the bank's strategy to reduce the C/D ratio consistently, though the bank indicated it would improve its credit growth trajectory moving forward. Slippages increased mainly due to agri seasonality, while PCR was stable at ~66.9%. Further, HDFCB has prudently utilized the stake sale gains in its subsidiary HDB Financial and made floating provisions of INR90b and contingency provisions of INR17b to take the total stock of such provisions to INR366b (1.4% of loans). The gradual retirement of high-cost borrowings, along with an improvement in operating leverage and the provision buffer, will support return ratios over the coming years. **We tweak our earnings estimates and project HDFCB to deliver an FY27E RoA/RoE of 1.9%/14.9%. Reiterate BUY with a TP of INR2,300 (premised on 2.6x FY27E ABV + INR284 for subsidiaries).**

Quarterly performance (INR b)											
	FY25E				FY26E				FY25	FY26E	FY26E V/s our
	1Q	2Q	3Q	4Q	1QA	2QE	3QE	4QE		1QE	Est (%)
<b>Net Interest Income</b>	<b>298.4</b>	<b>301.1</b>	<b>306.5</b>	<b>320.7</b>	<b>314.4</b>	<b>309.1</b>	<b>326.9</b>	<b>357.1</b>	<b>1,226.7</b>	<b>1,307.4</b>	<b>324.1</b> <b>-3.0%</b>
% Change (Y-o-Y)	26.4	10.0	7.7	10.3	5.4	2.6	6.6	11.4	13.0	6.6	8.6
Other Income	106.7	114.8	114.5	120.3	217.3	120.5	126.5	138.1	456.3	602.3	121.6 78.7%
<b>Total Income</b>	<b>405.1</b>	<b>416.0</b>	<b>421.1</b>	<b>440.9</b>	<b>531.7</b>	<b>429.5</b>	<b>453.3</b>	<b>495.2</b>	<b>1,683.0</b>	<b>1,909.8</b>	<b>445.7</b> <b>19.3%</b>
Operating Expenses	166.2	168.9	171.1	175.6	174.3	178.4	184.3	191.3	681.7	728.3	179.4 -2.8%
<b>Operating Profit</b>	<b>238.8</b>	<b>247.1</b>	<b>250.0</b>	<b>265.4</b>	<b>357.3</b>	<b>251.1</b>	<b>269.1</b>	<b>303.9</b>	<b>1,001.3</b>	<b>1,181.4</b>	<b>266.2</b> <b>34.2%</b>
% Change (Y-o-Y)	27.2	8.9	5.7	-9.4	49.6	1.6	7.6	14.5	6.1	18.0	11.5
Provisions	26.0	27.0	31.5	31.9	144.4	35.6	38.1	36.1	116.5	254.2	33.7 328.9%
<b>Profit before Tax</b>	<b>212.8</b>	<b>220.1</b>	<b>218.5</b>	<b>233.4</b>	<b>212.9</b>	<b>215.5</b>	<b>230.9</b>	<b>267.8</b>	<b>884.8</b>	<b>927.2</b>	<b>232.6</b> <b>-8.4%</b>
Tax	51.1	51.8	51.1	57.3	31.4	52.8	56.1	65.5	211.3	205.8	57.4
<b>Net Profit</b>	<b>161.7</b>	<b>168.2</b>	<b>167.4</b>	<b>176.2</b>	<b>181.6</b>	<b>162.7</b>	<b>174.8</b>	<b>202.3</b>	<b>673.5</b>	<b>721.4</b>	<b>175.1</b> <b>3.7%</b>
% Change (Y-o-Y)	35.3	5.3	2.2	6.7	12.2	-3.3	4.5	14.8	10.7	7.1	8.3
<b>Operating Parameters</b>											
Deposit	23,791	25,001	25,638	27,147	27,641	28,843	29,765	31,111	27,147	31,111	27,794
Loan	24,635	24,951	25,182	26,196	26,284	27,289	27,850	28,999	26,196	28,999	26,725
Deposit Growth (%)	24.4	15.1	15.8	14.1	16.2	15.4	16.1	14.6	14.1	14.6	16.8
Loan Growth (%)	52.5	7.0	3.0	5.4	6.7	9.4	10.6	10.7	5.4	10.7	8.5
<b>Asset Quality</b>											
Gross NPA (%)	1.3	1.4	1.4	1.3	1.4	1.3	1.3	1.4	1.3	1.4	1.4
Net NPA (%)	0.4	0.4	0.5	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4
PCR (%)	71.2	69.9	67.8	67.9	66.9	67.8	68.6	69.5	67.9	69.5	68.4

**Quarterly snapshot**

Profit and Loss (INR b)	FY25				FY26		Change (%)	
	1Q	2Q	3Q	4Q	1Q	YoY	QoQ	
Interest Income	730.3	740.2	760.1	774.6	774.7	6.1	0.0	
Interest Expenses	432.0	439.0	453.5	453.9	460.3	6.6	1.4	
<b>Net Interest Income</b>	<b>298.4</b>	<b>301.1</b>	<b>306.5</b>	<b>320.7</b>	<b>314.4</b>	<b>5.4</b>	<b>-2.0</b>	
<b>Other Income</b>	<b>106.7</b>	<b>114.8</b>	<b>114.5</b>	<b>120.3</b>	<b>217.3</b>	<b>103.7</b>	<b>80.7</b>	
Trading profits	2.2	2.9	0.7	4.0	101.0	4,490.9	2,425.0	
<b>Total Income</b>	<b>405.1</b>	<b>416.0</b>	<b>421.1</b>	<b>440.9</b>	<b>531.7</b>	<b>31.3</b>	<b>20.6</b>	
<b>Operating Expenses</b>	<b>166.2</b>	<b>168.9</b>	<b>171.1</b>	<b>175.6</b>	<b>174.3</b>	<b>4.9</b>	<b>-0.7</b>	
Employee	58.5	59.9	59.5	61.2	61.6	5.3	0.7	
Others	107.7	109.1	111.6	114.4	112.8	4.7	-1.4	
<b>Operating Profits</b>	<b>238.8</b>	<b>247.1</b>	<b>250.0</b>	<b>265.4</b>	<b>357.3</b>	<b>49.6</b>	<b>34.7</b>	
<b>Core Operating Profits</b>	<b>236.6</b>	<b>244.2</b>	<b>249.3</b>	<b>261.4</b>	<b>256.3</b>	<b>8.3</b>	<b>-1.9</b>	
Provisions	26.0	27.0	31.5	31.9	144.4	455.0	352.3	
<b>PBT</b>	<b>212.8</b>	<b>220.1</b>	<b>218.5</b>	<b>233.4</b>	<b>212.9</b>	<b>0.0</b>	<b>-8.8</b>	
Taxes	51.1	51.8	51.1	57.3	31.4	-38.6	-45.2	
<b>PAT</b>	<b>161.7</b>	<b>168.2</b>	<b>167.4</b>	<b>176.2</b>	<b>181.6</b>	<b>12.2</b>	<b>3.1</b>	
<b>Balance Sheet (INR t)</b>								
Loans	24.6	25.0	25.2	26.2	26.3	6.7	0.3	
Advances incl. IBPC	25.7	26.3	26.8	14.0	27.8	8.0	99.0	
Advances excl. IBPC	24.9	25.2	25.4	12.2	26.5	6.7	117.2	
Deposits	23.8	25.0	25.6	27.1	27.6	16.2	1.8	
CASA Deposits	8.6	8.8	8.7	9.4	9.4	8.5	-0.8	
- Savings	6.0	6.1	6.1	6.3	6.4	7.1	1.3	
- Current	2.7	2.8	2.7	3.1	3.0	11.5	-5.1	
<b>Loan mix (%)</b>								
Retail	50.8	50.9	50.9	50.4	50.5	-21	14	
-Home loan	30.6	30.5	19.1	19.4	30.3	-31	1,086	
-Personal loan	7.2	7.2	4.0	4.3	7.2	3	298	
Small- and mid-banking	18.3	18.6	19.1	19.4	19.8	154	41	
Agriculture	3.9	4.1	4.0	4.3	4.1	26	-12	
Wholesale	27.0	26.5	26.1	25.9	25.5	-158	-42	
<b>Asset Quality (INR b)</b>								
GNPA	330.3	342.5	360.2	352.2	370.4	12.2	5.2	
NNPA	95.1	103.1	115.9	113.2	122.8	29.1	8.4	
Slippages	79.0	78.0	88.0	75.0	90.0	13.9	20.0	
<b>Asset Quality Ratios (%)</b>	<b>1Q</b>	<b>2Q</b>	<b>3Q</b>	<b>4Q</b>	<b>1Q</b>	<b>YoY (bp)</b>	<b>QoQ (bp)</b>	
GNPA	1.33	1.36	1.42	1.33	1.40	7	7	
NNPA	0.39	0.41	0.46	0.43	0.47	8	4	
PCR (Calc.)	71.2	69.9	67.8	67.9	66.9	-435	-100	
Slippage ratio	1.5	1.3	1.4	1.2	1.4	-14	24	
<b>Business Ratios (%)</b>								
CASA (Reported)	36.0	35.3	34.0	34.8	33.9	-210	-90	
Loan/Deposit	103.5	99.8	98.2	96.5	95.1	-846	-140	
Other income/Total Income	26.3	27.6	27.2	27.3	40.9	1,453	1,359	
Cost to Income	41.0	40.6	40.6	39.8	32.8	-824	-703	
Cost to Assets	2.2	1.9	1.9	1.9	1.9	-34	-1	
Tax Rate	24.0	23.6	23.4	24.5	14.7	-927	-980	
<b>Capitalisation Ratios (%)</b>								
Tier-1	17.3	17.8	18.0	17.7	17.8	50	10	
- CET 1 (incl profit)	16.8	17.3	17.5	17.2	17.4	60	20	
CAR	19.3	19.8	20.0	19.6	19.9	60	30	
RWA / Total Assets	69.0	67.0	67.0	68.0	69.0	0	100	
LCR	123.3	127.7	125.3	119.0	124.0	66	496	
<b>Profitability Ratios (%)</b>								
Yield on loans	11.5	9.8	9.7	9.5	9.5	-206	-1	
Yield on funds	10.9	9.4	9.4	9.3	9.3	-166	-7	
Cost of funds	4.9	4.9	4.9	4.9	4.8	-10	-10	
Margins	3.47	3.46	3.43	3.54	3.35	-12	-19	
<b>Other Details</b>								
Branches	8,851	9,092	9,143	9,455	9,499	648	44	
Employees (K)	213.1	206.8	210.2	214.5	218.8	5.8	4.3	

Source: MOFSL, company



## Highlights from the management commentary

### Opening remarks by the MD and CEO, Mr. Sashidhar Jagdishan

- The bank expects GDP growth to be sustained.
- CD ratio has been brought down to 95.1% as of 1QFY26.
- Bank's income was high due to gains from stake sale in HDB Financial amounting to INR91.3b.
- Advances growth improved 8% YoY and expects loan growth to remain healthy and in line with the system growth going forward.
- A large part of the bank's book is floating in nature, and this is a headwind as the rate cycle is in a downward trend.
- The Board has approved a bonus issuance in the ratio of 1:1 with a record date of 27<sup>th</sup> Aug'25. The bank has also announced an interim dividend of INR5/sh.

### Yields, costs, and margins

- It takes one to three months to price in after a rate cut; hence, the Jun'25 rate cut of 50bp has not yet been taken into account.
- Fee income is lower due to the subdued third-party distribution fees. For the full year, distribution fees are expected to remain healthy.
- C/I is always priority for the bank despite growth, current normalized rate is 39.6%. Bank expects this to keep improving going forward.
- Logically, margins should come through in 2Q if no more rate cut happens.

### Deposits

- Following the merger, priority was to garner deposits in any manner so that the CD ratio is reduced. But now that there is some breather in CD ratio, bank has told their people to upsell more and more products which will eventually lead to low cost deposits base more.
- Corporate contributes to a small proportion of CASA, so it does not have a significant impact on it.
- In the medium term, the bank aspires to reach a CD ratio of 87-90%.
- CASA ratio goes down when interest rates go up, and therefore, CASA is expected to improve as the rate cut happens.
- The bank will be focused on gaining more market share and market returns in terms of overall deposits.
- HDFCB caters to all deposit needs, offering products comparable to those of larger peers.
- The bank emphasizes building liability relationships and expanding its branch network to grow its customer base, which drives deposits and liabilities.

### Loans

- Healthy demand can be seen from rural, positive inquiries coming from there. In urban side, there is little bit fatigue but bank expects it to do well in festive season.
- In the MSME segment, buoyancy can be observed; the bank is eyeing the opportunity in this segment, and it is expected to continue to do well.
- Not anything significant can be seen in private capex but the bank will participate in all its segments. The Mortgage segment has also seen intense competition from PSBs.

- Disbursals – 9% growth in retail assets, and it can grow more going forward; in the non-mortgage segment, disbursals have been good.
- Loan growth is expected to grow in line with the system in FY26 and grow faster than the system in FY27.
- Respective business heads have remained the same, albeit the classification has changed.

### Opex and income

- The number of employees has gone up by 4,300 as the bank has added more branches in 4Q earlier, and it does not want to lay off anyone.
- HDFCB is the best in terms of cost-to-asset, and it continues to press on new technology and better productivity to improve this further.
- Focus is on driving productivity while maintaining tight cost controls. Investments in people and technology are aligned to enhance efficiency.

### PSL

- The bank is focused on opportunities in the Small and Marginal Farmer (SMF) category. This is managed through IBPCs, PTCs, or PSLCs, with the cost of PSL embedded in the overall cost structure. The bank is addressing gaps in the SMF segment.
- At the aggregate level, the PSL requirement is 40%; there are some purchases in the SMF category, but at the overall level, the bank is comfortable with it.

### Asset quality

- The GNPA/NNPA ratios rose 7bp/4bp QoQ to 1.4% / 0.5%. PCR stood broadly stable at 66.9%.
- Any change in OTS will largely lead to an NPA.
- Credit cost in 1Q is elevated due to seasonality (agri). Credit cost is expected to remain benign and healthy.
- HDFCB has made additional INR17b contingent provisions (57bp of the loan book).
- Asset quality continues to be the bank's greatest USP; excluding agri, asset quality continues to remain benign.
- Retail NPA (ex-agri) stood stable at 82bps, which includes cards, PL, etc. There is no stress in this segment.

### Subsidiaries

- HDB Financial reported loan growth of 14.3% YoY/ 2.3% QoQ to INR1093b, while PAT stood at INR5.7b. GS3 assets stood at 2.56%, while CAR was 20.2%.
- HDFC Securities: Revenue grew 11% YoY to INR7.3b, while PAT declined 21% YoY to INR2.3b.

### Net advances remain flat QoQ; CD ratio at 95.1%

- The loan book grew at 6.7% YoY (flat QoQ), led by small and mid-market loans. Deposits grew 16.2% YoY/2% QoQ, with the CASA ratio moderating 90bp QoQ to 34%. The C/D ratio declined 140bp QoQ to 95.1%.
- According to its internal classification, retail loans were flat QoQ, small- and mid-market grew 2.4% QoQ, while Agri declined 2.6% QoQ. Further, wholesale advances dipped 1.3% QoQ.

**Exhibit 1: Loan growth was flat QoQ (+6.7% YoY)**

Gross Loan composition - Internal (INR b)	1Q25	4Q25	1Q26	YoY (%)	QoQ (%)
Auto loans	1330	1457	1483	11.5%	1.8%
Two-wheeler loans	120	124	120	0.0%	-3.2%
Personal loans	1859	1993	2016	8.4%	1.2%
Payment products	1034	1136	1135	9.8%	-0.1%
Home loans	7880	8357	8428	7.0%	0.8%
Gold loans	149	177	189	26.8%	6.8%
Other Retail	698	736	691	-1.0%	-6.1%
<b>Retail Total</b>	<b>13070</b>	<b>13980</b>	<b>14062</b>	<b>7.6%</b>	<b>0.6%</b>
Small- and mid-banking	4715	5391	5522	17.1%	2.4%
Agriculture	1001	1184	1153	15.2%	-2.6%
Corporate & Other Wholesale	6963	7177	7082	1.7%	-1.3%
<b>Total Gross Advances</b>	<b>25749</b>	<b>27732</b>	<b>27819</b>	<b>8.0%</b>	<b>0.3%</b>
IBPC/BRDS	-881	-1298	-1288	46.2%	-0.8%
<b>Gross Advances exc. IBPC/BRDS</b>	<b>24869</b>	<b>26434</b>	<b>26530</b>	<b>6.7%</b>	<b>0.4%</b>

\*standalone numbers

Source: MOFSL, company

**NIM at 3.35% (down 11bp QoQ); CASA ratio moderates 90bp QoQ to 34%**

- NIM moderated 11bp QoQ to 3.35% in 1QFY26.
- CASA deposits grew 8.5% YoY (down 0.2% QoQ); CA deposits declined 5.1% QoQ, and SA deposits grew 1.3% QoQ during the quarter.
- Term deposits grew 20.6% YoY and 3.2% QoQ, resulting in a 90bp QoQ moderation in CASA ratio to 33.9% during the quarter.

**Treasury gains at INR101b**

- Other income stood at INR217.3b, boosted by gains from the stake sale in HDB Financial amounting to INR91.3b. Total treasury gains stood at INR101.1b. Total revenues thus stood at INR531.7b.
- Opex grew 5% YoY to INR174.3b (inline). PPoP stood at INR357.3b, while provisioning expenses stood at INR144.4b.

PCR stood at ~66.9% in 1QFY26

**Slippages at INR90b; PCR stable at 66.9%**

- The GNPA/NNPA ratios rose 7bp/4bp QoQ to 1.4%/0.5%. PCR stood broadly stable at 66.9%. Fresh slippages were INR90b (ex-agri at INR68b) vs. INR75b in 4QFY25.
- Recoveries stood at INR42b, whereas write-offs were INR30b as of 1QFY26.
- Contingent and floating provisions amounted to INR366b/1.4% as of 1QFY26.

## Story in charts

Exhibit 2: Loans/deposits grew 7%/16% YoY in 1QFY26

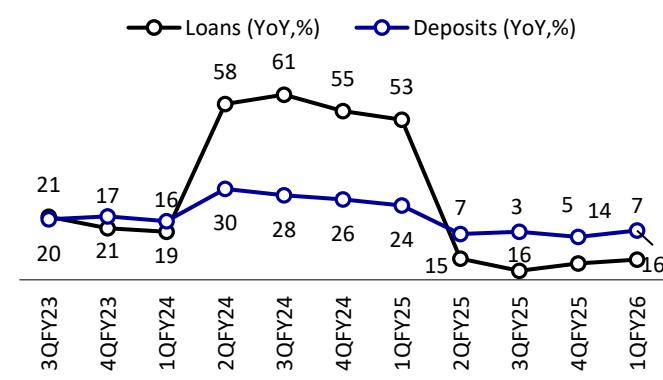


Exhibit 3: The mix of retail loans stood at 51% during 1Q

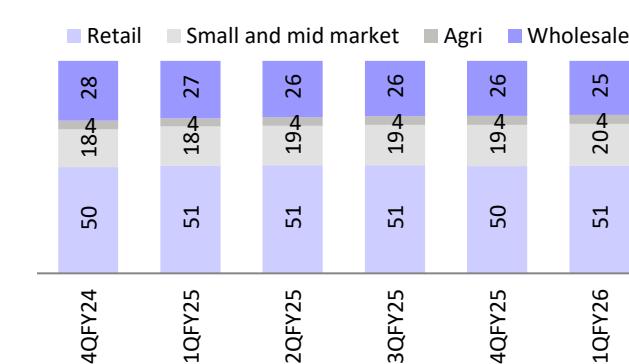


Exhibit 4: NIM moderated 11bp QoQ; CASA at 33.9%

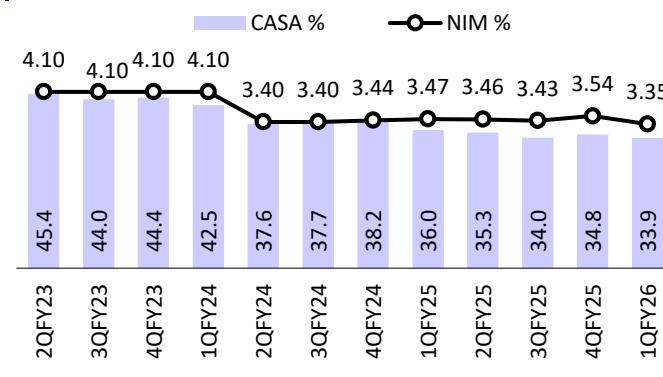


Exhibit 5: The bank added 44 branches in 1QFY26

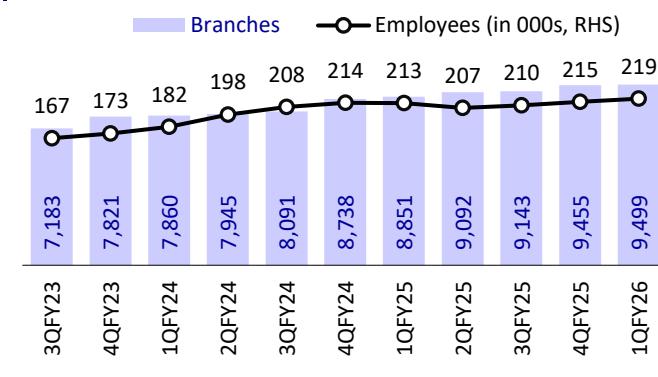


Exhibit 6: C/I ratio improved to 32.8% in 1QFY26

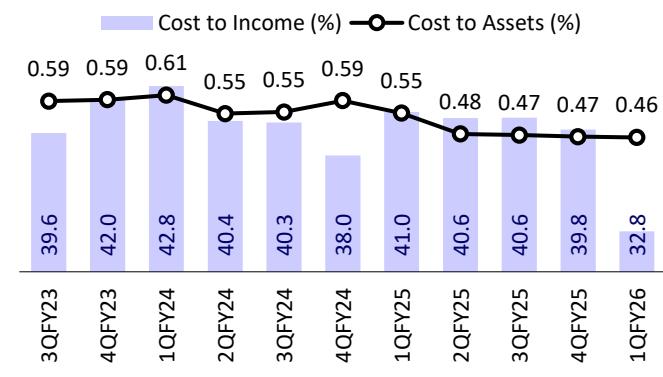


Exhibit 7: C/D ratio improved to 95.1%; LCR at 124%

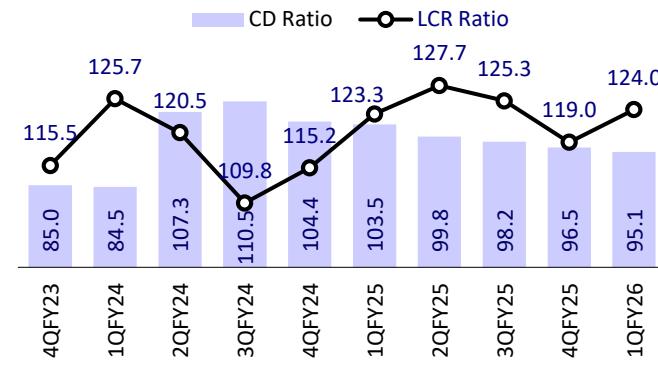
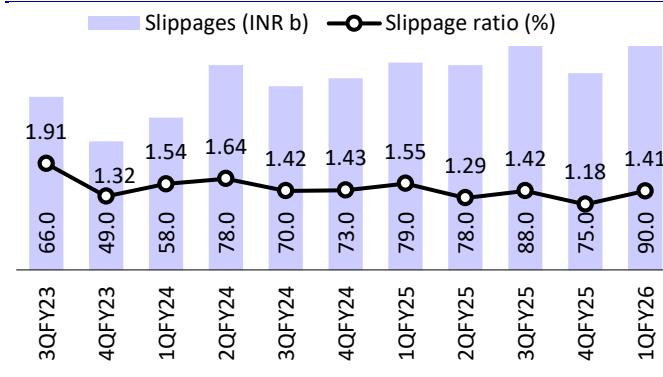
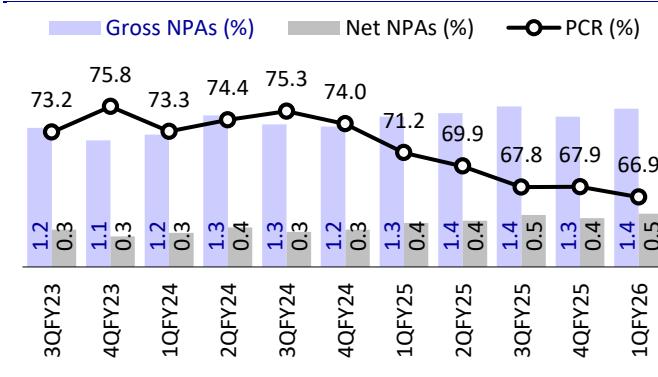


Exhibit 8: The slippage ratio increased to 1.4%



Source: MOFSL, Company

Exhibit 9: GNPA/NNPA ratios increased 7bp/4bp QoQ



Source: MOFSL, Company

## Subsidiary performance and consolidated snapshot

Exhibit 10: HDB Financials' loans grew 14% YoY...

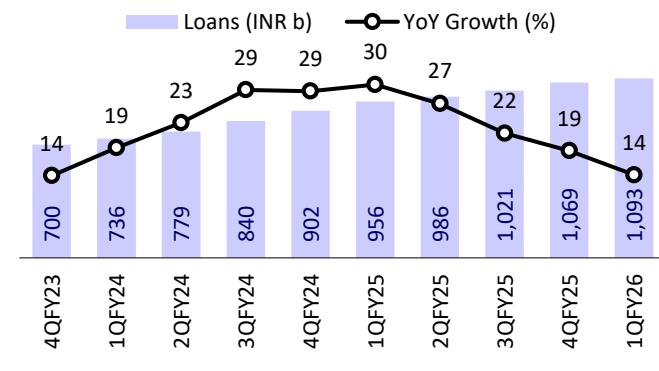


Exhibit 11: ...while PAT declined 2% YoY

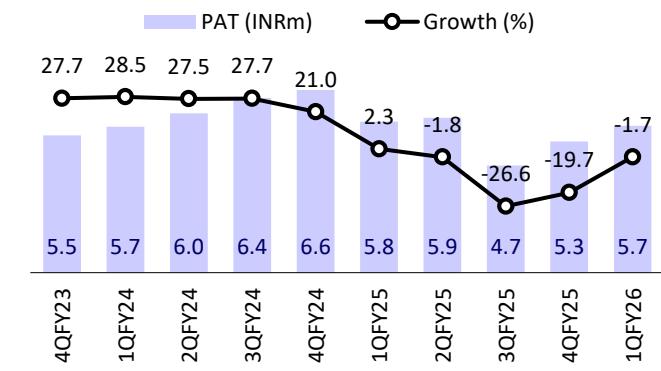


Exhibit 12: HDFC Life's NBP margin stood at 25%

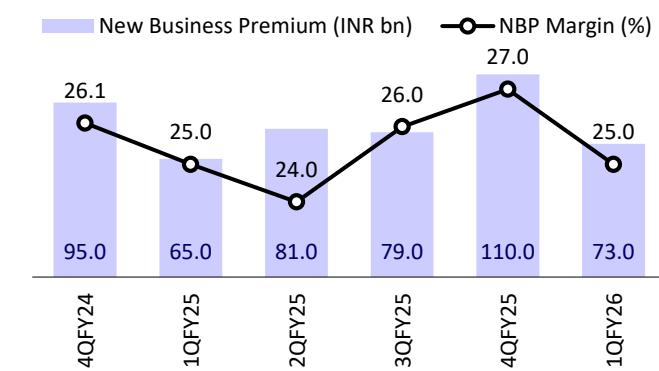


Exhibit 13: HDFC Life's AUM reached INR3.6t

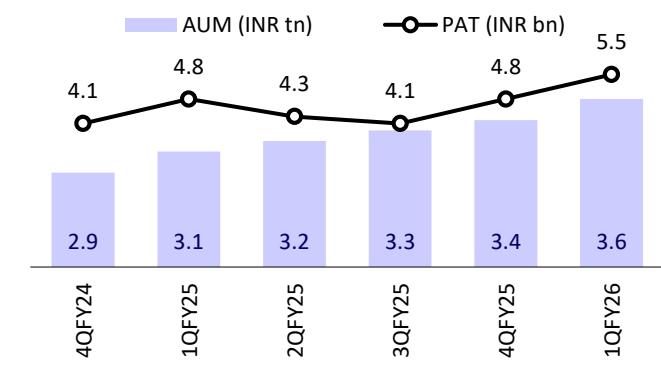


Exhibit 14: HDFC AMC: PAT stood at INR7.5b in 1QFY26

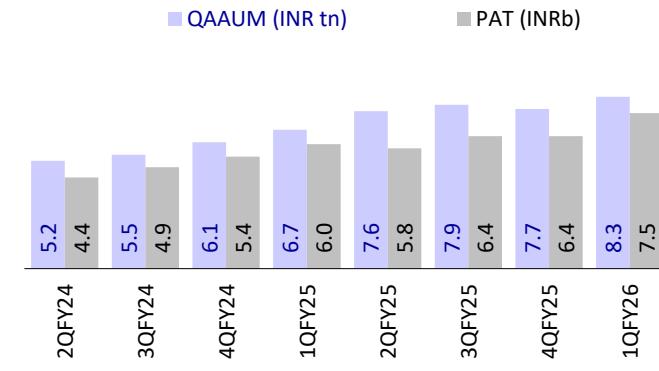


Exhibit 15: HDFC Sec: PAT dipped 21% YoY to INR2.3b

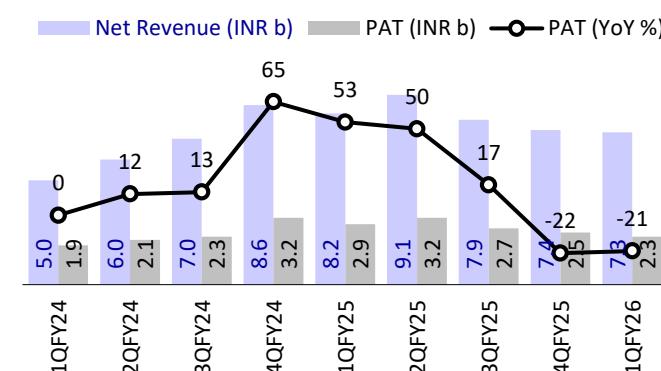
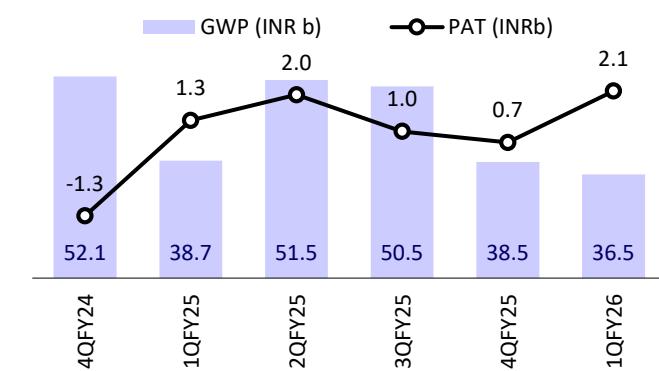


Exhibit 16: HDFC Ergo's PAT stood at INR2.1b



Source: MOFSL, Company

Exhibit 17: HDFC Bank's consol. PAT overview

INR b	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)
Stand Bank	161.7	176.2	181.6	12%	3%
HDB Financials	5.8	5.3	5.7	-2%	8%
HDFC Life	4.8	4.8	5.5	15%	15%
HDFC AMC	6.0	6.4	7.5	25%	17%
HDFC Securities	2.9	2.5	2.3	-21%	-8%
HDFC Ergo	1.3	0.7	2.1	62%	200%
<b>Reported Total</b>	<b>182.5</b>	<b>195.9</b>	<b>204.7</b>	<b>12.1%</b>	<b>4.5%</b>
Stand. EPS	21.3	23.0	23.7		
Consol. EPS	21.7	24.6	21.2		

Source: MOFSL, Company

## Valuation and view: Reiterate Buy with a TP of INR2,300

- HDFCB posted a steady quarter with a slight earnings beat due to tax reversals. The NIM contracted 11bp QoQ and is expected to moderate further in 2Q due to the rate cut impact. Business growth aligns with the bank's strategy to reduce the C/D ratio consistently, though the bank indicated it would improve its credit growth trajectory moving forward.
- Slippages increased mainly due to agri seasonality, while PCR was stable at ~66.9%. Further, HDFCB has prudently utilized the stake sale gains in its subsidiary HDB Financial and made floating provisions of INR90b and contingency provisions of INR17b to take the total stock of such provisions to INR366b (1.4% of loans). The gradual retirement of high-cost borrowings, along with an improvement in operating leverage and the provision buffer, will support return ratios over the coming years.
- **We tweak our earnings estimates and project HDFCB to deliver an FY27E RoA/RoE of 1.9%/14.9%. Reiterate BUY with a TP of INR2,300 (premised on 2.6x FY27E ABV + INR284 for subsidiaries).**

### Exhibit 18: Changes to our estimates

INR b	Old Estimates		New Estimates		Change (%/bps)	
	FY26	FY27	FY26	FY27	FY26	FY27
Net Interest Income	1,361.1	1,559.9	1,307.4	1,570.7	-3.9	0.7
Other Income	517.5	585.8	602.3	572.2	16.4	-2.3
<b>Total Income</b>	<b>1,878.6</b>	<b>2,145.7</b>	<b>1,909.8</b>	<b>2,142.9</b>	<b>1.7</b>	<b>-0.1</b>
Operating Expenses	754.0	846.4	728.3	820.3	-3.4	-3.1
<b>Operating Profits</b>	<b>1,124.6</b>	<b>1,299.3</b>	<b>1,181.4</b>	<b>1,322.6</b>	<b>5.1</b>	<b>1.8</b>
Provisions	140.3	164.1	254.2	168.1	81.2	2.4
<b>PBT</b>	<b>984.3</b>	<b>1,135.2</b>	<b>927.2</b>	<b>1,154.5</b>	<b>-5.8</b>	<b>1.7</b>
Tax	238.2	278.1	205.8	282.9	-13.6	1.7
<b>PAT</b>	<b>746.1</b>	<b>857.1</b>	<b>721.4</b>	<b>871.6</b>	<b>-3.3</b>	<b>1.7</b>
Loans	28,842	32,447	28,999	32,624	0.5	0.5
Deposits	31,029	35,622	31,111	35,715	0.3	0.3
Margins (%)	3.5	3.6	3.4	3.7	-15	1
Credit Cost (%)	0.50	0.52	0.91	0.53	41	1
<b>RoA (%)</b>	<b>1.82</b>	<b>1.89</b>	<b>1.76</b>	<b>1.91</b>	<b>-6</b>	<b>3</b>
<b>RoE (%)</b>	<b>14.2</b>	<b>14.6</b>	<b>13.7</b>	<b>14.9</b>	<b>-44</b>	<b>29</b>
EPS, INR	98	112	94	114	-3.3	1.7
BV, INR	720	811	717	810	-0.4	-0.2
ABV, INR	689	776	686	776	-0.5	-0.1

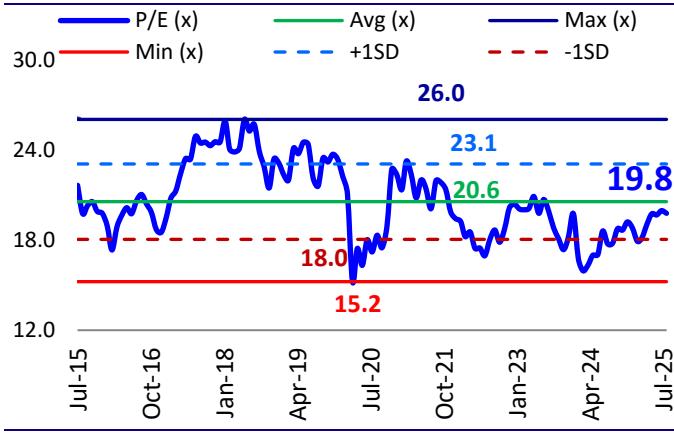
E: MOFSL Estimates

### Exhibit 19: The SoTP table for HDFCB

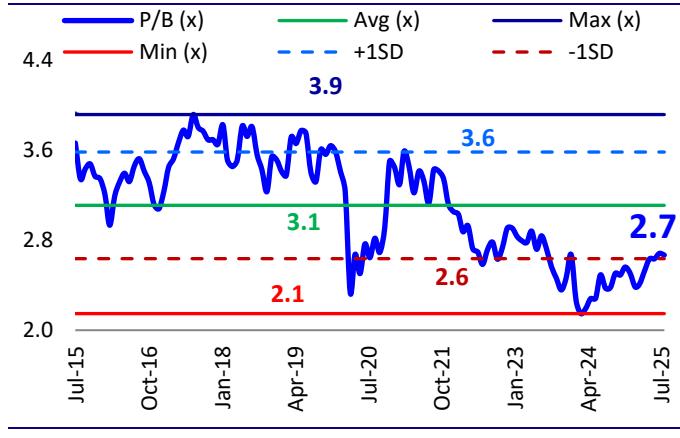
	Stake (%)	Proportionate Value INRb	Value USD b	Per Share INR	% of Total	Rationale
<b>HDFC Bank</b>		<b>15,429.0</b>	<b>184.8</b>	<b>2,016</b>	<b>87.7</b>	<b>2.4x FY27E ABV</b>
HDB Financial Ser	94.6	564.5	6.8	74	3.2	3.2x FY27E Net worth
HDFC Securities	95.1	333.9	4.0	44	1.9	18x FY27E PAT
HDFC Life Insurance	50.4	983.6	11.8	129	5.6	2.6x FY27E EV
HDFC Ergo General Insurance	50.5	147.2	1.8	19	0.8	25x FY27E PAT
HDFC AMC	52.6	664.2	8.0	87	3.8	40x FY27E PAT
<b>Total Value of Subs</b>		<b>2,693.4</b>	<b>32.3</b>	<b>355</b>	<b>15.4</b>	
Less: 20% holding Disc		538.7	6.5	71	3.1	
<b>Value of Subs (Post Holding Disc)</b>		<b>2,154.7</b>	<b>25.8</b>	<b>284</b>	<b>12.3</b>	
<b>Target Price</b>		<b>17,583.7</b>	<b>210.6</b>	<b>2,300</b>		

Source: Company, MOFSL

**Exhibit 20: One-year forward P/E ratio**



**Exhibit 21: One-year forward P/B ratio**



**Exhibit 22: DuPont Analysis – Return ratios to improve gradually**

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	6.70	7.13	7.59	7.98	7.47	7.52	7.57
Interest Expense	2.92	3.30	4.40	4.73	4.28	4.07	4.05
<b>Net Interest Income</b>	<b>3.77</b>	<b>3.83</b>	<b>3.19</b>	<b>3.26</b>	<b>3.19</b>	<b>3.45</b>	<b>3.51</b>
- Core Fee Income	1.22	1.24	0.98	1.03	0.93	0.72	0.74
- Trading and others	0.33	0.13	0.46	0.18	0.54	0.54	0.53
<b>Non-Interest income</b>	<b>1.55</b>	<b>1.38</b>	<b>1.45</b>	<b>1.21</b>	<b>1.47</b>	<b>1.26</b>	<b>1.27</b>
<b>Total Income</b>	<b>5.32</b>	<b>5.21</b>	<b>4.63</b>	<b>4.47</b>	<b>4.66</b>	<b>4.71</b>	<b>4.79</b>
<b>Operating Expenses</b>	<b>1.96</b>	<b>2.10</b>	<b>1.86</b>	<b>1.81</b>	<b>1.78</b>	<b>1.80</b>	<b>1.81</b>
- Employee cost	0.63	0.68	0.65	0.63	0.66	0.67	0.68
- Others	1.33	1.42	1.21	1.18	1.11	1.13	1.13
<b>Operating Profits</b>	<b>3.36</b>	<b>3.11</b>	<b>2.77</b>	<b>2.66</b>	<b>2.88</b>	<b>2.91</b>	<b>2.98</b>
<b>Core operating Profits</b>	<b>3.03</b>	<b>2.97</b>	<b>2.31</b>	<b>2.48</b>	<b>2.34</b>	<b>2.36</b>	<b>2.44</b>
<b>Provisions</b>	<b>0.79</b>	<b>0.53</b>	<b>0.69</b>	<b>0.31</b>	<b>0.62</b>	<b>0.37</b>	<b>0.39</b>
<b>PBT</b>	<b>2.57</b>	<b>2.58</b>	<b>2.08</b>	<b>2.35</b>	<b>2.26</b>	<b>2.54</b>	<b>2.59</b>
Tax	0.63	0.63	0.30	0.56	0.50	0.62	0.64
<b>RoA</b>	<b>1.94</b>	<b>1.95</b>	<b>1.79</b>	<b>1.79</b>	<b>1.76</b>	<b>1.91</b>	<b>1.96</b>
Leverage (x)	8.6	8.7	8.2	8.0	7.8	7.8	7.8
<b>RoE</b>	<b>16.7</b>	<b>17.0</b>	<b>14.6</b>	<b>14.3</b>	<b>13.7</b>	<b>14.9</b>	<b>15.2</b>

Source: Company, MOFSL

## Financials and valuations

Income Statement		(INRb)					
Y/E March (INR b)		FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income		1,615.9	2,583.4	3,005.2	3,061.7	3,425.0	3,883.6
Interest Expense		747.4	1,498.1	1,778.5	1,754.3	1,854.3	2,080.3
<b>Net Interest Income</b>		<b>868.4</b>	<b>1,085.3</b>	<b>1,226.7</b>	<b>1,307.4</b>	<b>1,570.7</b>	<b>1,803.3</b>
- growth (%)		20.6	25.0	13.0	6.6	20.1	14.8
Non-Interest Income		312.1	492.4	456.3	602.3	572.2	652.3
<b>Total Income</b>		<b>1,180.6</b>	<b>1,577.7</b>	<b>1,683.0</b>	<b>1,909.8</b>	<b>2,142.9</b>	<b>2,455.7</b>
- growth (%)		16.3	33.6	6.7	13.5	12.2	14.6
Operating Expenses		476.5	633.9	681.7	728.3	820.3	926.8
<b>Pre-Provision Profits</b>		<b>704.0</b>	<b>943.9</b>	<b>1,001.3</b>	<b>1,181.4</b>	<b>1,322.6</b>	<b>1,528.9</b>
- growth (%)		9.9	34.1	6.1	18.0	11.9	15.6
<b>Core PPOP</b>		<b>663.2</b>	<b>903.9</b>	<b>952.1</b>	<b>1,102.0</b>	<b>1,232.6</b>	<b>1,426.1</b>
Growth (%)		10.2	36.3	5.3	15.7	11.9	15.7
Provisions		119.2	234.9	116.5	254.2	168.1	198.3
<b>PBT</b>		<b>584.9</b>	<b>709.0</b>	<b>884.8</b>	<b>927.2</b>	<b>1,154.5</b>	<b>1,330.5</b>
Tax		143.8	100.8	211.3	205.8	282.9	326.0
Tax Rate (%)		24.6	14.2	23.9	22.2	24.5	24.5
<b>PAT</b>		<b>441.1</b>	<b>608.1</b>	<b>673.5</b>	<b>721.4</b>	<b>871.6</b>	<b>1,004.6</b>
Growth (%)		19.3	37.9	10.7	7.1	20.8	15.2

## Balance Sheet

Y/E March (INR b)	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	5.6	7.6	7.7	7.7	7.7	7.7
Reserves & Surplus	2,796.4	4,394.9	5,006.6	5,478.2	6,190.3	7,035.3
<b>Net Worth</b>	<b>2,802.0</b>	<b>4,402.5</b>	<b>5,014.2</b>	<b>5,485.9</b>	<b>6,198.0</b>	<b>7,043.0</b>
<b>Deposits</b>	18,833.9	23,797.9	27,147.1	31,110.6	35,715.0	41,215.1
Growth (%)	20.8	26.4	14.1	14.6	14.8	15.4
<b>of which CASA Dep</b>	8,359.9	9,087.6	9,445.6	10,764.3	12,964.5	15,496.9
Growth (%)	11.3	8.7	3.9	14.0	20.4	19.5
Borrowings	2,067.7	6,621.5	5,479.3	4,637.6	4,275.0	4,037.2
Other Liabilities & Prov.	957.2	1,354.4	1,461.3	1,680.5	1,932.5	2,222.4
<b>Total Liabilities</b>	<b>24,660.8</b>	<b>36,176.2</b>	<b>39,102.0</b>	<b>42,914.6</b>	<b>48,120.6</b>	<b>54,517.7</b>
Current Assets	1,937.7	2,191.5	2,395.7	2,359.4	2,599.4	2,850.9
<b>Investments</b>	5,170.0	7,024.1	8,363.6	9,233.4	10,341.4	11,685.8
Growth (%)	13.5	35.9	19.1	10.4	12.0	13.0
<b>Loans</b>	16,005.9	24,848.6	26,196.1	28,999.1	32,624.0	37,191.3
Growth (%)	16.9	55.2	5.4	10.7	12.5	14.0
Fixed Assets	80.2	114.0	136.6	160.0	172.8	186.7
Other Assets	1,467.1	1,998.0	2,010.0	2,162.7	2,383.0	2,603.1
<b>Total Assets</b>	<b>24,660.8</b>	<b>36,176.2</b>	<b>39,102.0</b>	<b>42,914.6</b>	<b>48,120.6</b>	<b>54,517.7</b>

## Asset Quality

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
GNPA (INR b)	180.2	311.7	352.2	405.0	451.6	451.6
NNPA (INR b)	43.7	80.9	113.2	123.5	130.4	130.4
Slippages (INR b)	245.4	402.6	319.8	372.6	431.4	488.7
GNPA Ratio (%)	1.1	1.2	1.3	1.4	1.4	1.4
NNPA Ratio (%)	0.3	0.3	0.4	0.4	0.4	0.4
Slippage Ratio (%)	1.7	2.0	1.3	1.4	1.4	1.4
Credit Cost (%)	0.8	1.2	0.5	0.9	0.5	0.5
PCR (Excl Tech. write off) (%)	75.8	74.0	67.9	69.5	71.1	71.1

Source: Company, MOFSLE

## Financials and valuations

### Ratios

Y/E March (INR b)	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Yield &amp; Cost Ratios (%)</b>						
<b>Avg. Yield-Earning Assets</b>	<b>8.0</b>	<b>8.4</b>	<b>8.9</b>	<b>8.2</b>	<b>8.3</b>	<b>8.3</b>
Avg. Yield on loans	8.6	8.8	9.3	8.8	8.9	8.9
Avg. Yield on Invt	6.5	6.8	7.1	6.8	6.8	6.8
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>3.9</b>	<b>5.3</b>	<b>5.6</b>	<b>5.1</b>	<b>4.9</b>	<b>4.9</b>
Avg. Cost of Deposits	3.6	4.7	4.9	5.0	4.8	4.8
<b>Interest Spread</b>	<b>4.1</b>	<b>3.2</b>	<b>3.2</b>	<b>3.1</b>	<b>3.4</b>	<b>3.4</b>
<b>Net Interest Margin</b>	<b>4.1</b>	<b>3.4</b>	<b>3.5</b>	<b>3.4</b>	<b>3.7</b>	<b>3.7</b>

### Capitalisation Ratios (%)

CAR	19.3	18.8	19.6	20.6	20.4	20.4
Tier I	17.1	16.8	17.7	18.1	18.2	18.2
- CET-1	16.4	16.3	17.2	18.0	18.3	18.4
Tier II	2.1	2.0	1.9	2.4	2.2	2.2

### Business Ratios (%)

Loans/Deposit	85.0	104.4	96.5	93.2	91.3	90.2
CASA Ratio	44.4	38.2	34.8	34.6	36.3	37.6
Cost/Assets	1.9	1.8	1.7	1.7	1.7	1.7
Cost/Total Income	40.4	40.2	40.5	38.1	38.3	37.7
Cost/Core Income	41.8	41.2	41.7	39.8	40.0	39.4
Staff Cost/Total Expense	32.6	35.1	35.1	37.3	37.4	37.4
Int. Expense/Int.Income	46.3	58.0	59.2	57.3	54.1	53.6
Fee Income/Total Income	23.9	21.2	23.1	19.9	15.2	15.4
Other Inc./Total Income	26.4	31.2	27.1	31.5	26.7	26.6

### Efficiency Ratios (INRm)

Employee per branch (in nos)	22.1	24.4	22.7	24.4	24.2	24.0
Staff cost per employee (INR m)	0.9	1.0	1.1	1.0	1.0	1.0
CASA per branch (INR m)	1,069	1,040	999	973	1,037	1,097
Deposits per branch (INR m)	2,408	2,723	2,871	2,813	2,858	2,919
Bus. per Employee (INR m)	201	228	249	222	226	231
Profit per Employee (INR m)	2.5	2.8	3.1	2.7	2.9	3.0

### Valuation

RoE	17.0	14.6	14.5	13.7	14.9	15.2
RoA	1.9	1.8	1.8	1.8	1.9	2.0
RoRWA	2.9	1.7	1.5	2.6	2.9	2.9
Book Value (INR)	502	580	655	717	810	920
Growth (%)	16.0	15.4	13.1	9.4	13.0	13.6
<b>Price-BV (x)</b>	<b>3.9</b>	<b>3.4</b>	<b>3.0</b>	<b>2.7</b>	<b>2.4</b>	<b>2.1</b>
Adjusted BV (INR)	490	555	627	686	776	882
<b>Price-ABV (x)</b>	<b>4.0</b>	<b>3.5</b>	<b>3.1</b>	<b>2.9</b>	<b>2.5</b>	<b>2.2</b>
EPS (INR)	79.3	80.0	88.0	94.3	113.9	131.3
Growth (%)	18.6	1.0	9.9	7.1	20.8	15.2
<b>Price-Earnings (x)</b>	<b>24.7</b>	<b>24.4</b>	<b>22.2</b>	<b>20.7</b>	<b>17.2</b>	<b>14.9</b>
<b>Price-Earnings (x) - Adj. Subs</b>	<b>21.1</b>	<b>20.9</b>	<b>19.0</b>	<b>17.7</b>	<b>14.7</b>	<b>12.7</b>
Dividend Per Sh (INR)	19.0	11.1	19.4	20.9	20.9	20.9
<b>Dividend Yield (%)</b>	<b>1.0</b>	<b>0.6</b>	<b>1.0</b>	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>

Source: Company, MOFSLE

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Explanation of Investment Rating	
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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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