

October 19, 2025

Q2FY26 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY27E	FY28E	FY27E	FY28E
Rating	BUY		BUY	
Target Price	1,150		1,075	
NII (Rs. m)	15,17,476	17,31,508	15,15,311	17,26,142
% Chng.	0.1	0.3		
Op. Profit (Rs. m)	12,65,087	14,41,903	12,49,116	14,16,677
% Chng.	1.3	1.8		
EPS (Rs.)	55.5	62.7	54.8	61.6
% Chng.	1.2	1.8		

Key Financials - Standalone

Y/e Mar	FY25	FY26E	FY27E	FY28E
NII (Rs bn)	1,227	1,309	1,517	1,732
Op. Profit (Rs bn)	1,001	1,235	1,265	1,442
PAT (Rs bn)	673	775	852	963
EPS (Rs.)	44.0	50.4	55.5	62.7
Gr. (%)	4.6	14.6	10.0	13.0
DPS (Rs.)	11.0	12.6	13.9	15.7
Yield (%)	1.1	1.3	1.4	1.6
NIM (%)	3.5	3.4	3.5	3.6
RoAE (%)	14.3	14.7	14.6	14.7
RoAA (%)	1.8	1.9	1.9	1.9
P/BV (x)	3.1	2.8	2.5	2.2
P/ABV (x)	3.1	2.8	2.6	2.3
PE (x)	22.8	19.9	18.1	16.0
CAR (%)	19.6	19.4	18.9	18.8

Key Data HDBK.BO | HDFCB IN

52-W High / Low	Rs.1,018 / Rs.810
Sensex / Nifty	83,952 / 25,710
Market Cap	Rs.15,403bn/ \$ 1,75,085m
Shares Outstanding	15,364m
3M Avg. Daily Value	Rs.18172.51m

Shareholding Pattern (%)

Promoter's	-
Foreign	48.39
Domestic Institution	36.26
Public & Others	15.35
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.7	5.4	20.1
Relative	2.2	(1.4)	15.9

Gaurav Jani

gauravjani@plindia.com | 91-22-66322235

Harshada Gite

harshadagite@plindia.com | 91-22-66322237

Kush Mehta

kushmehta@plindia.com | 91-22-66322257

Balance sheet further strengthened

Quick Pointers:

- Core PPOP beat due to better fees. Contingent provisions created.
- See loan growth of 12% each in FY26/27E; LDR target of 90% by FY27E intact.

HDFCB saw good quarter as core PAT at Rs156.5bn beat PLe by 1.8% even after creating contingent provision, adjusting for which earnings would have been higher by 9.2%. Hence asset quality was best-in-class driven by lower gross slippages and higher recoveries that included a lumpy NPA account. This led to reversal in NPA provision of Rs20bn that was utilized to create contingent provision of Rs15bn to further strengthen balance sheet. Buffer provisions are 139bps of net loans vs 93bps for ICICIB while CET-1 is 17.5% (ICICIB 16.35%). Loan growth picked up to 4.5% QoQ mainly led by corporate/SME/agri though it was muted in retail (+1.8%); CC growth was lower to ICICI/AXSB. Due to stronger balance sheet, we raise multiple slightly to 2.5x from 2.4x and increase SOTP based TP to Rs1,150 from Rs1,075 as we roll forward to Sep'27 core ABV. Retain 'BUY'.

- Beat on core PPOP due to fees; provision buffer created:** NII was in-line at Rs315.5bn (PLe Rs316.3bn). NIM (calc.) was 3.48% (PLe 3.46%); reported NIM declined by 8bps to 3.4% due to faster repricing of assets than deposits. Loan and deposit growth were in-line at 10.1%/12.1% YoY. CASA ratio was steady QoQ at 33.9%. LDR increased to 98% (95% in Q1'26). Other inc. was higher at Rs143.5bn (PLe Rs119.2bn) due to treasury and 6.5% beat on fees. Opex at Rs179.8bn met estimates; staff cost was higher offset by lower other opex. Core PPOP at Rs240bn was 2.4% ahead; PPOP was Rs279.2bn. Asset quality improved; GNPA was better at 1.24% (PLe 1.36%) due to lower net slippages. Gross slippage was lower at Rs74bn (PLe Rs79bn); recoveries were higher at Rs68bn (PLe Rs40bn). Provisions were Rs35bn (PLe Rs32.2bn) incl. additional buffer. Core PAT at Rs156.5bn was 1.8% above PLe; PAT was Rs186.4bn.
- Loan growth improves; LDR increases:** Credit growth accelerated QoQ from 0.3% in Q1'26 to 4.5% led by corporate (+4.7%), small & mid-market (+3.5%), and agri (+7.0%). Retail growth was a bit slower at 1.8% QoQ. For mortgages, bank did not cut interest rates to chase market share, instead prioritizing on higher yields and better customer quality. CC receivable increase was tepid for HDFCB (+1.1% QoQ) that was lower than ICICIB/AXSB (+8% QoQ), as it did not participate with e-commerce platforms for the festive season. Bank remains positive on SME growth, supported by strong client base and branch network. Increase in LDR by ~3% QoQ was a quarterly aberration and guidance to reach LDR of 90% by FY27 was intact.
- NIM has bottomed; balance sheet strengthened:** Impact of Jun'25 rate cut of 50bps was largely seen in Q2'26 as yield on assets fell by ~30bps. Effect in the ensuing quarter would be lower; hence NIM may have bottomed out also as downward repricing in liabilities would continue. Bank witnessed a lumpy NPA recovery which led to Rs20bn reversal in NPA provisions. Hence to strengthen the balance sheet, contingent provision of Rs15bn was created. Overall buffer provisions stood at 139bps vs 93bps for ICICIB.

Exhibit 1: PAT at Rs186bn due to higher other income

Financials (Rs m)	Q2FY26	Q2FY25	YoY gr. (%)	Q2FY26E	% Var.	Q1FY26	QoQ gr (%)
Interest income	7,66,907	7,40,169	3.6	7,81,656	(1.9)	7,74,702	(1.0)
Interest Expended	4,51,392	4,39,030	2.8	4,65,348	(3.0)	4,60,322	(1.9)
Net interest income	3,15,515	3,01,139	4.8	3,16,307	(0.3)	3,14,380	0.4
Other income	1,43,500	1,14,827	25.0	1,19,230	20.4	2,17,298	(34.0)
-Fee Income	1,04,300	96,000	8.6	97,980	6.5	92,000	13.4
-Other non interest income	39,200	18,827	108.2	21,250	84.5	1,25,298	(68.7)
Total income	3,54,715	3,19,966	10.9	3,37,557	5.1	4,39,678	(19.3)
Operating expenses	1,79,779	1,68,909	6.4	1,79,788	(0.0)	1,74,338	3.1
-Staff expenses	64,613	59,853	8.0	62,965	2.6	61,580	4.9
-Other expenses	1,15,166	1,09,056	5.6	1,16,822	(1.4)	1,12,759	2.1
Operating profit	2,79,236	2,47,057	13.0	2,55,749	9.2	3,57,340	(21.9)
Core operating profit	2,40,036	2,28,230	5.2	2,34,499	2.4	2,32,041	3.4
Total provisions	35,005	27,005	29.6	32,178	8.8	1,44,416	(75.8)
Profit before tax	2,44,231	2,20,053	11.0	2,23,571	9.2	2,12,923	14.7
Tax	57,818	51,843	11.5	53,657	7.8	31,371	84.3
Profit after tax	1,86,413	1,68,210	10.8	1,69,914	9.7	1,81,552	2.7

Balance sheet (Rs m)

Deposits	2,80,17,888	2,50,00,882	12.1	2,80,15,000	0.0	2,76,40,890	1.4
Advances	2,74,63,598	2,49,51,203	10.1	2,74,32,567	0.1	2,62,84,342	4.5

Profitability ratios

YoA – Calc	9.0	9.8	(80)	9.3	(25)	9.5	(41)
CoF – Calc	5.6	5.9	(23)	5.8	(12)	5.9	(24)
NIM – Calc	3.5	3.6	(11)	3.5	1	3.6	(8)
RoaA – Calc	1.9	1.9	4	1.8	19	1.9	1
RoaE – Calc	15.1	15.5	(37)	13.6	151	14.8	33

Asset Quality

Gross NPL (Rs mn)	3,42,895	3,42,506	0.1	3,75,506	(8.7)	3,70,408	(7.4)
Net NPL (Rs mn)	1,14,473	1,03,085	11.0	1,12,652	1.6	1,22,760	(6.8)
Gross NPL ratio	1.2	1.4	(12)	1.4	(12)	1.4	(16)
Net NPL ratio	0.4	0.4	0	0.4	1	0.5	(5)
Coverage ratio – Calc	66.6	69.9	(329)	70.0	(338)	66.9	(24)

Business & Other Ratios

Low-cost deposit mix	33.9	35.3	(146)	33.9	0	33.9	(2)
Cost-income ratio	39.2	40.6	(144)	41.3	(211)	32.8	638
Non int. inc / total income	31.3	27.6	366	27.4	389	40.9	(961)
Credit deposit ratio	98.0	99.8	(178)	97.9	10	95.1	293
CAR	20.0	19.8	20	-	-	19.9	10
Tier-I	17.9	17.8	10	-	-	17.8	10

Source: Company, PL.

Q2FY26 Concall Highlights

Assets/Liabilities

- Advances to grow at system level for FY26 and higher than system in FY27.
- For mortgage business, the bank chose not to cut interest rates to chase market share, instead prioritizing higher yields and better customer quality.
- CC saw tepid increase in net receivables as bank chose not to participate with e-commerce platforms for the festive season. ~70% of new card are given to existing customers.
- Bank remains positive on SME business growth, supported by its strong client base and extensive branch network
- Penetration in CC at 14%, consumer durable at 35% and brokerage A/Cs 15%.
- Bank sees LDR to come down to ~90% by FY27.
- Capital consumption could increase from FY27 onwards, in-line with plans to grow faster than system.
- Capital benefit from ECL might not flow thru because of regulatory floors. However, bank would wait for final guidelines for further clarity.

Fees/NIMs

- Softening of yield on assets due to rate cut have been largely priced in this quarter with little effect of it to be seen in Q3FY26.
- Cost benefit of SA rate cut has flown through completely. However, TD rates would take 6 quarters to realize its entire cost benefit.
- Increase in rate of disbursement resulted in fee uptick for this quarter.
- Bank has managed to reduce the TAT in HL to 2 days and for self-employed to 3 days and it has been upselling insurance, broking, credit cards to existing home loan customers.

Asset Quality

- Recoveries were higher on account of one-off which contributed 10bps which led to reduction in NPA provisions by ~Rs20bn.
- Contingent provision worth Rs16bn and general provisions worth Rs6bn were been added in Q2FY26.

Retail loans witnessed growth at 6.9%YoY/1.8% QoQ.

Corporate loans grew at 4.7% QoQ.

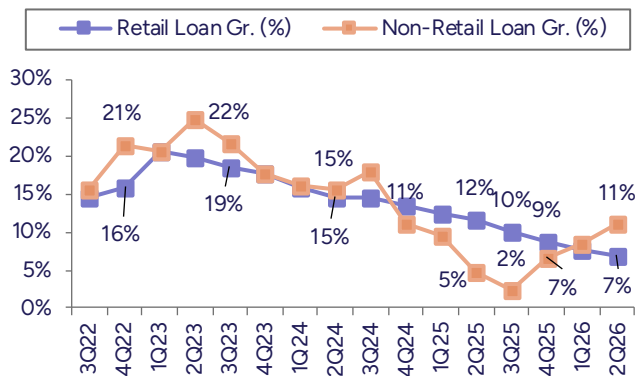
Agri loans grew by 7% QoQ.

Exhibit 2: CRB (+17% YoY) and Agri (14.2% YoY) were key growth drivers

Loan Composition (Rs mn)	Q2FY26	Q2FY25	YoY gr. (%)	Q1FY26	QoQ gr. (%)
Corporate	74,16,000	69,69,000	6.4	70,82,000	4.7
CRB	57,18,000	48,88,000	17.0	55,22,000	3.5
Agri	12,34,000	10,81,000	14.2	11,53,000	7.0
Retail	1,43,20,000	1,33,96,000	6.9	1,40,62,000	1.8
PL	20,63,000	18,96,000	8.8	20,16,000	2.3
Auto	15,15,000	13,75,000	10.2	14,83,000	2.2
Mortgages	85,65,000	80,28,000	6.7	84,28,000	1.6
CC	11,48,000	10,97,000	4.6	11,35,000	1.1
2Wheeler	1,25,000	1,25,000	-	1,20,000	4.2
Gold	2,01,000	1,59,000	26.4	1,89,000	6.3
Other Retail	7,03,000	7,16,000	(1.8)	6,91,000	1.7
Total Advances	2,76,91,000	2,51,90,000	9.9	2,65,31,000	4.4

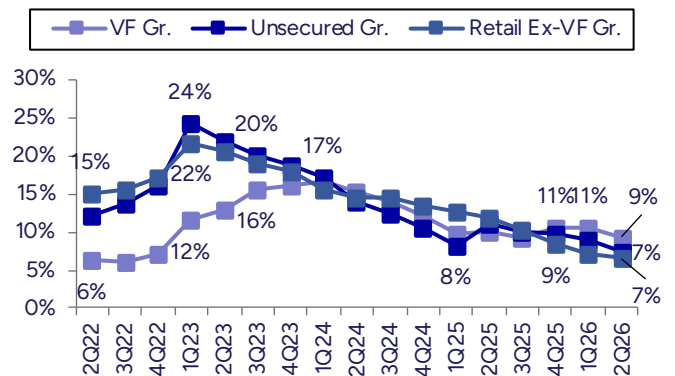
Source: Company, PL *Corporate incl HDFCL Non-Ind

Exhibit 3: Retail book growth at 7% YoY



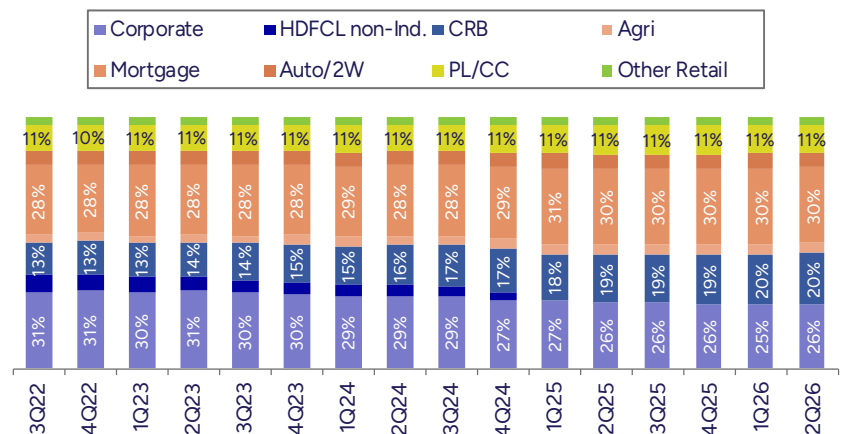
Source: Company, PL

Exhibit 4: Vehicle Finance growth declined to 9% YoY



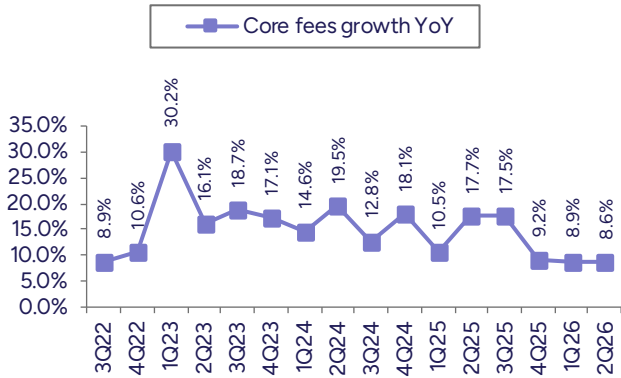
Source: Company, PL

Exhibit 5: Product-wise advances as percentage of total loans



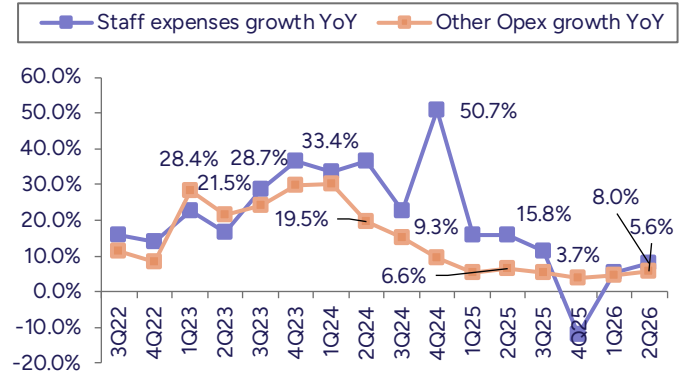
Source: Company, PL

Exhibit 6: Fee income growth decreased to 8.6% YoY



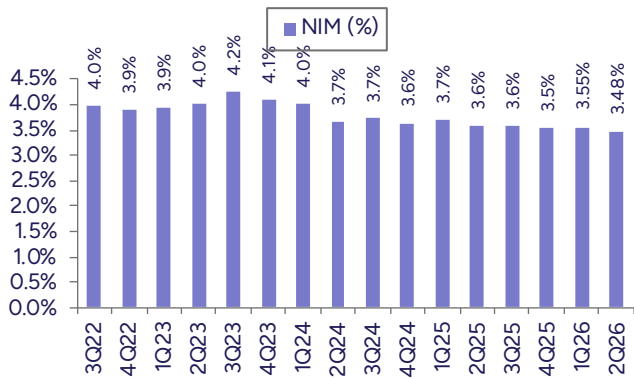
Source: Company, PL

Exhibit 7: Staff cost increased to 8% YoY



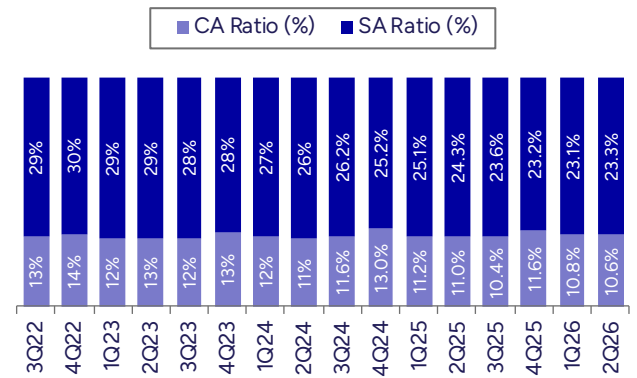
Source: Company, PL

Exhibit 8: NIM declined to 3.48%



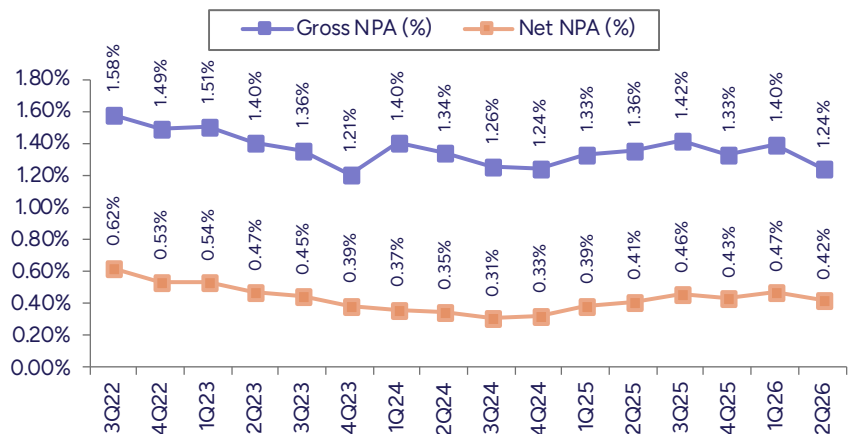
Source: Company, PL

Exhibit 9: CASA steady sequentially at 33.9%



Source: Company, PL

Exhibit 10: GNPA/NNPA at 1.2%/0.42%. PCR reduced to 66.6%



Source: Company, PL

Exhibit 11: Return ratios to range between 14-15%

RoA decomposition	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Interest income	7.6	6.9	7.4	8.1	8.0	7.7	7.4	7.3
Interest expenses	3.9	3.3	3.8	4.7	4.7	4.5	4.1	3.9
Net interest income	3.7	3.6	3.6	3.4	3.3	3.2	3.3	3.4
Other Inc. from operations	1.3	1.2	1.1	1.5	1.2	1.6	1.2	1.2
Total income	4.9	4.8	4.8	4.8	4.5	4.8	4.6	4.6
Employee expenses	0.5	0.5	0.6	0.7	0.6	0.6	0.6	0.6
Other operating expenses	1.1	1.1	1.2	1.2	1.2	1.1	1.2	1.2
Operating profit	3.3	3.2	3.0	2.9	2.7	3.0	2.8	2.8
Tax	0.5	0.5	0.5	0.3	0.6	0.5	0.6	0.6
Loan loss provisions	0.9	0.7	0.5	0.7	0.3	0.6	0.3	0.3
RoAA	1.84	1.89	1.92	1.89	1.79	1.89	1.88	1.89
RoAE	14.5	14.9	15.8	15.6	14.3	14.7	14.6	14.7

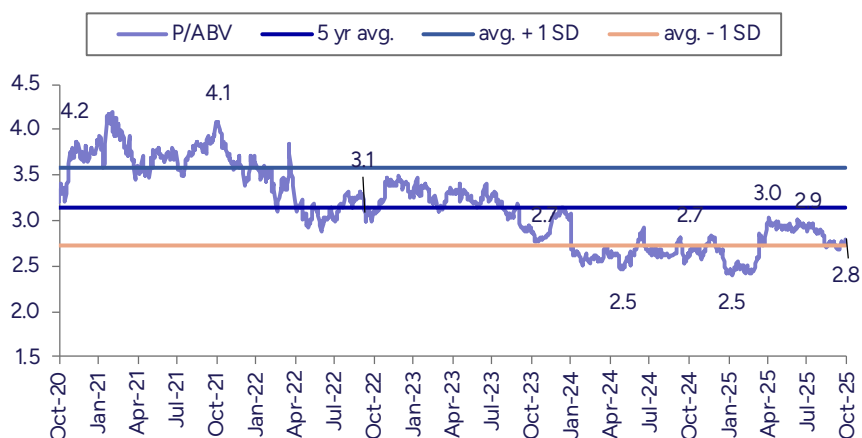
Source: Company, PL

Exhibit 12: SOTP valuation of Rs1,150, core bank valued at 2.5x on Sept'27E

Particulars	Stake	Rs per share	% of total	Valuation (x)	Basis
Standalone	100.0%	1,024	87.9	2.5	Sep'27 Core ABV
HDFC Life	50.3%	53	4.5	1.00	Mkt Cap
HDFC AMC	52.5%	45	3.9	41.00	Sep27E core PAT
HDB Financials	75%	30	2.6	1.00	Mkt Cap
HDFC Ergo	50.3%	7	0.6	40.00	Mar'25 PAT
HSL	94.6%	6	0.5	10.00	Mar'25 PAT
Total		1,164	100.0		
Holdco discount		14			
Target Price		1,150			

Source: Company, PL

Exhibit 13: HDFCB 1-year forward P/ABV trades at 2.8x



Source: Company, PL

Income Statement (Rs. m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Int. Earned from Adv.	23,84,444	24,13,578	25,80,334	28,51,766
Int. Earned from invt.	5,33,197	6,33,198	6,97,581	7,74,732
Others	62,466	63,419	66,333	69,027
Total Interest Income	30,05,170	31,32,989	33,63,172	37,15,580
Interest Expenses	17,78,470	18,24,307	18,45,696	19,84,073
Net Interest Income	12,26,701	13,08,681	15,17,476	17,31,508
Growth(%)	3.1	16.8	5.5	13.0
Non Interest Income	4,56,323	6,56,982	5,55,710	6,11,455
Net Total Income	16,83,024	19,65,663	20,73,185	23,42,962
Growth(%)	6.8	9.5	3.4	10.4
Employee Expenses	2,39,005	2,59,812	2,77,036	2,95,528
Other Expenses	4,42,744	4,70,505	5,31,062	6,05,531
Operating Expenses	6,81,749	7,30,318	8,08,098	9,01,059
Operating Profit	10,01,275	12,35,345	12,65,087	14,41,903
Growth(%)	1.4	23.4	2.4	14.0
NPA Provision	1,28,031	1,47,090	1,37,496	1,67,172
Total Provisions	1,16,494	2,42,545	1,43,673	1,74,195
PBT	8,84,781	9,92,800	11,21,414	12,67,708
Tax Provision	2,11,307	2,17,744	2,69,139	3,04,250
Effective tax rate (%)	23.9	21.9	24.0	24.0
PAT	6,73,474	7,75,056	8,52,275	9,63,458
Growth(%)	5.4	15.1	10.0	13.0

Balance Sheet (Rs. m)

Y/e Mar	FY25	FY26E	FY27E	FY28E
Face value	1	1	1	1
No. of equity shares	15,304	15,364	15,364	15,364
Equity	15,304	15,364	15,364	15,364
Networth	50,14,246	55,34,295	61,73,501	69,23,890
Growth(%)	13.9	10.4	11.5	12.2
Adj. Networth to NNPA's	1,13,204	1,21,910	1,43,441	1,74,417
Deposits	2,71,47,149	3,09,73,376	3,55,95,294	4,09,34,522
Growth(%)	14.1	14.1	14.9	15.0
CASA Deposits	94,45,602	1,06,55,398	1,25,93,766	1,48,85,040
% of total deposits	34.8	34.4	35.4	36.4
Total Liabilities	3,91,01,989	4,27,91,112	4,78,87,005	5,38,06,048
Net Advances	2,61,96,086	2,93,62,761	3,28,90,052	3,68,41,070
Growth(%)	5.4	12.1	12.0	12.0
Investments	83,63,597	94,46,880	1,06,78,588	1,22,80,357
Total Assets	3,91,01,989	4,27,91,112	4,78,87,005	5,38,06,048
Growth (%)	8.1	9.4	11.9	12.4

Asset Quality

Y/e Mar	FY25	FY26E	FY27E	FY28E
Gross NPAs (Rs m)	3,52,226	4,06,368	4,78,136	5,81,389
Net NPAs (Rs m)	1,13,204	1,21,910	1,43,441	1,74,417
Gr. NPAs to Gross Adv.(%)	1.3	1.4	1.4	1.6
Net NPAs to Net Adv. (%)	0.4	0.4	0.4	0.5
NPA Coverage %	67.9	70.0	70.0	70.0

Profitability (%)

Y/e Mar	FY25	FY26E	FY27E	FY28E
NIM	3.5	3.4	3.5	3.6
RoAA	1.8	1.9	1.9	1.9
RoAE	14.3	14.7	14.6	14.7
Tier I	17.7	17.5	17.4	17.6
CRAR	19.6	19.4	18.9	18.8

Source: Company Data, PL Research

Quarterly Financials (Rs. m)

Y/e Mar	Q3FY25	Q4FY25	Q1FY26	Q2FY26
Interest Income	7,60,069	7,67,601	7,74,702	7,66,907
Interest Expenses	4,53,536	4,53,943	4,60,322	4,51,392
Net Interest Income	3,06,533	3,13,658	3,14,380	3,15,515
YoY growth (%)	7.7	7.9	5.4	4.8
CEB	81,800	85,300	76,000	88,400
Treasury	-	-	-	-
Non Interest Income	1,14,536	1,20,279	2,17,298	1,43,500
Total Income	4,21,068	4,33,937	5,31,678	4,59,015
Employee Expenses	59,504	61,159	61,580	64,613
Other expenses	1,11,560	1,14,410	1,12,759	1,15,166
Operating Expenses	1,71,064	1,75,570	1,74,338	1,79,779
Operating Profit	2,50,004	2,58,367	3,57,340	2,79,236
YoY growth (%)	5.7	(11.7)	49.6	13.0
Core Operating Profits	2,31,268	2,37,788	2,32,041	2,40,036
NPA Provision	-	-	-	-
Others Provisions	31,539	31,931	1,44,416	35,005
Total Provisions	31,539	31,931	1,44,416	35,005
Profit Before Tax	2,18,466	2,26,437	2,12,923	2,44,231
Tax	51,111	57,275	31,371	57,818
PAT	1,67,355	1,69,161	1,81,552	1,86,413
YoY growth (%)	2.2	2.4	12.2	10.8
Deposits	2,56,37,950	2,71,47,149	2,76,41,000	2,80,17,000
YoY growth (%)	15.8	14.1	16.2	12.1
Advances	2,51,82,482	2,61,96,086	2,62,84,342	2,74,63,598
YoY growth (%)	3.0	5.4	6.7	10.1

Key Ratios

Y/e Mar	FY25	FY26E	FY27E	FY28E
CMP (Rs)	1,003	1,003	1,003	1,003
EPS (Rs)	44.0	50.4	55.5	62.7
Book Value (Rs)	328	360	402	451
Adj. BV (70%)(Rs)	320	352	392	439
P/E (x)	22.8	19.9	18.1	16.0
P/BV (x)	3.1	2.8	2.5	2.2
P/ABV (x)	3.1	2.8	2.6	2.3
DPS (Rs)	11.0	12.6	13.9	15.7
Dividend Payout Ratio (%)	-	-	-	-
Dividend Yield (%)	1.1	1.3	1.4	1.6

Efficiency

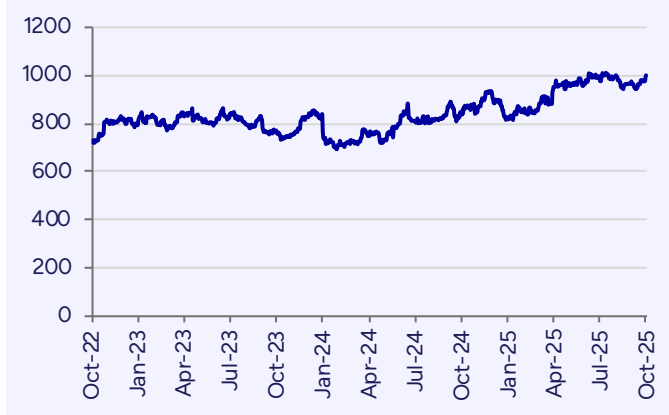
Y/e Mar	FY25	FY26E	FY27E	FY28E
Cost-Income Ratio (%)	40.5	37.2	39.0	38.5
C-D Ratio (%)	96.5	94.8	92.4	90.0
Business per Emp. (Rs m)	223	232	247	263
Profit per Emp. (Rs lacs)	28	30	31	33
Business per Branch (Rs m)	5,642	5,942	6,309	6,731
Profit per Branch (Rs m)	71	76	79	83

Du-Pont

Y/e Mar	FY25	FY26E	FY27E	FY28E
NII	3.26	3.20	3.35	3.41
Total Income	4.47	4.80	4.57	4.61
Operating Expenses	1.81	1.78	1.78	1.77
PPoP	2.66	3.02	2.79	2.84
Total provisions	0.31	0.59	0.32	0.34
RoAA	1.79	1.89	1.88	1.89
RoAE	14.30	14.70	14.56	14.71

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-25	BUY	1,075	983
2	20-Jul-25	BUY	2,150	1,957
3	07-Jul-25	BUY	2,125	1,987
4	23-Jun-25	BUY	2,125	1,965
5	21-Apr-25	BUY	2,125	1,907
6	08-Apr-25	BUY	1,950	1,758
7	23-Jan-25	BUY	1,950	1,666
8	08-Jan-25	BUY	2,000	1,713
9	20-Oct-24	BUY	2,000	1,682

Analyst Coverage Universe

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	AAVAS Financiers	Accumulate	1,925	1,672
2	Axis Bank	BUY	1,425	1,170
3	Bank of Baroda	BUY	270	262
4	Can Fin Homes	BUY	875	805
5	City Union Bank	BUY	245	219
6	DCB Bank	BUY	155	132
7	Federal Bank	BUY	220	199
8	HDFC Asset Management Company	BUY	6,175	5,764
9	HDFC Bank	BUY	1,075	983
10	ICICI Bank	BUY	1,730	1,376
11	IndusInd Bank	Hold	780	749
12	Kotak Mahindra Bank	BUY	2,350	2,127
13	LIC Housing Finance	BUY	725	567
14	Nippon Life India Asset Management	BUY	900	875
15	State Bank of India	BUY	960	865
16	Union Bank of India	BUY	150	139
17	UTI Asset Management Company	BUY	1,400	1,332

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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