Arihant Capital
Generating Wealth

Q1FY27 - Result Update
20th July 2026

HDFC Bank Ltd.

Healthy Business Growth with Improving Profitability

CMP: INR 820

Rating: Accumulate

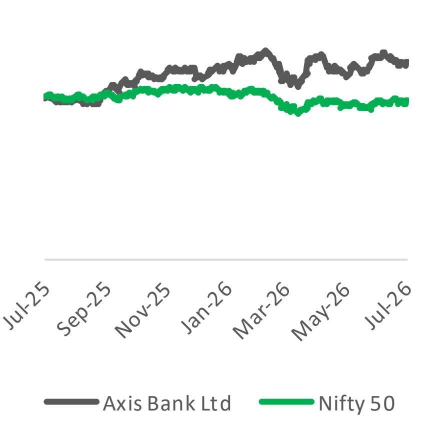
Target Price: INR 949

Stock Info	
BSE	500180
NSE	HDFCBANK
Bloomberg	HDFCB IN
Reuters	HDBK.BO
Sector	Banks
Face Value (INR)	1
Equity Capital (INR Mn)	15,393
Mkt Cap (INR Bn)	12,623
52w H/L (INR)	1,020 / 727
Avg Yearly Vol (in 000')	17,400

Shareholding Pattern % *(As on June 2026)*	
Promoters	-
Public & Others	100

Stock Performance (%)	3m	6m	12m
HDFC Bank	4.5	-11.7	-16.3
Nifty 50	0.7	-4.9	-2.5

HDFC Bank Vs Nifty



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HDFC Bank reported a mixed Q1FY27 performance, with NII of INR 33,534 Cr broadly in line with our estimate of INR 33,836 Cr, while PPOP of INR 28,168 Cr and PAT of INR 19,060 Cr came in marginally below our estimates of INR 28,360 Cr and INR 19,332 Cr, respectively, mainly due to higher-than-expected provisions of INR 3,060 Cr against our estimate of INR 2,584 Cr. Business momentum remained healthy, with advances growing 15.56% YoY to INR 30,37,303 Cr and deposits rising 14.72% YoY to INR 31,70,830 Cr Asset quality remained resilient, with GNPA at 1.17% (estimate: 1.12%) and NNPA at 0.41% (estimate: 0.37%), both improving on a YoY basis despite a marginal sequential increase. Overall, the quarter reflected steady business growth and stable asset quality, although elevated provisioning weighed on earnings

Loan Growth Momentum Continues: HDFC Bank continued to deliver healthy balance sheet growth in Q1FY27, with gross advances rising 15.4% YoY to INR 30,600 Bn and deposits increasing 14.7% YoY to INR 31,708 Bn. After completing the post-merger balance sheet optimization, the bank expects to accelerate credit growth, supported by improving branch productivity, an expanded network of 9,694 branches and healthy traction across business banking, corporate and MSME segments. These factors are expected to support sustained business growth and stronger earnings over the medium term.

Funding Cost Normalisation to Support Margins: NIM remained at 3.26% during Q1FY27 due to elevated funding costs and a lower CASA ratio of 32.0%, the bank expects margins to improve gradually over the medium term. Funding costs are likely to ease through lower dependence on borrowings, higher CASA mobilisation, FCNR deposit inflows and an improved liability mix. In addition, increasing the share of higher-yielding retail and MSME loans is expected to support asset yields. While margin recovery may be gradual in the near term, these initiatives, along with improving system liquidity, should support steady improvement in profitability over the next few years.

Healthy Asset Quality Provides Stability: HDFC Bank maintained a strong asset quality profile in Q1FY27, with GNPA at 1.17%, ex-agriculture GNPA at 0.91% and stable credit costs despite healthy loan growth. The bank also maintained total provisions of INR 724.2 Bn with a PCR of 66%, providing a comfortable buffer against potential stress. Existing provisions are expected to adequately absorb the transition to the Expected Credit Loss (ECL) framework while supporting stable asset quality and controlled credit costs over the medium term

Valuation & View: HDFC Bank remains optimistic about its medium-term growth outlook, supported by healthy credit demand across corporate, MSME and retail segments. The bank expects loan growth to accelerate as customer acquisition improves and recent investments in branches and technology drive better operating leverage. Funding costs are also expected to moderate through lower borrowings, FCNR deposit mobilisation and an improved deposit mix, supporting gradual margin recovery. Continued investments in digital capabilities, AI and process re-engineering are expected to enhance productivity, customer experience and cost efficiency, supporting sustainable earnings growth over the medium term. **We have an Accumulate rating on the stock with a revised target price of INR 949 on SOTP basis, with the standalone bank valued on 1.37x FY29E P/ABV**

Financial Summary

Y/E Mar (Rs Bn)	FY24	FY25	FY26A	FY27E	FY28E	FY29E
NII	1,085	1,227	1,287	1,444	1,780	2,143
Net profit	608	673	747	837	1,013	1,235
Networth	4,402	5,014	5,584	6,153	6,843	7,683
Adj BVPS	284	320	355	392	436	489
EPS (Rs)	40.02	44.01	48.62	54.36	65.84	80.21
P/ABV (x)	2.83	2.50	2.26	2.05	1.84	1.64
P/E (x)	20.48	18.63	16.86	15.08	12.45	10.22
RoA (%)	2.0	1.8	1.8	1.8	2.0	2.1
RoE (%)	16.9	14.3	14.1	14.3	15.6	17.0

Source: Arihant Research, Company Filings

Q1FY27 - Quarterly Performance (Standalone)

Income Statement (INR Bn.)	Q1FY27	Q4FY26	Q1FY26	Q-o-Q	Y-o-Y
Interest Income	794	766	775	3.6%	2.4%
Interest Expense	458	435	460	5.3%	-0.4%
Net Interest Income	**335**	**331**	**314**	**1.4%**	**6.7%**
Non Interest Income	128	132	217	-2.9%	-41.0%
Total Income	**464**	**463**	**532**	**0.2%**	**-12.8%**
Employee Costs	64	62	62	3.0%	4.2%
Other Operating Expenses	118	122	113	-3.9%	4.4%
Operating Expenses	182	185	174	-1.6%	4.3%
Pre-Provision Profit	**282**	**278**	**357**	**1.3%**	**-21.2%**
Provisions	31	26	144	17.3%	-78.8%
Profit Before Tax	**251**	**252**	**213**	**-0.3%**	**17.9%**
Tax Expense	60	60	31	1.3%	92.8%
Net Profit	**191**	**192**	**182**	**-0.8%**	**5.0%**
Balance Sheet Analysis					
Deposits	31,708	31,053	27,641	2.1%	14.7%
CASA (%)	32.0%	34.0%	34.0%	-200bps	-200bps
Advances	30,373	29,372	26,284	3.4%	15.6%
Total Assets	43,975	43,649	39,541	0.7%	11.2%
Capital Adequacy Ratio (%)	19.60%	19.70%	19.90%	-10bps	-30bps
Spread Analysis					
NIM (%)	3.26%	3.40%	3.50%	-14bps	-24bps
Asset Quality					
Gross NPA	358.46	340.61	370.41	5.2%	-3.2%
Net NPA	123.57	111.70	122.76	10.6%	0.7%
GNPA (%)	1.17%	1.15%	1.40%	2bps	-23bps
NNPA (%)	0.41%	0.38%	0.47%	3bps	-6bps
Key Ratios					
Cost to Income Ratio (%)	39.2%	39.9%	32.8%	-69bps	644bps
C/D Ratio	95.8%	94.6%	95.1%	120bps	70bps
RoA (%) (annualized)	1.84%	1.92%	1.92%	-8bps	-8bps

Q1FY27 Concall Takeaways

Business Growth & Loan Momentum
- The bank indicated that it is entering the next phase of loan growth after remaining selective over the past few quarters. Advances have continued to improve over the last three to four quarters, and the bank expects this momentum to sustain.
- Corporate advances grew ~ 18% YoY, while Business Banking (MSME) reported strong growth of 22.3% YoY, supported by healthy credit demand despite competitive market conditions.
- Retail loan disbursements remained healthy, with mortgages growing ~ 14% YoY and vehicle finance, personal loans and business loans recording nearly 20% growth. Gold loans and Dukandar lending are also contributing to retail growth.
- The bank disbursed nearly INR 14,000 crore under the ECLGS 5.0 scheme by June-end, making it one of the largest participating banks.

Deposit Franchise & CASA
- Deposit growth remained better than the bank's historical Q1 trend, with HDFC Bank continuing to gain incremental market share.
- CASA remains a key focus area, with the bank aiming to gradually improve the ratio towards the pre-merger level of ~ 38–40% over the medium term.
- Customer acquisition is expected to improve after strengthening fraud detection and account-opening processes, which should support better-quality CASA growth.
- Only ~ 14% of customers currently hold term deposits with the bank, providing a significant cross-selling opportunity.

Margin & Funding Outlook
- The bank expects funding costs to gradually decline as system liquidity improves, which should support margin recovery over time.
- Borrowings account for ~11% of the balance sheet compared to the industry average of 5–6%, providing room for funding cost optimisation.
- Borrowings maturing over the next few years carry interest rates above 7%, while comparable retail deposits cost ~ 6%, creating a funding cost benefit of nearly 100–125 bps upon replacement.
- Margin improvement is expected to be gradual, supported by a better funding mix and higher retail loan contribution.

Retail Strategy & Customer Acquisition
- The bank plans to accelerate customer acquisition after strengthening onboarding quality and fraud prevention systems over the past two years.
- Customer additions were intentionally moderated to improve account quality and reduce fraudulent account openings.
- HDFC Bank now serves over 100 Mn customers and sees significant opportunities to improve wallet share and deepen relationships with existing customers.

Branch Expansion & Productivity
- ~ 40% of branches are less than five years old and are performing in line with expectations.
- Average business per branch has increased to nearly INR 330 crore from ~ INR 266 crore in FY23, reflecting improving productivity.
- Branches continue to play an important role in deposit mobilisation, retail lending, SME financing and customer acquisition.

Digital Transformation & Technology
- The bank is focused on improving customer experience by reducing turnaround time and enhancing digital journeys.
- Multiple Generative AI-based projects are expected to be rolled out during FY27 to improve customer service and operational efficiency.
- AI will also be increasingly used to strengthen cybersecurity and fraud detection capabilities.

Cost Efficiency & Productivity
- The bank has largely completed its major investment cycle in branches, technology and distribution over the last five years.
- Future investments will remain focused on technology, AI and cybersecurity.
- Management expects these investments to improve productivity, lower turnaround time and support better cost efficiency over the next two to three years.

Asset Mix & Lending Strategy
- Retail loans currently account for ~ 52% of the loan book, and the bank aims to gradually increase this towards 60% over time.
- Corporate lending remains highly competitive, and the bank continues to remain selective while focusing on deeper customer relationships.
- Future loan growth is expected to remain well diversified across retail, MSME and wholesale segments.

Asset Quality & ECL Transition
- The bank believes its existing provisions are adequate for the transition to the Expected Credit Loss (ECL) framework from April 2027.
- Management does not expect any material increase in credit costs after ECL implementation, although standard asset provisions may rise modestly.
- PCR currently stands at ~ 66%, or nearly 70% excluding the agriculture portfolio.

FCNR Opportunity
- The bank sees the RBI's FCNR deposit window as a strong funding opportunity and has completed most operational preparations.
- FCNR mobilisation is expected to pick up during July–September FY27 and should support liquidity and funding costs over time.

Key Financials

Profit & Loss Account						
Rs in Bn	**FY24**	**FY25**	**FY26A**	**FY27E**	**FY28E**	**FY29E**
Interest Earned	2,583	3,005	3,075	3,472	3,972	4,546
Interest expended	1,498	1,778	1,788	1,994	2,251	2,567
NII	**1,085**	**1,227**	**1,287**	**1,478**	**1,721**	**1,979**
Other Income	492	456	625	600	632	699
Net Income	**1,578**	**1,683**	**1,912**	**2,078**	**2,353**	**2,678**
Operating Exp	634	682	727	821	936	1,067
PPOP	**944**	**1,001**	**1,186**	**1,257**	**1,417**	**1,611**
Provisions	235	116	234	156	185	203
PBT	**709**	**885**	**952**	**1,101**	**1,232**	**1,408**
Tax	101	211	205	237	265	303
PAT	**608**	**673**	**747**	**864**	**967**	**1,105**

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Balance Sheet						
Rs in Bn	**FY24**	**FY25**	**FY26A**	**FY27E**	**FY28E**	**FY29E**
CAPITAL & LIABILITIES						
Capital	7.60	7.65	15.39	15.39	15.39	15.39
Reserves & Surplus	4,395	5,007	5,568	6,156	6,814	7,565
Deposits	23,798	27,147	31,053	35,743	41,249	47,769
Borrowings	6,622	5,479	4,894	4,160	3,952	3,754
Other Liabilities	1,354	1,461	2,073	2,281	2,509	2,760
TOTAL	**36,176**	**39,102**	**43,603**	**48,355**	**54,539**	**61,864**
ASSETS						
Cash & Balances	2,191	2,396	2,985	2,710	2,437	2,608
Investments	7,024	8,364	8,842	9,903	11,190	12,645
Advances	24,849	26,196	29,372	33,190	37,837	43,323
Fixed Assets	114	137	147	169	195	224
Other Assets	1,998	2,010	2,303	2,383	2,880	3,064
TOTAL	**36,176**	**39,102**	**43,649**	**48,355**	**54,539**	**61,864**

Source: Arihant Research, Company Filings

Ratios (%)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Growth						
NII	25.0	13.0	4.9	14.9	16.4	15.0
PPOP	34.1	6.1	18.4	6.0	12.7	13.7
Net profit	37.9	10.7	10.9	15.7	11.9	14.3
Deposits	26.4	14.1	14.4	15.1	15.4	15.8
Advances	55.2	5.4	12.1	13.0	14.0	14.5
Returns						
ROA	2.00	1.79	1.80	1.88	1.88	1.90
ROE	16.9	14.3	14.1	14.7	14.9	15.3
NIM (%)	3.80	3.45	3.29	3.40	3.54	3.60
Efficiency						
C/I Ratio	40.2	40.5	38.0	39.5	39.8	39.8
CASA	38.2	34.8	34.1	34.4	34.5	35.0

Ratios (%)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Per Share						
BV (Rs)	290	328	363	401	444	492
ABV (Rs)	284	320	355	393	435	483
EPS (Rs)	40	44	49	56	63	72
Valuation						
P/BV (x)	2.8	2.5	2.3	2.0	1.8	1.7
P/ABV (x)	2.9	2.6	2.3	2.1	1.9	1.7
P/EPS (x)	20.5	18.6	16.9	14.6	13.1	11.4
Asset quality						
GNPA	1.2	1.3	1.2	1.1	1.1	1.1
NNPA	0.3	0.4	0.4	0.4	0.4	0.4
PCR	74.0	67.9	67.2	67.6	67.9	67.8

Source: Arihant Research, Company Filings

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Stock Rating Scale	**Absolute Return**
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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