

**CMP: INR 931**

**Rating: Buy**

**Target Price: INR 1,132**

**Stock Info**

BSE	500180
NSE	HDFCBANK
Bloomberg	HDFCB IN
Reuters	HDBK.BO
Sector	Banks
Face Value (INR)	1
Equity Capital (INR Mn)	15,304
Mkt Cap (INR Bn)	14,325
52w H/L (INR)	1,020 / 812
Avg Yearly Vol (in 000')	14,210

**Shareholding Pattern %**

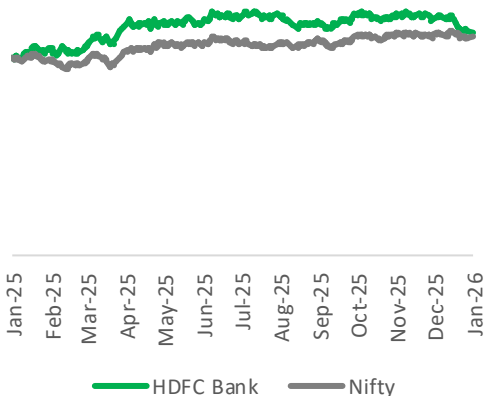
(As on Dec 2025)

Promoters	-
Public & Others	100

**Stock Performance (%)**

	3m	6m	12m
HDFC Bank	-7.83	-7.11	12.54
Nifty 50	-0.67	2.41	10.06

**HDFC Bank Vs Nifty**



Abhishek Jain

[abhishek.jain@arihantcapital.com](mailto:abhishek.jain@arihantcapital.com)

HDFC Bank reported a mixed performance in Q3FY26, with net profit of INR 186.5 bn. Asset quality remained stable QoQ, with GNPA improving to 1.24% from 1.42% in Q3 FY25. NII for Q3FY26 stood at INR 326.15 bn, marginally above our estimate of INR 325.58 bn, up 3.37% QoQ and 6.40% YoY. Adjusted PPOP came in at INR 270.98 bn, below our estimate of INR 288.43 bn, declining 2.96% QoQ but rising 8.39% YoY. Provisions were INR 28.38 bn, lower than our estimate of INR 40.26 bn, down 18.93% QoQ and 10.02% YoY. PAT stood at INR 186.54 bn, in line with our estimate of INR 186.13 billion, up 0.07% QoQ and 11.46% YoY. GNPA and NNPA stood at 1.24% and 0.42%, respectively, both flat QoQ and improved YoY. Deposits grew 2.08% QoQ and 11.56% YoY to INR 28,600.55 bn, while advances increased 2.73% QoQ and 12.04% YoY to INR 28,214.47 bn.

**Loan growth poised to re-accelerate; system-plus growth expectation from FY27:** The bank expects system credit growth of ~12–13% and believes it can grow ~200 bps above system levels next year, driven by balanced expansion across retail, MSME, and wholesale segments. The re-acceleration is underpinned by easing liquidity conditions, CRR releases, benign credit costs, and normalization in wholesale lending. Importantly, management emphasized that growth will not be product-specific but relationship-led, reducing volatility and concentration risks. We believe that the post-merger growth moderation phase is behind, with the bank positioned to regain its historical leadership in credit growth over the medium term.

**Asset quality remains strong; no early signs of stress across portfolios:** Gross and net NPA accretions remain at multi-year lows, with no segment - retail, MSME, or wholesale showing signs of stress build-up. Excluding agri-related adjustments, quarterly slippages remain stable at ~25 bps, underscoring the resilience of the loan book. Recoveries remain healthy, and large ticket stress formation continues to be negligible. We expect asset quality to remain a key earnings stabilizer over FY26–FY27.

**Loan-to-deposit ratio on a clear downward glide path without compromising growth:** Gradual normalization of the LDR is expected, with FY26 to remain in the ~90–95% range and further moderation towards ~90% by FY27. There is no regulatory pressure on LDR and the glide path is self-imposed to ensure balance sheet sustainability. Deposit strategy remains focused on granular retail and relationship-driven mobilization, while tactical restraint on bulk deposits has helped reduce cost of funds by ~10–11 bps QoQ. While deposit growth was modest in Q3, seasonal acceleration expects in Q4 and remains confident of achieving the stated trajectory. We see improving liquidity conditions and better pricing alignment as key enablers for deposit growth.

**Valuation & View:** The bank has guided for loan growth in line with system in FY26 and ~200 bps faster than system in FY27, with system credit growth assumed at ~12–13%, implying a return to above-industry growth post merger-related balance sheet adjustments. Asset quality continues to be best-in-class, with slippages stable at ~25 bps and no emerging stress across retail, MSME, or wholesale segments, supporting stable credit costs. On the liability side, management reiterated a clear downward glide path in the loan-to-deposit ratio, targeting ~90–96% in FY26 and ~88–92% by FY27, driven by improving granular deposit traction and disciplined bulk deposit pricing, which has already led to a ~10–11 bps QoQ decline in cost of funds. While competitive intensity remains elevated in select products like home loans and auto, the bank continues to prioritize relationship-led growth over price-led expansion, which should protect margins and returns. **We have an BUY rating on the stock with a revised target price of INR 1,132 on SOTP basis, with the standalone bank valued on 1.8x FY28E P/ABV.**

Financial Summary Y/E Mar (Rs Bn)	FY23	FY24	FY25	FY26E	FY27E	FY28E
NII	868	1,085	1,227	1,300	1,480	1,738
Net profit	441	608	673	750	875	1,015
Networth	2,802	4,402	5,014	5,591	6,256	7,027
Adj BVPS	247	284	320	358	401	451
EPS (Rs)	39.53	40.02	44.01	48.98	57.19	66.33
P/ABV (x)	3.77	3.21	2.84	2.55	2.28	2.03
P/E (x)	23.55	23.26	21.16	19.01	16.28	14.04
RoA (%)	2.1	2.0	1.8	1.8	1.9	2.0
RoE (%)	17.0	16.9	14.3	14.1	14.8	15.3

Source: Arihant Research, Company Filings

## Q3FY26 - Quarterly Performance (Standalone)

Income Statement (INR Bn.)	Q3FY26	Q2FY26	Q3FY25	Q-o-Q	Y-o-Y
Interest Income	768	767	760	0.1%	1.0%
Interest Expense	441	451	454	-2.2%	-2.7%
<b>Net Interest Income</b>	<b>326</b>	<b>316</b>	<b>307</b>	<b>3.4%</b>	<b>6.4%</b>
Non Interest Income	133	144	115	-7.6%	15.7%
<b>Total Income</b>	<b>459</b>	<b>459</b>	<b>421</b>	<b>-0.1%</b>	<b>8.9%</b>
Employee Costs	72	65	60	11.5%	21.1%
Other Operating Expenses	116	115	112	0.4%	3.7%
Operating Expenses	188	180	171	4.4%	9.7%
<b>Pre-Provision Profit</b>	<b>271</b>	<b>279</b>	<b>250</b>	<b>-3.0%</b>	<b>8.4%</b>
Provisions	28	35	32	-18.9%	-10.0%
<b>Profit Before Tax</b>	<b>243</b>	<b>244</b>	<b>218</b>	<b>-0.7%</b>	<b>11.0%</b>
Tax Expense	56	58	51	-3.0%	9.7%
<b>Net Profit</b>	<b>187</b>	<b>186</b>	<b>167</b>	<b>0.1%</b>	<b>11.5%</b>
<b>Balance Sheet Analysis</b>					
Deposits	28,601	28,018	25,638	2.1%	11.6%
CASA (%)	34.0%	34.0%	34.0%	0bps	0bps
Advances	28,214	27,464	25,182	2.7%	12.0%
Total Assets	40,890	40,030	37,590	2.1%	8.8%
Capital Adequacy Ratio (%)	19.90%	20.00%	19.97%	-10bps	-7bps
<b>Spread Analysis</b>					
NIM (%)	3.35%	3.27%	3.62%	8bps	-27bps
<b>Asset Quality</b>					
Gross NPA	351.79	342.89	360.19	2.6%	-2.3%
Net NPA	119.82	114.47	115.88	4.7%	3.4%
GNPA (%)	1.24%	1.24%	1.42%	0bps	-18bps
NNPA (%)	0.42%	0.42%	0.46%	0bps	-4bps
<b>Key Ratios</b>					
Cost to Income Ratio (%)	40.9%	39.2%	40.6%	176bps	30bps
C/D Ratio	98.7%	98.0%	98.2%	63bps	43bps
RoA (%) (annualized)	1.92%	1.96%	1.88%	-4bps	4bps

### Q3FY26 Concall Takeaways

The quarterly performance was in line with internal expectations.

Credit growth momentum has been encouraging, supported by a benign credit environment, easing rate cycle, and CRR release, which enabled faster credit deployment than earlier anticipated.

The bank continues to focus on balanced and profitable growth across customer segments rather than chasing volume-led growth.

Cost control and productivity improvements have helped maintain stable profitability, while asset quality remains a key strength.

### Loan Growth

- Management expects system credit growth of ~12–13% YoY, and the bank aims to grow ~200 bps above system growth in FY27.
- Loan growth is expected to be driven by retail, MSME, and a recovery in wholesale lending, supported by strong geographic reach and customer segmentation.
- Liquidity conditions and benign credit costs are expected to provide adequate runway for sustained loan growth.

### Deposit Growth & Funding Strategy

- Deposit growth was relatively slower in the quarter due to rate discipline, especially in bulk and non-retail deposits, where the bank chose not to match aggressive market pricing. Granular retail deposits (individual customers) continue to grow steadily and remain the core focus.
- The bank's cost of funds declined by ~10–11 bps QoQ. Deposit growth is expected to accelerate in Q4, which is seasonally strong, supporting balance sheet expansion.

### Loan-to-Deposit Ratio

- The bank reiterated its downward glide path for the CD ratio following the merger.
- Management targets: 90–96% range in FY26 and ~88–92% range by FY27 (directionally ~90%, not a hard target)
- There is no regulatory mandate on a specific CD ratio, but management views a lower ratio as important for sustainable profitability.
- The pace of improvement will depend on deposit mobilisation and system liquidity.

### Asset Quality & Credit Costs

- Asset quality across the system and the bank remains pristine, with gross and net NPAs at near decadal lows.
- Gross NPA accretion continues to be very low, and no specific segment is showing early signs of stress.
- Quarterly slippages (excluding agri) have remained stable at ~23–26 bps.
- Net credit cost (after recoveries) stands at ~37 bps, while reported credit cost is ~50–55 bps, largely influenced by write-offs and recovery timing.
- Management does not see any near-term asset quality risks from MSME, retail, or external factors such as global trade or tariffs.

### Other Highlights

- RBI inspection is complete, and the bank has already absorbed a one-time provision of ~INR 5,000 Mn related to agri compliance issues.
- The provision was fully absorbed in December and does not have any ongoing or exceptional impact.
- The recalibration of the agri book will be done based on scale-of-finance norms, and there is no indication of future large provisioning risks.
- Credit card receivables have remained stable despite gains in spend market share and transaction volumes. Credit card spends contribute ~20–25% of incremental deposit momentum. Revolver balances are ~2/3rd of pre-2020 levels. The bank has consciously avoided aggressive credit line increases to prevent future delinquencies.
- The estimated INR ~8,000 Mn impact from labour code implementation is based on actuarial assumptions using currently available information. Final impact remains uncertain as rule-making and wage definitions are still pending.
- Over 80% of auto loans are self-funded, as customers maintain deposit balances alongside loans, preserving profitability.

## Key Financials

## Profit &amp; Loss Account

Rs in Bn	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Earned	1,616	2,583	3,005	3,333	3,772	4,302
Interest expended	747	1,498	1,778	2,033	2,292	2,564
<b>NII</b>	<b>868</b>	<b>1,085</b>	<b>1,227</b>	<b>1,300</b>	<b>1,480</b>	<b>1,738</b>
Other Income	312	492	456	655	679	737
<b>Net Income</b>	<b>1,181</b>	<b>1,578</b>	<b>1,683</b>	<b>1,955</b>	<b>2,159</b>	<b>2,475</b>
Operating Exp	477	634	682	750	825	932
<b>PPOP</b>	<b>704</b>	<b>944</b>	<b>1,001</b>	<b>1,205</b>	<b>1,335</b>	<b>1,543</b>
Provisions	119	235	116	221	185	209
<b>PBT</b>	<b>585</b>	<b>709</b>	<b>885</b>	<b>985</b>	<b>1,150</b>	<b>1,334</b>
Tax	144	101	211	235	275	319
<b>PAT</b>	<b>441</b>	<b>608</b>	<b>673</b>	<b>750</b>	<b>875</b>	<b>1,015</b>

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

## Balance Sheet

Rs in Bn	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>CAPITAL &amp; LIABILITIES</b>						
Capital	5.58	7.60	7.65	15.30	15.30	15.30
Reserves & Surplus	2,796	4,395	5,007	5,576	6,241	7,012
Deposits	18,834	23,798	27,147	31,503	36,380	42,117
Borrowings	2,068	6,622	5,479	4,931	4,192	3,982
Other Liabilities	957	1,354	1,461	1,364	1,501	1,651
<b>TOTAL</b>	<b>24,661</b>	<b>36,176</b>	<b>39,102</b>	<b>43,391</b>	<b>48,329</b>	<b>54,777</b>
<b>ASSETS</b>						
Cash & Balances	1,938	2,191	2,396	2,955	2,659	2,730
Investments	5,170	7,024	8,364	9,217	10,323	11,665
Advances	16,006	24,849	26,196	28,973	32,594	37,027
Fixed Assets	80	114	137	157	181	208
Other Assets	1,467	1,998	2,010	2,089	2,572	3,147
<b>TOTAL</b>	<b>24,661</b>	<b>36,176</b>	<b>39,102</b>	<b>43,391</b>	<b>48,329</b>	<b>54,777</b>

Source: Arihant Research, Company Filings

Ratios (%)	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Growth</b>						
NII	20.6	25.0	13.0	6.0	13.9	17.4
PPOP	9.9	34.1	6.1	20.4	10.7	15.6
Net profit	19.3	37.9	10.7	11.3	16.8	16.0
Deposits	20.8	26.4	14.1	16.0	15.5	15.8
Advances	16.9	55.2	5.4	10.6	12.5	13.6
<b>Returns</b>						
ROA	2.07	2.00	1.79	1.82	1.91	1.97
ROE	17.0	16.9	14.3	14.1	14.8	15.3
NIM (%)	4.05	3.80	3.45	3.33	3.41	3.58
<b>Efficiency</b>						
C/I Ratio	40.4	40.2	40.5	38.4	38.2	37.7
CASA	44.4	38.2	34.8	31.5	28.9	26.3

Ratios (%)	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Per Share</b>						
BV (Rs)	251	290	328	365	409	459
ABV (Rs)	247	284	320	358	401	451
EPS (Rs)	40	40	44	49	57	66
<b>Valuation</b>						
P/BV (x)	3.7	3.2	2.8	2.5	2.3	2.0
P/ABV (x)	3.8	3.3	2.9	2.6	2.3	2.1
P/EPS (x)	23.6	23.3	21.2	19.0	16.3	14.0
<b>Asset quality</b>						
GNPA	1.1	1.2	1.3	1.3	1.3	1.2
NNPA	0.3	0.3	0.4	0.4	0.4	0.3
PCR	75.8	74.0	67.9	69.9	71.9	72.0

Source: Arihant Research, Company Filings

**Arihant Research Desk**Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

**Head Office**

#1011, Solitaire Corporate Park  
 Building No. 10, 1<sup>st</sup> Floor  
 Andheri Ghatkopar Link Road  
 Chakala, Andheri (E)  
 Mumbai – 400093  
 Tel: (91-22) 42254800

**Registered Office**

6 Lad Colony,  
 Y.N. Road,  
 Indore - 452003, (M.P.)  
 Tel: (91-731) 4217100/101  
 CIN: L66120MP1992PLC007182

**Stock Rating Scale**

BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

**Absolute Return****Research Analyst  
Registration No.**

INH000002764

**Contact**

SMS: 'Arihant' to 56677

**Website**[www.arihantcapital.com](http://www.arihantcapital.com)**Email Id**[instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)**Arihant Capital Markets Ltd.**

1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
 Tel. 022-42254800

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**Arihant Capital Markets Ltd.**

1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
Tel. 022-42254800