DEVEN CHOKSEY RESEARCH

Q2FY26

HDFC Bank Ltd.

Result Update

20th Oct 2025

HDFC BANK Ltd.

Stable performance with balanced growth and quality.

CMP	Target	Potential Upside	Market Cap (INR Bn)	Recommendation	Sector
INR 1,004	**INR 1,149**	**14.4%**	**INR 15,409.8**	**ACCUMULATE**	**Banking**

Result Highlights

Financial highlights

For Q2FY26, Net Interest Income (NII) grew by 4.8% YoY (0.4% QoQ) to INR 315.5 Bn, 0.6% below our estimates, supported by steady asset repricing despite higher funding costs, with the core NIM at 3.27% versus 3.35% in the prior quarter.

Pre-provision operating profit (PPOP) rose 13.0% YoY to INR 279.2 Bn, aided by robust non-interest income of INR 143.5 Bn, led by fee growth and strong trading gains.

Net profit (PAT) grew 10.8% YoY (+2.7% QoQ) to INR 186.4 Bn, driven by higher other income and controlled credit costs, partially offset by increased operating expenses.

Balance sheet Performance

As of September 30, 2025, total advances grew by 10.1% YoY (+4.5% QoQ) to INR 27,692 Bn, led by retail (+7.4%), SME (+17.0%), and corporate (+6.4%) segments, indicating broad-based credit momentum.

Total deposits increased by 12.1% YoY (+1.4% QoQ) to INR 28,018 Bn, supported by robust traction in term deposits which rose 14.6% YoY, while CASA deposits grew 7.4% YoY, maintaining a healthy CASA ratio of 33.9%.This reflects the bank's continued strength in deposit franchise, steady loan growth, and prudent management of its credit-deposit (C/D) ratio amid a stable macro environment.

Other highlights

The total capital adequacy ratio stood strong at 20.0% in Q2FY26, with Tier 1 capital at 17.9% and Common Equity Tier 1 (CET1) at 17.5%, reflecting a well-capitalized balance sheet and healthy buffer to support future growth.

The Gross NPA ratio improved sequentially by 16 bps to 1.24% (from 1.40% in Q1FY26), and the Net NPA ratio declined to 0.42%, indicating strong asset quality and effective risk management across portfolios.

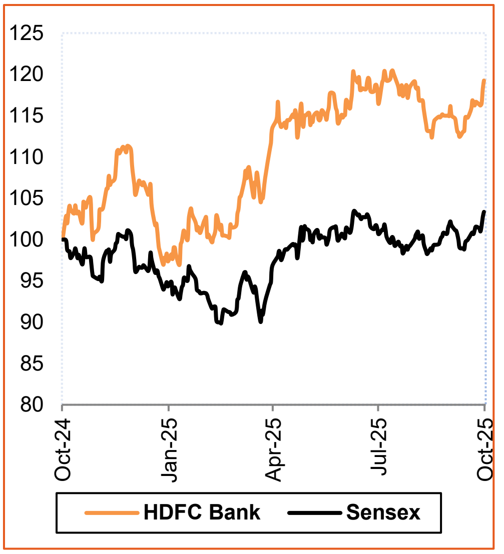
The total credit cost ratio for the quarter was 0.51%, highlighting prudent provisioning and disciplined portfolio quality.

Valuation and Outlook

HDFC Bank's Q2FY26 performance underscores steady earnings delivery and resilient balance sheet strength. Core profitability remains stable, supported by improving asset quality and healthy capital buffers. While near-term margin softness persists, management's focus on deposit granularity and disciplined growth positions the bank well for medium-term normalization.

We HDFC Bank's standalone business at INR 884.0 per share (based on 2.2x FY27E ABV), while we value its stake in the subsidiaries at INR 265.0 per share, implying a SOTP target price of INR 1,149. We reiterate our "ACCUMULATE" rating on the stock.

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (Mn)	15,634
Mkt Cap (INR Bn)	15,409.8
52 Wk H/L (INR)	1,020/812

*Based on today's closing
Note: All the market data is as of today's closing

SHARE HOLDING PATTERN (%)

Particulars (%)	Sept-25	Jun-25	Mar-25
Promoters	n/a	n/a	n/a
FIIs	48.4	48.8	48.3
DIIs	36.1	35.8	35.7
Others	15.5	15.4	16.0
Total	100.0	100.0	100.0

9.8%
NII CAGR between FY25-27E

4.2%
PAT CAGR between FY25-27E

KEY FINANCIALS

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
NII	10,85,325	12,26,701	12,63,628	13,13,129	15,47,270
PPOP	9,43,874	10,01,275	11,47,868	11,46,199	13,57,080
PAT	6,08,123	6,73,474	7,12,289	7,31,599	8,67,143
BVPS (INR / Share)	576.0	650.3	363.1	410.8	467.3
NIM (%)	3.9%	3.6%	3.2%	3.0%	3.1%
Advances Growth YoY (%)	55.2%	5.4%	9.9%	14.6%	13.1%

Source: Company, DevenChoksey Research

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HDFC BANK Ltd.

Key Con-call Highlights:

Macroeconomic & Strategic Commentary

- Management highlighted that the domestic economy appears to be getting stronger. This momentum is supported by the triad of fiscal and monetary measures, including direct tax reductions, GST reductions, and the upfronting of interest rate cuts, which have galvanized economic activity. Furthermore, headline inflation has been printing very low thanks to the low food inflation. Meanwhile, the global outlook remains very volatile due to uncertainty related to tariffs and immigration policies.
- The upfronting of interest rate cuts and improvements in the economic activity have given the bank the opportunity to accelerate loan growth, with growth picking up across segments. The strategic objective is for the rate of loan growth this year to be at market and in FI27 will be faster than the market. The bank is very focused in disciplined pricing. Supporting this segmentation focus, retail loans grew by 7.4%, and small and mid-market enterprises loans grew by 17.0%.

Margins & Funding

- Net Interest Margin (NIM) contracted by 8 bps QoQ due to faster repricing of floating-rate assets, now stabilizing near 3.27%, with management expecting gradual recovery as deposit repricing catches up over the next few quarters.
- The cost of funds declined by ~18–20 bps, but management noted that time deposit repricing will take 4–5 more quarters to fully reflect the benefits of lower rates.
- Loan-to-deposit ratio (LDR) improved directionally from 96% to below 90%, aligning with the bank's medium-term goal of maintaining a balanced funding profile.

Credit Growth & Asset Quality

- Loan growth picked up across all segments, especially SME (+17% YoY) and retail (+7.4% YoY), with market share gains in deposits.
- Recoveries and upgrades contributed ~10 bps improvement in asset quality, aided by one large account upgrade.
- Contingent provisions increased by INR16 Bn, and general provisions by INR 6 Bn, reflecting the bank's conservative stance and preparation for future ECL framework adoption.
- Gross NPA ratio improved to 1.24% (from 1.40% in Q1FY26) and Net NPA stood at 0.42%, reinforcing strong portfolio health.

Deposits & CASA

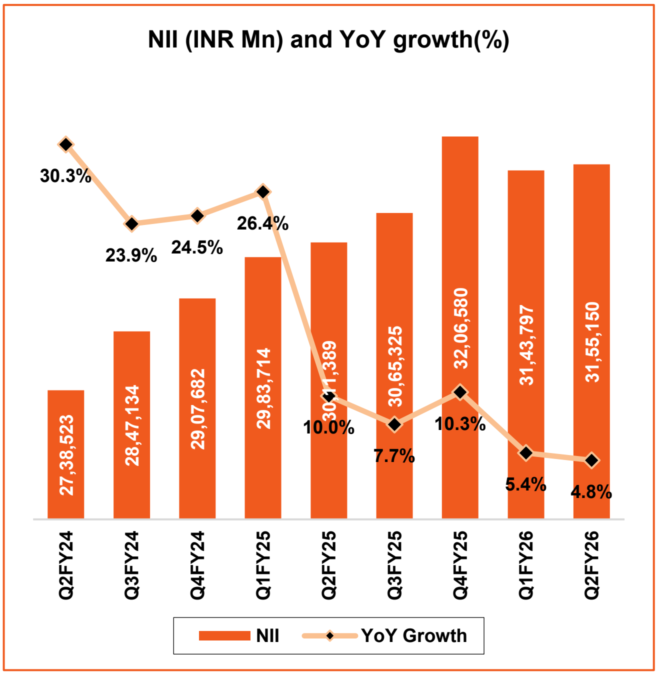
- Deposit growth remained steady, with a continued focus on retail granularity; retail deposits now form ~83% of the total mix.
- Management maintained its stance on disciplined pricing, preferring sustainable franchise-led growth over high-cost deposit mobilization.
- Average deposits grew 15% YoY, with CASA at 33.9% and time deposits growing faster due to rate transmission effects.

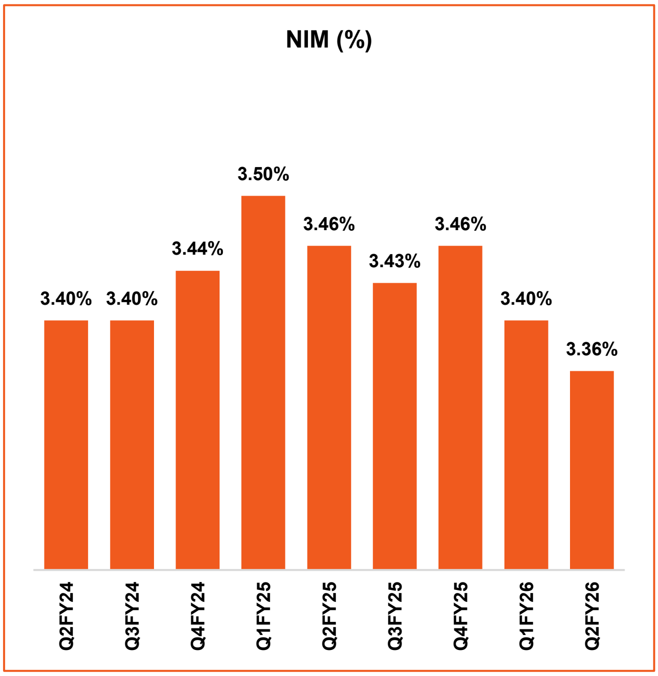
Subsidiaries performance

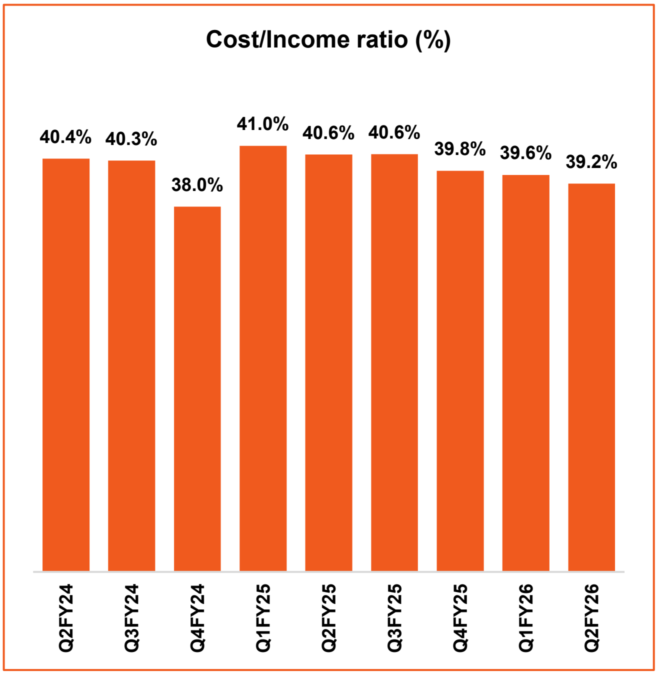
- HDB Financial Services Ltd : The total loan book reached INR 1,114 Bn. Profit after tax (PAT) for the quarter was INR 5.8 Bn, slightly down compared to INR 5.9 Bn in the corresponding prior quarter. Stage 3 loans were 2.81% of gross loans.
- HDFC Life Insurance Company Ltd : PAT for the quarter was INR 4.5 Bn, reflecting a growth compared to INR 4.3 Bn for the same quarter in the previous year.
- HDFC ERGO General Insurance Company Ltd : PAT for the quarter was INR 1.8 Bn, a decline compared to INR 2.0 Bn for the corresponding quarter in the previous year.
- HDFC Asset Management Company Ltd : PAT for the quarter was INR 7.2 Bn, showing a growth of 24.5% compared to INR 5.8 Bn in the previous year's corresponding quarter.
- HDFC Securities Ltd : PAT for the quarter was INR 2.1 Bn, which was lower than the INR 3.2 Bn reported for the corresponding quarter of the previous year.

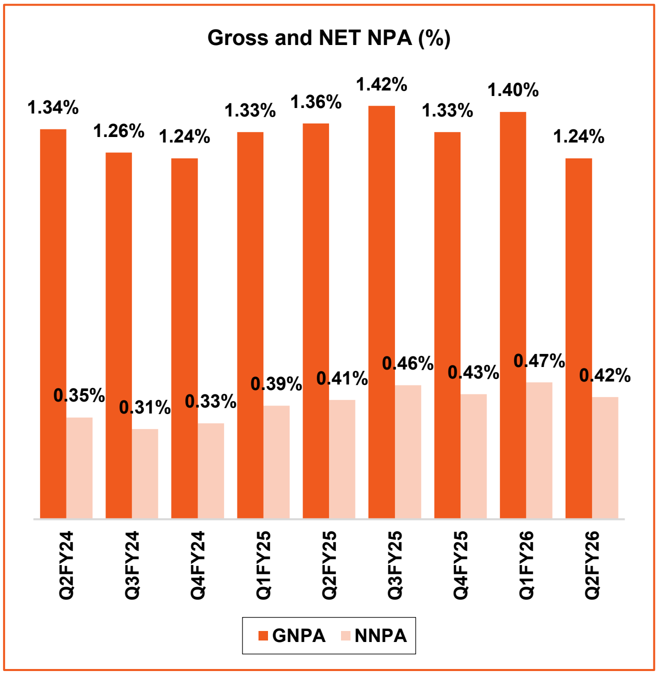
HDFC BANK Ltd.

Story in Charts









Source: Company, DevenChoksey Research

HDFC BANK Ltd.

Result Snapshot

Particulars (In Mn)	Q2FY26	Q1FY26	Q2FY25	QoQ	Y-o-Y
Income Statement					
Interest income	7,66,907	7,74,702	7,40,169	-1.0%	3.6%
Interest expense	4,51,392	4,60,322	4,39,030	-1.9%	2.8%
Net interest income	**3,15,515**	**3,14,380**	**3,01,139**	**0.4%**	**4.8%**
Non interest income	1,43,500	2,17,298	1,14,827	-34.0%	25.0%
Total income	**4,59,015**	**5,31,678**	**4,15,966**	**-13.7%**	**10.3%**
Operating expenses	1,79,779	1,74,338	1,68,909	3.1%	6.4%
Pre-provision profit	**2,79,236**	**3,57,340**	**2,47,057**	**-21.9%**	**13.0%**
Provisions	35,005	1,44,416	27,005	-75.8%	29.6%
Profit before tax	**2,44,231**	**2,12,923**	**2,20,053**	**14.7%**	**11.0%**
Tax expense	57,818	31,371	51,843	84.3%	11.5%
Net profit	**1,86,413**	**1,81,552**	**1,68,210**	**2.7%**	**10.8%**
Balance sheet analysis					
Deposits (In INR Mn.)	2,80,17,888	2,76,40,890	2,50,00,882	1.4%	12.1%
CASA Deposits (In INR Mn.)	94,91,000	93,70,000	88,36,000	1.3%	7.4%
CASA (%)	33.9%	33.9%	35.3%	-2bps	-147bps
Advances (In INR Mn.)	2,74,63,598	2,62,84,342	2,49,51,203	4.5%	10.1%
Total Assets (In INR Mn.)	4,00,30,084	3,95,40,767	3,68,80,654	1.2%	8.5%
Capital adequacy ratio (%)	20.0%	19.9%	19.8%	8bps	19bps
Asset quality					
Gross NPA	3,42,895	3,70,408	3,42,506	-7.4%	0.1%
Net NPA	1,14,473	1,22,760	1,03,085	-6.8%	11.0%
GNPA (%)	1.24%	1.40%	1.36%	-16bps	-12bps
NNPA (%)	0.42%	0.47%	0.41%	-5bps	1bps
PCR (%)	66.6%	66.9%	69.9%	-24bps	-329bps
Key ratios					
Cost to income ratio (%)	39.2%	32.8%	40.6%	638bps	-144bps
C/D ratio (%)	98.0%	95.1%	99.8%	293bps	-178bps
RoA (%) (Not annualized)	0.49%	0.48%	0.49%	1bps	0bps

Source: Company, DevenChoksey Research

HDFC BANK Ltd.

Financials:

Exhibit 1: Profit & Loss Statement

INR Mn	FY25	FY26E	FY27E	FY28E
Interest Income	30,05,170	31,82,154	36,21,806	41,27,751
Interest Expense	17,78,470	19,18,526	23,08,676	25,80,482
Net Interest Income	**12,26,701**	**12,63,628**	**13,13,129**	**15,47,270**
Non-interest income	4,56,323	6,09,808	6,77,862	7,96,789
Operating income	16,83,024	18,73,436	19,90,991	23,44,059
Operating Expense	6,81,749	7,25,568	8,44,792	9,86,978
PPOP	**10,01,275**	**11,47,868**	**11,46,199**	**13,57,080**
Provisions	1,16,494	2,31,615	1,70,734	2,00,890
PBT	8,84,781	9,16,253	9,75,466	11,56,191
Tax Expense	2,11,307	2,03,964	2,43,866	2,89,048
PAT	**6,73,474**	**7,12,289**	**7,31,599**	**8,67,143**
Diluted EPS (INR)	88.3	46.4	47.7	56.5

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26E	FY27E	FY28E
Source of Funds				
Share capital	7,652	15,364	15,364	15,364
Reserves & Surplus	49,68,542	55,53,047	62,84,646	71,51,789
Net worth	49,76,194	55,68,410	63,00,010	71,67,153
Borrowings	54,79,309	53,91,815	62,35,389	72,50,704
Deposits	2,71,47,149	3,17,16,559	3,66,78,757	4,26,51,202
Other liabilities & provisions	14,61,285	8,19,471	6,07,024	-3,91,875
Total Equity & Liabilities	**3,91,01,989**	**4,34,96,256**	**4,98,21,179**	**5,66,77,184**
Uses of Funds				
Cash & Balance with RBI	14,43,550	22,99,451	26,59,210	30,92,212
Other Bank and Call Money	9,52,156	9,51,497	11,00,363	12,79,536
Net investments	83,63,597	91,97,802	1,06,36,839	1,23,68,849
Loans & advances	2,61,96,086	2,87,92,510	3,29,93,389	3,73,14,453
Fixed assets	1,36,554	1,39,541	1,41,541	1,43,541
Other assets	20,10,046	21,15,455	22,89,837	24,78,593
Total Assets	**3,91,01,989**	**4,34,96,256**	**4,98,21,179**	**5,66,77,184**

Exhibit 3: Key Ratios

Key Ratio	FY25	FY26E	FY27E	FY28E
Growth Rates				
Advances (%)	5.4%	9.9%	14.6%	13.1%
Deposits (%)	14.1%	16.8%	15.6%	16.3%
Total assets (%)	8.1%	11.2%	14.5%	13.8%
NII (%)	13.0%	3.0%	3.9%	17.8%
Pre-provisioning profit (%)	6.1%	14.6%	-0.1%	18.4%
PAT (%)	10.7%	5.8%	2.7%	18.5%
B/S Ratios				
Credit/Deposit (%)	96.5%	90.8%	90.0%	87.5%
CASA (%)	34.8%	35.3%	36.8%	34.9%
Advances/Total assets (%)	67.0%	66.2%	66.2%	65.8%
Leverage - Total Assets to Equity	7.86	7.81	7.91	7.91
Operating efficiency				
Cost/income (%)	40.5%	38.7%	42.4%	42.1%
Opex/total assets (%)	1.7%	1.7%	1.7%	1.7%
Opex/total interest earning assets	2.0%	1.9%	1.9%	1.9%
Profitability				
NIM (%)	3.6%	3.2%	3.0%	3.1%
RoA (%)	1.8%	1.7%	1.6%	1.6%
RoE (%)	14.4%	13.5%	12.3%	12.9%
Asset quality				
Gross NPA (%)	1.3%	1.3%	1.4%	1.4%
Net NPA (%)	0.4%	0.4%	0.4%	0.4%
PCR (%)	67.9%	70.0%	71.0%	72.0%
Slippage (%)	1.3%	1.3%	1.3%	1.2%
Credit cost (%)	0.5%	0.8%	0.6%	0.6%
Per share data / Valuation				
EPS (INR)	88.0	46.4	47.7	56.5
BVPS (INR)	650.3	363.1	410.8	467.3
ABVPS (INR)	635.5	355.4	402.0	457.9
P/E (x)	20.8	43.2	42.1	35.5
P/BV (x)	2.8	5.5	4.9	4.3
P/ABV (x)	2.9	5.6	5.0	4.4

Source: Company, DevenChoksey Research

HDFC BANK Ltd.

HDFC Bank Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
20-Oct-25	1,004	1,149	ACCUMULATE
25-Jul-25	2,014	2,274	ACCUMULATE
22-Apr-25	1,962	2,076	ACCUMULATE
23-Jan-25	1,665	1,934	BUY
22-Oct-24	1,729	1,934	ACCUMULATE
23-Jul-24	1,643	1,860	ACCUMULATE

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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