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STOCK UPDATE

Result Update - Q3FY2026

SECTOR

Banking

COMPANY DETAILS

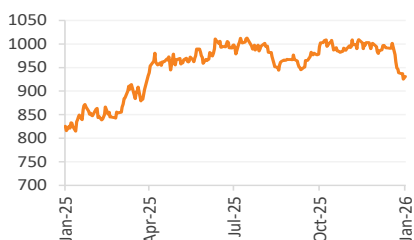
Market cap:	Rs. 14,27,073 cr
52-week high/low:	Rs. 1020/812
NSE volume: (No of shares)	1.7 crore
BSE code:	500180
NSE code:	HDFCBANK
Free float: (No of shares)	1,534 cr

Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	-
FII	47.7
DII	37.0
Others	15.3

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART


Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	-6.6	-6.7	-7.0	12.3
Relative to Sensex	-4.9	-6.4	-7.8	4.3

Source: Mirae Asset Sharekhan Research, Bloomberg

Reco/View: **Buy**

CMP: **Rs. 928**

Price Target: **Rs. 1,150**

Quick Snapshot

- Advances rose 12% y-o-y, driven by business and corporate banking. Deposit increased 11.6% y-o-y, CD ratio rose 70 bps q-o-q to 98.7%.
- NII met estimates; NIM rose 8 bps, beating expectations.
- Opex was higher due to new labor code, credit cost inched up q-o-q due to Agri loan slippages.
- Term deposit repricing and improvement in cost ratios to aid healthy levels of PAT, maintain Buy with an unchanged PT of Rs.1150.

Result overview

- NII grew 6.4% y-o-y and 3.4% q-o-q as the NIMs expanded by 8 bps q-o-q to 3.27%. Margins rose was driven by decline in cost of funds which in turn was aided by lower borrowing costs and downward re-pricing of term deposits.
- Fee income growth was in-line with loan growth at 12.8%, while the bank had a treasury gain of Rs. 930 crore versus Rs. 70 crore y-o-y.
- Operating expenses rose 9.7% y-o-y and 4.4% q-o-q and the bank had one-time impact of Rs. 800 crore due to New Labor Codes, Cost/Income ratio increased to 40.9% versus 39.2% q-o-q.
- In Q3FY26, the bank had to make ~Rs. 500 crore of standard asset provision pertaining to Agri PSL loans, but it also had a provision release of Rs. 1040 crore towards a large borrower group, which led to fall in total provisions. Thus, net profit at Rs. 18654 crore, up 11.5% y-o-y, was ahead of our estimates.
- Fresh NPA additions rose q-o-q to Rs. 8600 crore owing to seasonal Agri slippage, ex-Agri the slippages were at Rs. 6700 crore. GNPA and NNPA ratios were stable at 1.24% and 0.42% respectively.
- Advances grew 12% y-o-y and 3.4% q-o-q, in this business banking posted robust growth of 19.8% y-o-y, while corporate book growth was also respectable at 10.3% y-o-y and 4.1% q-o-q.
- Deposits at 11.6% y-o-y, slightly lagged loan growth leading to higher C/D ratio. The bank added 15 lakh new liability relationships in Q3, bringing its total customer base to 10 crore.

Our Call

HDFC Bank is entering the next leg of growth, focused on sustainable profitability with higher than industry growth FY27 onwards. By emphasizing granular retail deposits, the bank aims to optimize its cost of funds and drive long-term margin improvement. We value the bank at ~2.3x FY28E book value and subsidiaries at Rs. 125 per share, maintain a Buy with an unchanged PT of Rs.1150.

Key Risks

Slower growth in deposits could restrict credit offtake.

Valuation

	Rs cr				
Particulars	FY24	FY25	FY26E	FY27E	FY28E
Net Interest Income	1,08,532	1,22,670	1,29,221	1,47,927	1,71,665
Net profit	60,812	67,347	73,720	85,453	98,559
EPS (Rs)	40.0	44.0	47.9	55.4	63.6
P/E (x)	20.0	18.2	16.7	14.5	12.6
P/BV (x)	2.8	2.4	2.2	2.0	1.8
RoE	16.9	14.3	14.0	14.6	15.0
RoA	2.0	1.8	1.8	1.9	2.0

Source: Company; Mirae Asset Sharekhan estimates

Concall highlights

Credit cost and margins

- Management characterised gross credit cost (at ~55 bps) as business-as-usual, noting that in a growing book, steady slippages and recoveries are the expected trend.
- Provision of ~Rs. 500 crore pertaining to agri-PSL credit was subsumed within total provisions made by the bank.
- Primary lever for margin improvement is the cost of funds, which is benefiting from the downward repricing of borrowings and time deposits. However, time deposit repricing has a lag effect of about five quarters, meaning the full impact of recent rate disciplines will take time to manifest in the net interest margin (NIM).
- The bank also sees an opportunity to reduce its borrowing costs.

Labor code impact and others

- The bank had Rs. 800 crore cost related to the upcoming new labor code. This is a one-time actuarial estimate based on best available information regarding potential changes to wage definitions and employee benefits.
- The bank reported an LCR of 116% in this quarter

Branch network and productivity

- The bank has moderated its aggressive branch expansion from previous years (which saw up to 1,500 additions in a single year) to focus on stabilizing the recent cohort of 4,800 branches opened over the last five years.
- Per-branch productivity has increased to Rs. 305 crore, up from Rs. 237 crore in previous cycles.
- A large number of branches (over 1,200) are moving into the 5-to-10-year bucket, a period where they typically see a 3x increase in scale. Deposit growth mobilization would take place via such branches.

Credit growth and advances

- HDFC Bank aims to maintain a credit growth rate that is faster than the system in FY27.
- The bank's strategy for advances focuses on relationship-led growth rather than price-based competition.
- In the automobile loan book ~80% is self-funded, these borrowers maintain significant deposit balances with the bank, effectively funding their own loans.

Outlook and guidance

- The current year's topline growth is expected to align with the industry, management is optimistic about outpacing the system by approximately 200 basis points in FY27, assuming a system growth of 12-13%.
- HDFC Bank targets to reach a credit-deposit ratio of 85-90% by FY27-end.
- The bank is also undergoing a branch transformation and automation phase, which will incorporate new technology to enhance distribution efficiency in the future.
- Time deposit repricing has a lag effect of about five quarters, meaning the full impact of recent rate disciplines will take some time to reflect in NIMs.

Results

					Rs cr
Particulars	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	Q-o-Q %
Net Interest Income	32,615	30,653	6.4%	31,552	3.4%
Other income	13,254	11,454	15.7%	14,350	-7.6%
Net Income	45,869	42,107	8.9%	45,902	-0.1%
Opex	18,771	17,106	9.7%	17,978	4.4%
Operating Profit	27,098	25,000	8.4%	27,924	-3.0%
Provisions	2,838	3,154	-10.0%	3,501	-18.9%
PAT	18,654	16,736	11.5%	18,641	0.1%
Advances	28,21,447	25,18,248	12.0%	27,46,360	2.7%
Deposits	28,60,055	25,63,795	11.6%	28,01,789	2.1%
NIMs %	3.35	3.43	-8 bps	3.27	8 bps
GNPA %	1.24	1.42	-18 bps	1.24	0 bps
NNPA %	0.42	0.46	-4 bps	0.42	0 bps
PCR %	65.9	67.8	-189 bps	66.6	-68 bps

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	SBI Funds	5.27
2	LIC	4.13
3	Vangaurd INC	3.64
4	ICICI Pru AMC	3.02
5	Blackrock INC	3.01
6	HDFC Trust	2.49
7	HDFC asset	2.49
8	NPS Trust A/C (UTI)	2.2
9	FMR LLC	2.2
10	Republic of Singapore	1.97

Source: Bloomberg

Key management personnel

Name	Designation
MD & CEO	Sashidhar Jagdishan
CFO & ED	Srinivasan Vaidyanathan
Chairman	Atanu Chakraborty

Source: Company Website

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