BUY (Maintain)

CMP: **INR 720** Target Price: **INR 920 (INR 1,020)** ▲ 28%

ICICI Securities

ICICI Securities Limited is the author and distributor of this report

31 August 2026

India | Equity Research | Company Update

HDFC Bank

Banking

Incumbent MD&CEO to step down; seems no easy way ahead on MD&CEO succession

Mr. Sashidhar Jagdishan, MD&CEO, of HDFC Bank, has informed the board about his decision to not seek re-appointment (link). The timing of the decision, at the fag end of term renewal, is notable, given that his current term has been accompanied by several regulatory hurdles, alongside the abrupt resignation of former chairman citing ethical incongruence. We believe the board may not have an easy way forward, given the existing DMD (Mr. Kaizad) has residual tenure of <3 years and the other ED (Mr. Rangan) has limited track record in commercial banking. In case of appointment of an external candidate, cultural integration and potential churn in the leadership team would be key monitorables. The new MD&CEO may also have to fix balance sheet structure at the cost of near-term growth, in our view. We cut our TP to INR 920, incorporating the above uncertainties but retain **BUY** on cheap valuation.

In the last ~3 years, the stock has significantly underperformed banking index by ~40% and thus, a large part of the weakness seems priced in. The re-rating, in our view, would be contingent on the extent of course correction by the new MD&CEO.

Mr. Jagdishan to step down at the end of current term

Mr. Jagdishan has decided to not seek a term renewal (link) at the end of his current tenure on 26 Oct'26. The decision appears to be sudden and has come as a negative surprise, though not totally unthinkable. Under Mr. Jagdishan, HDFCB navigated the Covid-19 pandemic, consummated the big-bang HDFC-HDFCB merger, listed HDB Financial, though the term was also highlighted by a series of concerns such as (link), (link), (link), (link) and (link).

Uncertainty on MD&CEO succession remains; no easy way out

The board has assured the appointment of a new MD&CEO well within timeline, although it has not named any interim candidate. In our view, there is no easy choice in the form of either internal (WTD or senior management) or external (private or PSBs) candidates. While existing DMD, Mr. Kaizad's, candidature is strong, we note his limited residual tenure (less than 3 years) under extant RBI norms. We also note limited banking experience of Mr Rangan, another ED. Given the size and franchise, attracting outside talent should not an issue, but that option could entail usual cultural integration issues, management exits and potentially longer strategic overhaul. The board could also promote non-board internal senior personnel, which again could potentially have its own set of challenges. The appointment of a PSU banker, though unlikely, could not be ruled out. Overall, there seems no easy fix, at this point of time.

Financial Summary

Y/E March	FY25A	FY26A	FY27E	FY28E
NII (INR bn)	1,226.7	1,286.9	1,442.0	1,696.8
Op. profit (INR bn)	1,001.3	1,185.6	1,230.3	1,462.0
Net Profit (INR bn)	673.5	746.7	839.0	980.0
EPS (INR)	44.2	48.6	54.5	63.7
EPS % change YoY	(4.3)	10.1	12.1	16.8
ABV (INR)	322.1	360.2	402.1	451.2
P/BV (x)	2.2	2.0	1.8	1.6
P/ABV (x)	1.9	1.7	1.5	1.3
Return on Assets (%)	1.8	1.8	1.8	1.9
Return on Equity (%)	14.1	13.8	13.9	14.5

Jai Prakash Mundhra
jai.mundhra@icicisecurities.com
+91 22 6807 7572
Amansingh Sahajsinghani
amansingh.sahajsinghani@icicisecurities.com

Market Data

Market Cap (INR)	11,096bn
Market Cap (USD)	1,16,233mn
Bloomberg Code	HDFCB IN
Reuters Code	HDBK.BO
52-week Range (INR)	1,021 /706
Free Float (%)	99.0
ADTV-3M (mn) (USD)	283.6

Price Performance (%)	3m	6m	12m
Absolute	(5.1)	(18.9)	(24.8)
Relative to Sensex	(6.9)	(13.9)	(21.3)

ESG Score	2024	2025	Change
ESG score	**80.2**	**80.1**	**(0.1)**
Environment	73.6	76.0	2.4
Social	70.7	74.3	3.6
Governance	90.4	86.3	(4.1)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY27E	FY28E
EPS	-	-

Previous Reports

19-07-2026: Q1FY27 results review

19-04-2026: Q4FY26 results review

New MD&CEO may have to take some hard strategic pivot

Based on the preliminary bank-wise data, HDFCB has been a laggard in FCNR (B) mobilisation, which otherwise could have meaningfully resolved LDR and liquidity concerns. Apart from senior management stability, the new MD&CEO, in our view, would have to make some hard strategic pivots. As illustrated in our exhibits, post-merger, HDFCB has seen a huge dip in its CASA ratio (as % of external funding); thus, an uptick in CoF, while lending yields have also moderated, putting an idiosyncratic pressure on medium-term profitable growth. We believe the new MD&CEO could prioritise fixing the balance sheet structure, even at the cost of near-term growth.

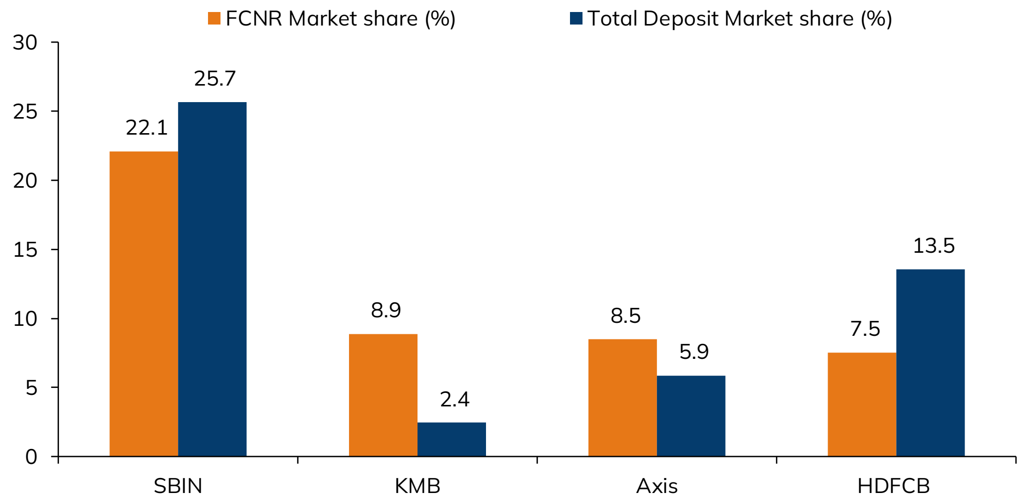
Maintain BUY with TP cut to INR 920

We estimate an unchanged 13–14% CAGR in loans (below systemic growth) and ~14% RoE for FY26–28. We cut our target multiple to ~1.8x (vs. 2x earlier), to adjust for uncertainty on MD&CEO succession. Maintain **BUY** with a revised TP of INR 920 (vs. INR 1,020). **Key risks** are hiccups in MD&CEO succession and further churn in senior management.

Bank achieved key strategic milestones under Mr Jagdishan, though also saw few regulatory hiccups

HDFCB underwent key strategic changes during the tenure of Mr. Jagdishan, including the high-profile HDFC Ltd–HDFC Bank merger and listing of HDB Financial. The tenure has also seen a number of regulatory and legal matters that have attracted investor attention. These include the Credit Suisse AT1 bond matter, involving the bank's overseas operations and NRI clients; following which, the bank took action against certain employees (link). The MSRDC deposit matter related to the pricing of bulk deposits also resulted in an internal review (link) which termed the actions are "business overreach" and the Board issued warning letters and monetary penalties to Mr. Jagdishan and other officials (link). The abrupt resignation of chairman Mr. Atanu Chakraborty in Mar'26 (link), citing recent developments at the bank were not in "congruence with his personal values and ethics", brought additional investor focus to the board's oversight and governance. Mr. Jagdishan was also named in the Lilavati Hospital-related matter, which was later quashed by the Bombay High Court (link). Despite the huge branch roll-outs, the outcomes on CASA/deposits growth were not exemplary, in our view. Further, we believe the bank has also oscillated on its loan growth and LDR improvement strategy.

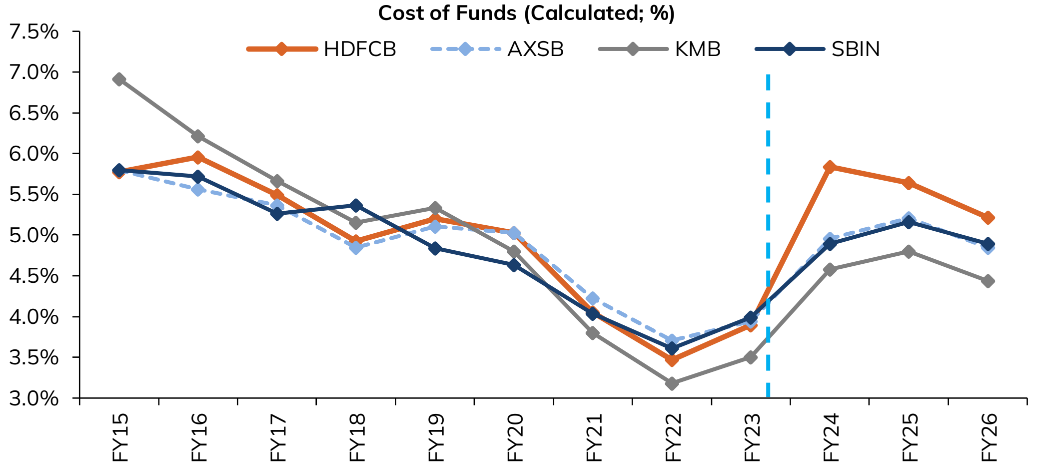
Exhibit 1: HDFCB seems laggard in FCNR (B) mop-up so far



Source: Parliamentary filings, I-Sec research, Company data

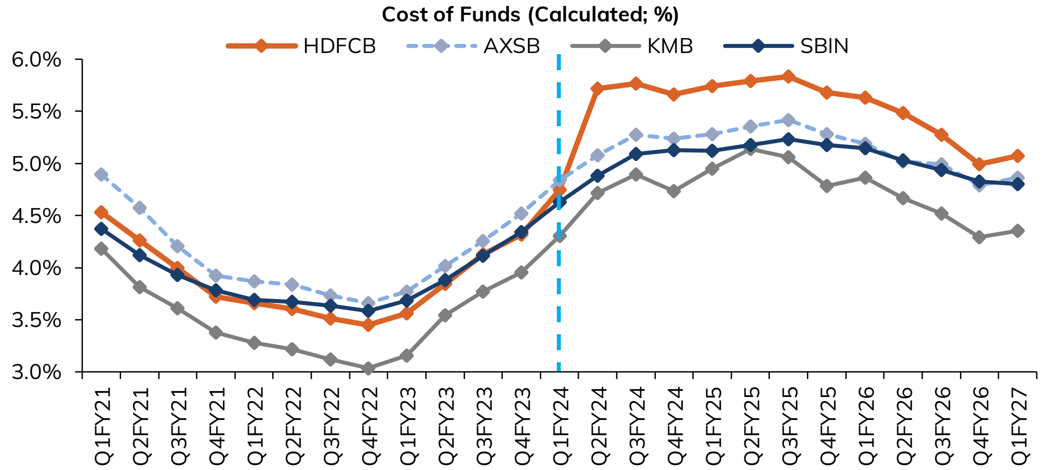
Note: FCNR data as on end-July, 2026 while deposits market share is Q1FY27

Exhibit 2: HDFCB has become the least competitive on CoF vs the most competitive a decade ago



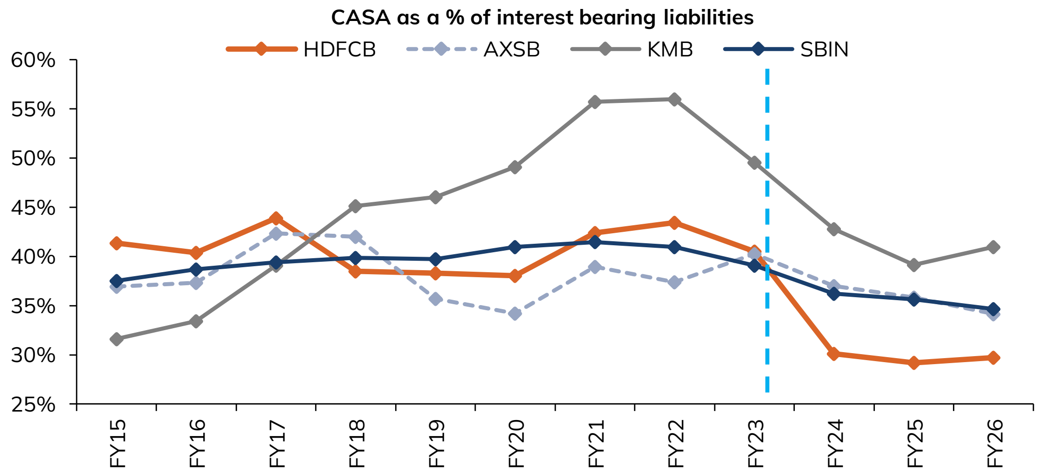
Source: I-Sec research, Company data

Exhibit 3: CoF for HDFCB is meaningfully higher than peers and showing no concrete signs of convergence …



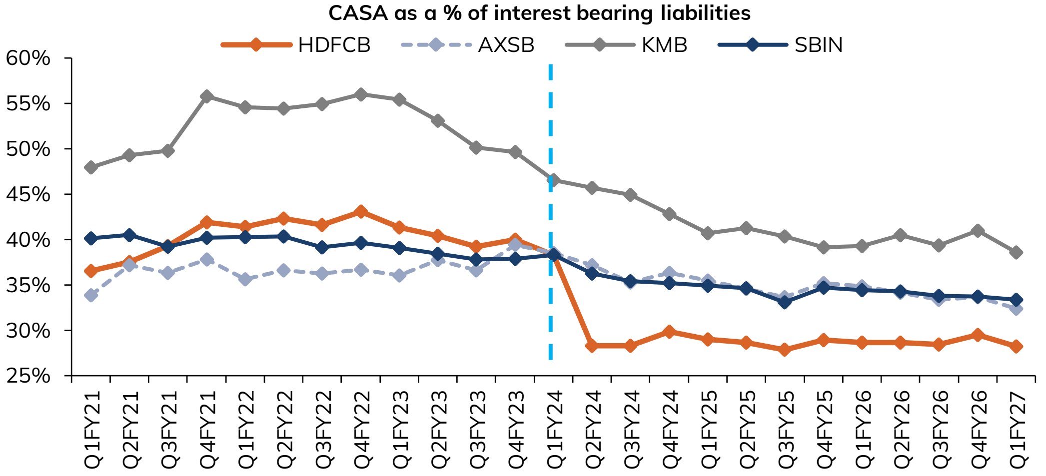
Source: I-Sec research, Company data

Exhibit 4: CASA has fallen from the highest to meaningfully lower within peers



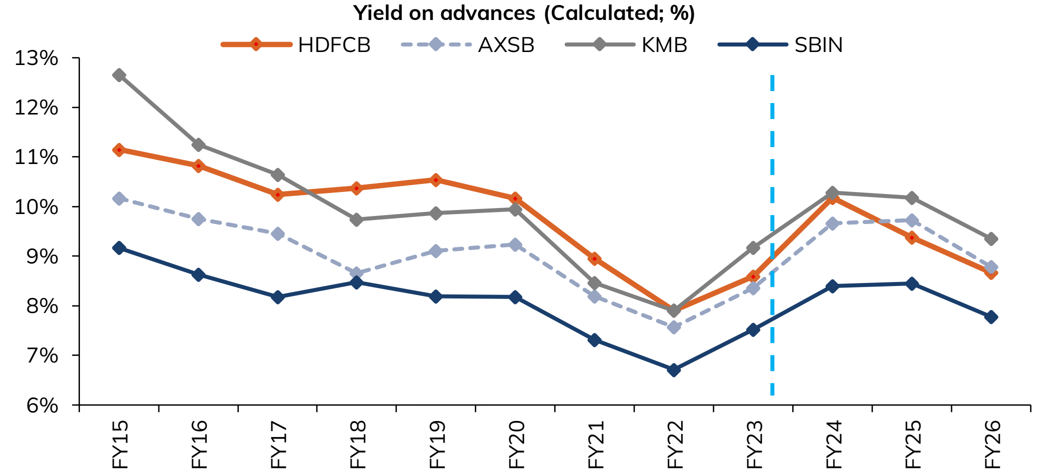
Source: I-Sec research, Company data

Exhibit 5: CASA share is lower vs peers and showing no signs of convergence



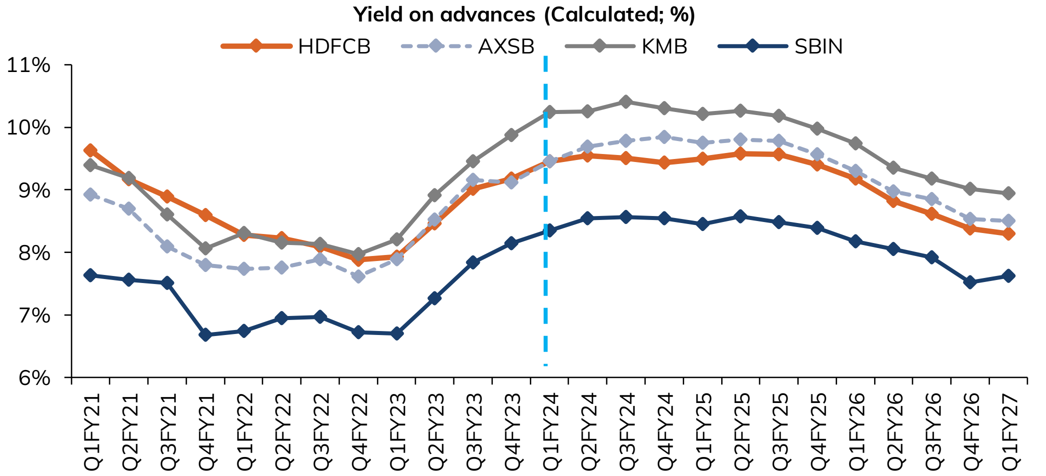
Source: I-Sec research, Company data

Exhibit 6: Yields have moderated faster than others on relative basis



Source: I-Sec research, Company data

Exhibit 7: Yields have declined from the highest to amongst lowest



Source: I-Sec research, Company data

Exhibit 8: SoTP-based valuation

Name	Total value of business (INR bn)	HDFCB Stake (%)	Value for HDFCB (INR bn)	Value for HDFCB (per share)	Comments
HDFC Life	1,337	51	676	44	Based on I-Sec coverage
HDFC Mutual Fund	1,288	52	674	44	Based on I-Sec coverage
HDB Financial Services	750	74	556	36	Based on I-Sec coverage
HDFC Securities Limited	90	94	85	6	12x FY28E PAT
Others		NA	362	24	Miscellaneous
Total subs/assoc./JV			**2,353**	**153**	
Holding company discount (%)				20	
Subs/assoc./JV value per share				122	
Core banking book			**442**	**798**	~1.8x FY28E ABV
Target Price (INR)				**920**	

Source: Company data, I-Sec research

Exhibit 9: Shareholding pattern

%	Dec'25	Mar'26	Jun'26
Promoters	0.0	0.0	0.0
Institutional investors	84.9	84.4	83.7
MFs and others	26.7	29.5	30.6
FIs/Banks	2.7	0.6	0.7
Insurance	7.2	10.2	10.6
FIIs	48.3	44.1	41.8
Others	15.1	15.6	16.3

Source: Bloomberg, I-Sec research

Exhibit 10: Price chart

Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 11: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Interest income	30,05,171	30,75,221	33,27,117	38,06,645
Interest expense	17,78,470	17,88,360	18,85,135	21,09,808
Net interest income	**12,26,701**	**12,86,860**	**14,41,982**	**16,96,837**
Non-interest income	4,56,323	6,25,326	5,64,396	6,31,899
Operating income	**16,83,024**	**19,12,186**	**20,06,378**	**23,28,736**
Operating expense	6,81,749	7,26,603	7,76,040	8,66,718
Staff expense	2,39,005	2,60,501	2,75,585	3,03,923
Operating profit	**10,01,275**	**11,85,583**	**12,30,338**	**14,62,019**
Core operating profit	**9,83,732**	**10,46,216**	**11,97,338**	**14,27,019**
Provisions & Contingencies	1,16,494	2,33,896	1,26,436	1,72,545
Pre-tax profit	**8,84,781**	**9,51,687**	**11,03,901**	**12,89,474**
Tax (current + deferred)	2,11,307	2,04,974	2,64,936	3,09,474
Net Profit	**6,73,474**	**7,46,713**	**8,38,965**	**9,80,000**
Adjusted net profit	**6,73,474**	**7,46,713**	**8,38,965**	**9,80,000**

Source Company data, I-Sec research

Exhibit 12: Balance sheet

(INR mn, year ending March)

	FY25A	FY26A	FY27E	FY28E
Cash and balance with RBI/Banks	23,95,707	29,84,664	30,10,657	34,12,506
Investments	83,63,597	88,42,015	94,25,228	1,06,96,373
Advances	2,61,96,086	2,93,71,662	3,31,82,952	3,76,96,480
Fixed assets	1,36,554	1,47,246	1,49,440	1,64,384
Other assets	20,10,046	23,03,276	25,87,981	28,71,938
Total assets	**3,91,01,988**	**4,36,48,864**	**4,83,56,256**	**5,48,41,680**
Deposits	2,71,47,148	3,10,52,504	3,58,05,384	4,16,53,752
Borrowings	54,79,309	48,93,947	43,36,705	38,46,333
Other liabilities and provisions	14,61,285	20,73,403	19,39,157	23,11,984
Share capital	15,304	15,393	15,393	15,393
Reserve & surplus	49,98,942	56,13,616	62,59,619	70,14,219
Total equity & liabilities	**3,91,01,988**	**4,36,48,864**	**4,83,56,256**	**5,48,41,680**
% Growth	8.1	11.6	10.8	13.4

Source Company data, I-Sec research

Exhibit 13: Key ratios

(Year ending March)

	FY25A	FY26A	FY27E	FY28E
No. of shares and per share data				
No. of shares (mn)	15,304	15,393	15,393	15,393
Adjusted EPS	44.2	48.6	54.5	63.7
Book Value per share	328	366	408	457
Adjusted BVPS	322	360	402	451
Valuation ratio				
PER (x)	16.3	14.8	13.2	11.3
Price/ Book (x)	2.2	2.0	1.8	1.6
Price/ Adjusted book (x)	1.9	1.7	1.5	1.3
Dividend Yield (%)	1.5	2.2	1.7	2.0
Profitability ratios (%)				
Yield on advances	9.3	8.6	8.4	8.5
Yields on Assets	8.0	7.4	7.2	7.4
Cost of deposits	4.9	4.8	4.5	4.6
Cost of funds	4.7	4.3	4.1	4.1
NIMs	3.5	3.3	3.3	3.5
Cost/Income	40.5	38.0	38.7	37.2
Dupont Analysis (as % of Avg Assets)				
Interest Income	8.0	7.4	7.2	7.4
Interest expended	4.7	4.3	4.1	4.1
Net Interest Income	**3.3**	**3.1**	**3.1**	**3.3**
Non-interest income	1.2	1.5	1.2	1.2
Trading gains	0.0	0.3	0.1	0.1
Fee income	1.1	1.1	1.1	1.1
Total Income	**4.5**	**4.6**	**4.4**	**4.5**
Total Cost	**1.8**	**1.8**	**1.7**	**1.7**
Staff costs	0.6	0.6	0.6	0.6
Non-staff costs	1.2	1.1	1.1	1.1
Operating Profit	**2.7**	**2.9**	**2.7**	**2.8**
Core Operating Profit	2.6	2.5	2.6	2.8
Non-tax Provisions	0.3	0.6	0.3	0.3
PBT	**2.4**	**2.3**	**2.4**	**2.5**
Tax Provisions	0.6	0.5	0.6	0.6
Return on Assets (%)	**1.8**	**1.8**	**1.8**	**1.9**
Leverage (x)	8.0	7.8	7.7	7.8
Return on Equity (%)	**14.1**	**13.8**	**13.9**	**14.5**
Asset quality ratios (%)				
Gross NPA	1.3	1.2	1.1	1.2
Net NPA	0.4	0.4	0.3	0.3
PCR	67.9	67.2	70.0	75.0
Gross Slippages	1.3	1.2	1.1	1.1
LLP / Avg loans	0.5	0.4	0.5	0.6
Total provisions / Avg loans	0.5	0.8	0.4	0.5
Net NPA / Networth	2.3	2.0	1.8	1.6
Capitalisation ratios (%)				
Core Equity Tier 1	17.2	17.3	17.3	17.0
Tier 1 cap. adequacy	17.7	17.7	17.7	17.4
Total cap. adequacy	19.6	19.7	19.8	19.4

Source Company data, I-Sec research

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com and Kadambari_balachandran@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION
I/We, Jai Prakash Mundhra, MBA; Amansingh Sahajsinghani, CA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:
ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report.

SEBI Guidelines for Research Analyst (RA) requires all RAs to disclose terms and conditions pertaining to Research Services to all clients. Please go through the "Mandatory terms and conditions" and "Most Important Terms and Conditions. (Link)

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122