CMP: ₹725 | Target ₹ 925 (28%) | Target Period: 12 months | BUY

August 31, 2026

MD/CEO to step down; leadership succession takes centre stage

About the stock: HDFC Bank is a leading private sector bank with consistent growth and operational performance over various cycles. Post merger, the bank has become the second largest in terms of size with diversified portfolio.

- Largest private sector bank with loan book of ~₹ 30.6 lakh crore

Key Development: As per exchange filings, HDFC Bank MD & CEO Sashidhar Jagdishan has decided not to seek re-appointment and will retire on October 26, 2026, despite persuasion from the board, which will fast-track the appointment of his successor.

Investment Rationale:

- **Succession uncertainty remains a near-term overhang; smooth transition critical:** Sashidhar Jagdishan's decision not to seek reappointment has shifted focus towards the board's choice of successor ahead of his retirement on October 26. Deputy MD Kaizad Bharucha remains a strong internal candidate, although his residual tenure under RBI norms is less than 3 years, while the board could also evaluate other internal/external candidates. Thus, appointment of new leadership within timelines, as assured by the board, and smooth transition remains a near term challenge which remains critical from investors perspective. While an internal candidate could ensure smoother continuity, appointment of external candidate could entail near-term cultural & integration challenge.
- **Appointment of leadership remains key:** Leadership transition remains critical from business as well as valuation perspective. An internal appointment would ensure continuity; however, given the structural challenges around growth, margins and balance-sheet optimisation, market expectations for an immediate improvement in execution could remain high, keeping the stock range-bound until tangible progress is visible. Conversely, appointment of a credible external candidate could bring fresh strategic perspective and provide scope for a leadership reset, potentially acting as a catalyst.

Rating and Target Price

- Leadership ambiguity, alongside recent governance-related developments, has weighed on sentiment and valuations, with the stock currently trading at decadal low valuation (~1.4x FY28E standalone BV). While uncertainty could persist until the successor is finalised, we believe a credible appointment and smooth leadership transition could remove a key overhang and provide comfort on strategic continuity.
- Factoring ambiguity in near term, we revise our valuation multiple downwards to ~1.8x FY28E BV and ₹ 118 for subsidiaries, thereby lowering our target price to ₹925 from ₹1000, assigning a multiple of 1.8x FY28E BV and ₹118 for subsidiaries. We maintain our BUY rating.

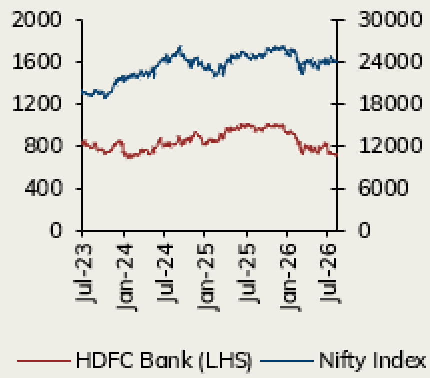
HDFC BANK

Particulars	
Particulars	**Amount**
Market Cap	₹ 11,16,921 crore
52-week H/L	₹ 1,020 / 706
Networth	₹ 6,01,411 crore
Face value	1
DII holding	42
FII Holding	42

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	0	0	0	0
FII	48.4	47.7	44.0	41.8
DII	36.1	37	40.2	41.8
Other	15.5	15.3	15.8	16.43

Price Chart



Key risks

- Leadership transition / delay in appointment of MD
- Slower-than-expected funding cost normalisation could keep margins under pressure

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Key Financial Summary

₹ crore	FY24	FY25	FY26	2 year CAGR (FY24-FY26)	FY27E	FY28E	2 year CAGR (FY26-28E)
NII	108532.5	122670.1	128686.0	8.9%	138787.5	160871.0	11.8%
PPP	94387.5	100127.5	118558.3	12.1%	123005.3	139403.5	8.4%
PAT	60812.3	67347.4	74671.3	10.8%	82609.0	92649.0	11.4%
ABV (₹)	282.8	320.0	357.6		389.2	439.5	
P/E	18.1	16.5	14.9		13.5	12.0	
P/ABV	2.6	2.3	2.0		1.9	1.6	
RoA	2.0	1.8	1.8		1.8	1.8	
RoE	13.9	13.4	13.3		13.5	13.4	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 1: Profit and loss statement				₹ crore
(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	300517	307522	333985	373738
Interest Expended	177847	178836	195197	212867
NII	122670	128686	138787	160871
Growth (%)	13.0	4.9	7.8	15.9
Other income	45632	62533	61440	65467
Total Income	168302	191219	200228	226338
Employee cost	23901	26050	27980	30337
Other operating Exp.	44274	46610	49242	56598
PPP	100127	118558	123005	139404
Provisions	11649	23390	14309	17497
PBT	88478	95169	108696	121907
Taxes	21131	20497	26087	29258
Net Profit	67347	74671	82609	92649
Growth (%)	10.7	10.9	10.6	12.2
EPS	44.0	48.5	53.7	60.2

Source: Company, ICICI Direct Research

Exhibit 2: Key ratios				₹ crore
(Year-end March)	FY25	FY26	FY27E	FY28E
Valuation				
No. of Equity Shares	1530.4	1539.3	1539.3	1539.3
EPS (₹)	44.0	48.5	53.7	60.2
BV (₹)	328.1	365.7	398.1	448.8
ABV (₹)	320.0	357.6	389.2	439.5
P/E	16.5	14.9	13.5	12.0
P/BV	2.2	2.0	1.8	1.6
P/ABV	2.3	2.0	1.9	1.6
Yields & Margins (%)				
Net Interest Margins	3.7	3.5	3.4	3.5
GNPA	1.4	1.2	1.0	0.8
NNPA	0.5	0.4	0.4	0.4
RoE	13.4	13.3	13.5	13.4
RoA	1.8	1.8	1.8	1.8

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet				₹ crore
(Year-end March)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Capital	1530	1539	1539	1539
Reserves and Surplus	500659	561362	611309	689295
Networth	502190	562901	612848	690834
Deposits	2714715	3105250	3566080	4065171
Borrowings	547931	489395	464925	488171
Other Liabilities & Provisions	145363	207340	227318	237340
Total	3910199	4364886	4871171	5481516
Applications of Funds				
Fixed Assets	13655	14725	16784	18454
Investments	836360	884201	944714	1037205
Advances	2619609	2937166	3324416	3767588
Other Assets	201005	230328	257967	288923
Cash with RBI & call money	239571	298466	327291	369347
Total	3910199	4364886	4871171	5481516

Source: Company, ICICI Direct Research

Exhibit 4: Growth (%)				
(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	8.1	11.6	11.6	12.5
Advances	5.4	12.1	13.2	13.3
Deposit	14.1	14.4	14.8	14.0
Total Income	6.7	13.6	4.7	13.0
Net interest income	13.0	4.9	7.8	15.9
Operating expenses	7.6	6.6	6.3	12.6
Operating profit	6.1	18.4	3.8	13.3
Net profit	10.7	10.9	10.6	12.2
Net worth	14.6	12.1	8.9	12.7
EPS	9.9	10.2	10.6	12.2

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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