CMP: ₹ 804 | Target: ₹ 1070 (33%) | Target Period: 12 months | BUY

March 19, 2026

Board reassures governance following part-time chairman exit….

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 ~₹ 28.5 lakh crore

Key Recent Development:

- HDFC Bank's part-time chairman and independent director Mr. Atanu Chakraborty has resigned with immediate effect, stating that certain happenings and practices observed over the last two years were not in alignment with his personal values and ethics. He clarified that there are no other material reasons for his resignation and did not attribute the decision to any wrongdoing by the bank.
- RBI has approved the appointment of Mr. Keki Mistry as interim part-time chairman for a period of three months, ensuring continuity in board oversight until a permanent appointment is made.
- Board members stated that no specific concerns were communicated by the outgoing chairman, and even during the board meeting no concrete governance lapse or operational issue was highlighted, with the development possibly arising from personal or relationship differences.

Investment Rationale:

- **Growth momentum to improve with caliberated LDR glide path:** Management target of achieving system aligned growth in FY26 and outpace the industry from FY27E remains intact. This growth engine is expected to be broad-based, led by retail (51% of advances) and MSME (21%), with recovery in wholesale lending as liquidity conditions ease. On the liabilities side, strategy to focus on granular, relationship-led deposit mobilisation, supported by branch vintage maturation and cross-sell of products remains underway. This strategy is seen to enables bank to achieve its objective of bringing loan–deposit ratio toward ~90% over the medium term, while sustaining profitable growth.
- **Stable asset quality; with margin recovery levers visible:** Key levers including TD repricing, normalization of borrowings and CASA and granular deposit mobilisation is expected to improve through better customer engagement and higher product penetration across cards, mortgages and auto loans. Further, asset quality is expected to remain benign, with steady slippages and stable recoveries, is expected to aid RoA at 1.8-1.9%.

Rating and Target Price

- While strategy to accelerate growth along with focus on liabilities remains underway, stock is likely to trade weak in near term following the sudden resignation of part time chairman, with impact further amplified by a subdued macro environment amid geopolitical tensions. Factoring near term uncertainty, we lower our multiple to 2.1x FY28E ABV and add ₹124 for subsidiaries, thereby reducing our target price at ₹1,070(earlier ₹1,150). Given recent price correction, we maintain our BUY rating.

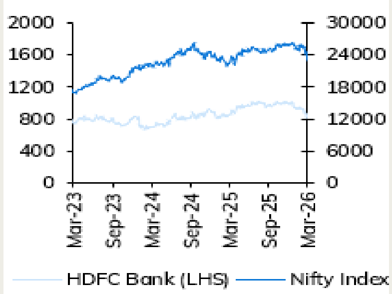
Particulars

Particulars	Amount
Market Capitalisation	₹ 12,46,751 crore
52 week H/L	1020 / 776
Networth	₹ 5,60,489 crore
Face value	1
DII holding	37
FII Holding	48

Shareholding pattern

(in %)	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	0	0	0	0
FII	48.3	48.8	48.4	47.7
DII	35.7	35.8	36.1	37
Others	16	15.4	15.5	15.1

Price Chart



Key risks

(i) Liabilities accretion at competitive rate

(ii) Leadership transition could remain an overhang

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Company Update

ICICI Securities – Retail Equity Research

Key Financial Summary

₹ crore	FY24	FY25	2 year CAGR (FY23-FY25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
NII	108531.9	122670.1	18.9%	128492.2	146279.5	171278.4	11.8%
PPP	94386.9	100127.5	19.3%	117334.6	128769.2	148780.5	14.1%
PAT	60811.7	67347.4	23.6%	73631.8	85433.9	99088.7	13.7%
ABV (₹)	267.5	302.1		338.6	381.9	432.2	
P/E	20.1	18.3		16.8	14.5	12.5	
P/ABV	3.0	2.7		2.4	2.1	1.9	
RoA	2.0	1.8		1.8	1.9	1.9	
RoE	13.9	13.5		13.2	13.7	14.1	

Source: Company, ICICI Direct Research

Concall highlights

- The board clarified that the resignation of part-time Chairman Atanu Chakraborty was accepted, and the bank is not aware of any material governance, regulatory, or operational issues.
- Board members stated that no specific concerns were communicated by the outgoing chairman, and even during the board meeting no concrete governance lapse or operational issue was highlighted, with the development possibly arising from personal or relationship differences.
- RBI approved the appointment of Keki Mistry as interim part-time chairman for 3 months, with obtaining approval from regulator after the resignation to ensure continuity in governance.
- Governance architecture is grounded in transparency, institutional integrity, robust internal controls, and experienced management; affirmed commitment to safeguarding institutional resilience and investor confidence and stated disclosure was complete and transparent as per regulatory requirement.
- Management reiterated that there is complete unity within the board and senior management, and denied any reports of internal friction at the board, executive, or employee level.
- CEO reappointment which is ~7 months away will be taken up by the Nomination & Remuneration Committee in due course, with no change in timelines, while chairman succession and appointment of a new independent director will be decided by the board in consultation with regulator.
- The resignation is expected to have no impact on business operations or growth plans, and the bank remains confident of delivering stronger performance as merger synergies play out over the coming quarters.
- Complaints, whistleblower matters, and social-media allegations are reviewed through formal audit, ethics, and nomination committee processes, with action taken wherever required.
- Merger integration is progressing; technology is expected to be a differentiator over 1-2 years and bank is well positioned in a resilient economy.
- Organisational changes may be reviewed over time, but no specific restructuring decisions have been taken at this stage.

Financial Summary

Exhibit 1: Profit and loss statement ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Interest Earned	300517.0	316065.3	349711.3	391419.8
Interest Expended	177847.0	187573.2	203431.8	220141.4
NII	122670.1	128492.2	146279.5	171278.4
Growth (%)	13.0	4.7	13.8	17.1
Other income	45632.3	62318.7	61437.4	66798.6
Total Income	168302.4	190810.9	207716.9	238077.0
Employee cost	23900.5	27669.4	29705.5	33571.1
Other operating Exp.	44274.4	45806.9	49242.3	55725.3
PPP	100127.5	117334.6	128769.2	148780.5
Provisions	11649.4	24716.0	16356.2	18400.7
PBT	88478.1	92618.6	112413.0	130379.8
Taxes	21130.7	18986.8	26979.1	31291.2
Net Profit	67347.4	73631.8	85433.9	99088.7
Growth (%)	10.7	9.3	16.0	16.0
EPS	44.0	47.9	55.5	64.4

Source: Company, ICICI Direct Research

Exhibit 2: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
Valuation				
No. of Equity Shares	1,530.4	1,538.5	1,538.5	1,538.5
EPS (₹)	44.0	47.9	55.5	64.4
BV (₹)	325.1	361.7	406.2	457.7
ABV (₹)	302.1	338.6	381.9	432.2
P/E	18.3	16.8	14.5	12.5
P/BV	2.5	2.2	2.0	1.8
P/ABV	2.7	2.4	2.1	1.9
Yields & Margins (%)				
Net Interest Margins	3.7	3.5	3.6	3.8
GNPA	1.3	1.2	1.1	1.1
RoE	13.5	13.2	13.7	14.1
RoA	1.8	1.8	1.9	1.9

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet ₹ crore

(Year-end March)	FY25	FY26E	FY27E	FY28E
Sources of Funds				
Capital	1,530.4	1,538.5	1,538.5	1,538.5
Reserves and Surplus	496,089.0	554,994.4	623,341.5	702,612.4
Networth	497,619.4	556,532.9	624,880.0	704,150.9
Deposits	2,714,714.9	3,026,907.1	3,456,727.9	3,940,669.8
Borrowings	547,930.9	558,889.5	586,834.0	616,175.7
Other Liabilities & Prov	149,933.7	160,881.4	155,558.4	144,365.1
Total	3,910,198.9	4,303,210.9	4,824,000.3	5,405,361.5
Applications of Funds				
Fixed Assets	13,655.4	15,020.9	16,523.0	18,175.3
Investments	836,359.7	902,272.0	995,827.3	1,095,836.4
Advances	2,619,608.6	2,907,765.6	3,271,236.3	3,680,140.8
Other Assets	201,004.6	217,084.9	243,135.1	272,311.3
Cash with RBI & call money	239,570.7	261,067.5	297,278.6	338,897.6
Total	3,910,198.9	4,303,210.9	4,824,000.3	5,405,361.5

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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