

JM Financial trims HDFC Bank target to Rs 800 — Will retail deposit strain and agri stress stall the rally?

JM Financial cuts HDFC Bank target price to Rs 800 from Rs 900 but retains an 'Add' rating. Here's what the brokerage says about deposits, margins, agriculture stress and asset quality.



HDFC Bank target cut to Rs 800: JM Financial flags deposit pressure and rising agriculture stress while retaining 'Add' rating

[HDFC Bank](#) has long been seen as one of India's most steady and reliable banking stocks. So when a brokerage trims its target price, it's worth understanding why.

Brokerage firm [JM Financial](#) has retained its 'Add' rating on HDFC Bank but cut its target price to Rs 800 from Rs 900. The brokerage now values the bank's core business at 1.5 times estimated FY28 core book value per share, compared with 1.7 times earlier.

The brokerage also highlighted pressure on the bank's deposit mix and rising stress in agriculture.

The concerns are worth watching because they come at a time when several parts of [HDFC Bank's loan book](#) are showing improvement.

Retail and services asset quality has strengthened, while borrower concentration has also declined. But the liability side tells a different outlook, with retail deposits losing share and wholesale funding gaining importance.

For HDFC Bank, the balance between loan growth, deposits, margins and asset quality could therefore become increasingly important. What does the latest annual report reveal about the bank's financial position, and why has JM Financial turned more cautious on its valuation? Let's take a look –

HDFC Bank's asset quality

The bank's overall asset quality remained broadly stable during FY26. Stress improved in retail and services, while the industrial segment remained largely stable.

Agriculture, however, moved in the opposite direction.

According to JM Financial report, agriculture's gross non-performing asset (GNPA) ratio increased to 4.2% in FY26 from 3.8% in FY25. The stress was particularly visible in animal husbandry and some priority-sector lending segments.

The brokerage noted that credit costs in agriculture also increased. JM Financial said, "Asset quality trends were stable during FY26. While stress improved across the services and retail portfolios, it deteriorated further in agriculture driven by higher delinquencies in animal husbandry and select PSL segments."

There is another factor to watch. The rising share of ageing non-performing assets could keep provisioning requirements elevated as the bank moves towards the expected credit loss framework.

Retail deposits: The bigger concern?

For a bank, deposits are the raw material needed to grow loans. This is where JM Financial sees a key challenge for [HDFC Bank](#).

The share of retail deposits declined during FY26. The bank also increased its reliance on certificates of deposit to meet funding requirements.

Its liquidity coverage ratio (LCR) moderated to 114%. The brokerage said, "Deposit franchise remains a key challenge; wholesale funding reliance rises."

However, HDFC Bank gained 33 basis points year-on-year in overall deposit market share. Its legacy borrowings from the erstwhile Housing Development Finance Corporation also continued to decline.

JM Financial believes the bank needs to improve deposit granularity and reduce its dependence on wholesale funding if it wants to accelerate loan growth.

Some balance-sheet trends are improving

The top 20 borrowers accounted for 9.2% of advances in FY26, down from 9.3% a year earlier and 13.9% in FY23.

The concentration of stressed assets also fell sharply. The top 20 non-performing asset accounts accounted for just 11.9% of gross NPAs, compared with 20.9% in FY25.

JM Financial said, "Concentration risk improved further during FY26." The unsecured loan share was also stable at around 21.5% of advances, well below pre-merger levels.

However, exposure to sensitive segments increased. Commercial real estate accounted for 7.3% of loans, while capital-market exposure stood at 2.7%.

HDFC Bank: Why has JM Financial cut the target?

The lower target is largely linked to concerns around the liability side of the bank's balance sheet.

The brokerage has reduced its target to Rs 800 from Rs 900, while retaining the 'Add' rating. This translates to an upside potential of 10% from the current market price.

JM Financial believes the bank's fundamentals remain supported by improving asset quality in several segments. Meanwhile, deposit mobilisation and funding costs need closer monitoring.

What should investors watch out for?

Agriculture is another area to watch, particularly as ageing NPAs could influence provisioning under the new expected credit loss framework.

At the same time, the improvement in borrower concentration and retail and services asset quality provides some offset.