

CLOSE CALL However, HDFC Bank remains the larger lender by market capitalisation

ICICI Pips HDFC as MFs' Top Holding

Ravindra Sonavane

Mumbai: ICICI Bank, which has drastically narrowed its valuation gap with HDFC Bank this year, has emerged as the most valued stock holding in mutual fund (MF) portfolios in July, ending a three-year run at the top for India's biggest lender by market value.

Mutual funds currently hold around 3.94 billion shares of HDFC Bank, valued at ₹2.96 lakh crore, while their holding in ICICI Bank stands at around 2.10 billion shares, valued at ₹3.01 lakh crore.

ICICI Bank now accounts for 5.35% of equity MF holdings, compared with 5.24% for HDFC Bank. As of July, 514 MF schemes held shares of HDFC Bank, while 552 schemes held shares of ICICI Bank.

ICICI Bank's portfolio-topping surge isn't merely a reflection of institutional investors exiting HDFC Bank. Rather, it reflects lingering concerns over executive leadership succession and governance that remain key valuation drags for the country's biggest private-sector lender.

"HDFC Bank has faced governance concerns following the resignation of its chairman, while there have also been concerns around certain events and the recent fine imposed on the CEO," said Siddharth Rajpurohit, lead analyst, Banking, Systematix Group. "Although the bank conducted an internal review through an independent agency, some concerns remain."

HDFC Bank is down 25% so far in 2026 amid concerns over profitability pressures, governance & succession

HDFC Bank had remained the top MF holding since July 2023 until June this year. The value of MFs' holding in HDFC Bank had hit a record high of more than ₹3.39 lakh crore in November 2025.

CONTRASTING FORTUNES

The shift captures the contrasting stock performance of the two lenders. HDFC Bank fell 6.2% in July and is down 25% so far in 2026 amid concerns over profitability pressures, governance and succession,

MF Favourites



Source: Primedatabase



contrast, has reduced.

Reliance Industries is the third-most valued stock holding of MFs, with holdings worth around ₹1.75 lakh crore, accounting for 3.1% of equity assets under management (AUM). Bharti Airtel and Axis Bank rank fourth and fifth, with MF holdings of around ₹1.47 lakh crore and ₹1.3 lakh crore, respectively. They account for 2.6% and 2.3% of equity AUM, respectively.

SLIM M-CAP LEAD

To be sure, HDFC Bank remains the larger lender by market capitalisation. HDFC Bank's current market capitalisation stands at ₹11.21 lakh crore, compared with ₹10.18 lakh crore for ICICI Bank, although the valuation gap has narrowed significantly so far this year. The underperformance has resulted in HDFC Bank's valuations trading lower than ICICI.

HDFC Bank is trading at an estimated price-to-book ratio of 1.78 times, compared with 2.43 times for ICICI Bank.

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Both stocks are trading below their respective five-year average price-to-book multiples - of 2.90 times for HDFC Bank and 2.99 times for ICICI Bank, respectively.

Rajesh Palviya, head of research, Axis Securities, said selling by foreign institutional investors (FII), which typically have a higher holding in HDFC Bank, is one of the reasons for the stock's underperformance. Following the abrupt resignation of the last chairman, many investors and traders have cut their exposure to the bank, putting pressure on the stock price.

In contrast, ICICI Bank reported strong overall numbers, which has

helped the stock remain stable.

In the private banking space, ICICI Bank and Kotak Mahindra Bank are looking stable among large-cap names, Palviya said. HDFC Bank, meanwhile, continues to face uncertainty over leadership succession and corporate governance, Palviya said.

The divergence between the two stocks is likely to take some time to reverse, he added.

ICICI Bank currently appears to have an edge over its peer in analyst ratings, with 52 buys and no hold or sell ratings, compared with 48 buys, three holds and no sell ratings at the start of 2026. In contrast, HDFC Bank currently has 47 buy, one hold and no sell ratings, broadly unchanged since the start of the year.

VALUATION CHANGE AFTER 3 YEARS

ICICI Goes Past HDFC to Emerge Top MF Holding



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