

# IPO Note: HDB Financial Services Ltd.

Industry: Finance

Date: June 24, 2025

Issue Snapshot		Issue Break up		
Company Name	HDB Financial Services Ltd.	QIB ex Anchor	20%	3,03,51,351
Issue Opens	June 25, 2025 to June 27, 2025	Anchor Investor	30%	4,55,27,027
Price Band	Rs. 700 to Rs. 740	HNI<Rs. 10 Lakhs	5%	75,87,838
Bid Lot	214 Equity Shares and in multiples thereof.	HNI>Rs. 10 Lakhs	10%	1,51,75,676
The Offer	Public issue of 16,89,18,919 Equity shares of Face value Rs. 10 each, (Comprising of fresh issue of 3,37,83,784 Equity Shares* (Rs. 2500 cr.) and Offer for Sale of 13,51,35,135 Equity Shares* (Rs. 10000 cr.) by Selling Shareholder).	RII	35%	5,31,14,865
		<b>Total Public</b>	<b>100%</b>	<b>15,17,56,757</b>
Issue Size	Rs. 12,500 Crore	Shareholders Reservation		1,68,91,892
IPO Process	100% Book Building	Employee Reservation		2,70,270
Face Value	Rs. 10.00	<b>Total</b>		<b>16,89,18,919</b>
Exchanges	NSE & BSE			
BRLM	JM Financial Ltd., BNP Paribas, BofA Securities India Ltd., Goldman Sachs (India) Securities Pvt. Ltd., HSBC Securities and Capital Markets (India) Pvt. Ltd., IIFL Capital Services Ltd., Jefferies India Pvt. Ltd., Morgan Stanley India Company Pvt. Ltd., Motilal Oswal Investment Advisors Ltd., Nomura Financial Advisory and Securities (India) Pvt. Ltd., Nuvama Wealth Management Ltd., UBS Securities India Pvt. Ltd.	Equity Share Pre Issue (Nos. Cr.)		79.6
		Fresh Share (Nos. Cr.)		3.4
		OFS Share (Nos. Cr.)		13.5
		Equity Share Post Issue (Nos. Cr.)		83.0
		Market Cap (Rs. Cr.)		61,387.9
Registrar	MUFG Intime India Pvt. Ltd.	Equity Dilution		4.1%
		Stake Sale by OFS		16.3%

## Objects of the Offer

### Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (By HDFC Bank Ltd.)

### Fresh Issue

- Augmenting its capital base to meet its future capital requirements; and
- General corporate purposes.

## Company Highlights

- HDB Financial Services Ltd. (HDBFS) is the seventh largest leading, diversified retail-focused non-banking financial company (NBFC) in India in terms of the size of Total Gross Loan book at Rs. 902.2 billion as at March 31, 2024, amongst its NBFC peers, according to the CRISIL Report. The company is categorized as an Upper Layer NBFC (NBFC-UL) by the RBI. HDBFS offer a large portfolio of lending products that cater to a growing and diverse customer base through a wide omni-channel distribution network. The lending products are offered through its three business verticals: Enterprise Lending, Asset Finance and Consumer Finance.
- According to HDBFS, that the success of its business model and operating philosophy is evidenced by strong and sustained growth and profitability metrics. Its Total Gross Loans stood at Rs. 1,068.8 billion as at March 31, 2025, reflecting a CAGR of 23.54% between March 31, 2023 to March 31, 2025. Its assets under management stood at Rs.1,072.6 billion as at March 31, 2025 reflecting a CAGR of 23.71% between FY23 and FY25. In FY25, it generated profit after tax of Rs. 21.8 billion, which reflected a CAGR of 5.38% between FY23 and FY25. HDBFS's Total Gross Loans growth, operating efficiencies and strong asset quality helped it deliver Return on Assets of 2.16% and return on Average Equity of 14.72% for FY25, which is the seventh and fifth highest amongst NBFC peers, respectively.
- HDBFS is India's second largest and third fastest growing customer franchise amongst its NBFC peers (for which data is available), according to the CRISIL Report, and has served 19.2 million customers as of March 31, 2025, which grew at a CAGR of 25.45% between March 31, 2023 and March 31, 2025. The company primarily cater to underserved and under banked customers in low to middle-income households with minimal or no credit history. As at March 31, 2025, over 80% of its branches are located outside India's 20 largest cities by population (based on the 2011 census report) and

over 70% are located in Tier 4+ towns. Its customers mainly comprise of salaried and self-employed individuals, as well as business owners and entrepreneurs. The company aims to meet the demands of various customer categories with its diversified product offerings, strong geographical presence across India, technology backed rapid turnaround times and strong customer service. The company's focus remained on building a highly granular loan book with 20 largest customers accounting for less than 0.34% of Total Gross Loans as at March 31, 2025. The aggregated average ticket size stood at approximately Rs. 165,000 as at March 31, 2025.

- The company also offers business process outsourcing (BPO) services such as back-office support services, collection and sales support services to its promoter as well as fee-based products such as distribution of insurance products primarily to its lending customers. The omni-channel phygital distribution model combines a large branch network, in-house tele-calling teams and various external distribution networks and channel partners. As at March 31, 2025, the company has a pan-India network of 1,771 branches in 1,170 towns and cities across 31 States and Union Territories, with over 80% of the branches located outside the 20 largest cities in India by population, based on the 2011 census report. The company operates an organized and verticalised branch structure with separate sales, credit and collections teams for each of the verticals with a common operations team. This allows the company to tailor its operations based on the product and customer segments that it caters to. The network of branches is complemented by its external distribution channel partnerships with over 80 brands and OEMs and external distribution networks with over 140,000 retailers and dealer touch points as at March 31, 2025. HDBFS's diversified loan book is distributed across states with a deep understanding of micro-markets across India for each of its business verticals.

## View

- HDBFS is India's 2nd largest and 3rd fastest growing customer franchise amongst its NBFC peers. The company has served 19.2 mn customers as of March 31, 2025, which grew at a CAGR of 25.5% between FY23 and FY25. The company's low customer concentration reduces its dependence on any particular set of customers. Its 20 largest customers contributed to less than 0.34% of its Total Gross Loan book as at March 31, 2025.
- HDBFS has created a highly diversified portfolio of lending products for the company's target customer segments. The company has focused on product innovation which has driven diversified and sustainable growth in the past and it will continue to keep adding new products to its portfolio while enhancing the existing products to improve the value proposition to customers. For example, the company converted the Two-Wheeler Loans underwriting process, from manual to automated, facilitating quick credit decisions.
- HDBFS has established a pan-India hybrid presence, with a physical branch country-wide network of over 1,771 physical branches spread across over 1,170 Indian towns and cities located in 31 States and Union Territories as at March 31, 2025, combined with a digitally powered distribution network composed of in-house and third-party channels. Additionally, the company had over 80 OEM and brand partnerships and a network of over 140,000 retailers and dealer touchpoints as at March 31, 2025. The company continues to grow and diversify its distribution network by opening additional new branches to expand its coverage across the entirety of India.
- HDBFS's investments in technology are expected to continue to improve various aspects of its business from the experience of its customers to the lending lifecycle from origination to repayment. The company's technological solutions also have an important role in its ability to increase cross-sell and up-sell opportunities, increase underwriting and collections efficiency and enhance employee productivity. The company plans to continue to increase the scope of usage of new and emerging technologies such as data analytics, machine learning and generative AI models to further improve capabilities and efficiency.
- Over FY21–25, HDBFS delivered a strong operating performance, supported by a granular, branch-driven retail portfolio that enabled it to maintain a healthy calculated NIM of ~8% on average. This translated into robust earnings and AUM growth, with CAGR of 41% and 15%, respectively. While the company faced elevated credit costs during this period—reflected in average loan loss provisions of ~3%—it still managed to sustain an attractive return profile, posting RoA of over 2% and RoE of over 14%.
- In terms of the valuations, on the higher price band, HDBFS demands a P/B multiple of 3.35x based on FY25 post issue fully diluted BV.

## Key Operational and Financial Performance

(Rs. in Cr. Unless Stated)	FY23	FY24	FY25
Number of Customers (Mn)	12.2	15.8	19.2
Number of Branches (Nos)	1,492	1,682	1,771
Number of Locations (Nos)	1,054	1,148	1,170
Number of Total Employees (Nos)	45,883	56,560	60,432
Breakdown of Total Gross			
Loans by verticals:			
- Enterprise Lending	3,16,187.1	3,68,225.6	4,20,058.6
- Asset Finance	2,63,262.7	3,41,946.6	4,06,488.3
- Consumer Finance	1,20,857.2	1,92,007.1	2,42,228.8
Total Gross Loans	7,00,307.0	9,02,179.3	10,68,775.8
Total Gross Loans Growth YoY%	14.19%	28.83%	18.47%
Secured Loans as % of Total Gross Loans	72.87%	71.34%	73.01%
Average Yield %	13.59%	13.92%	14.04%
Average Cost of Borrowings %	6.76%	7.53%	7.90%
Net Interest Margin% %	8.25%	7.85%	7.56%
Cost to Income Ratio	39.00%	42.72%	42.84%
Operating Expense Ratio	3.71%	3.92%	3.78%
Credit Cost Ratio	2.03%	1.33%	2.14%
Gross Stage 1 and Gross Stage 2 Loans	68,115.9	88,506.1	1,04,463.9
Gross Stage 3 Loans	1,914.9	1,711.8	2,413.7
Gross Non-Performing Assets (GNPA)%	2.73%	1.90%	2.26%
Net Non-Performing Assets (NNPA)%	0.95%	0.63%	0.99%
Provision Coverage Ratio (PCR)	65.10%	66.82%	55.95%
Provisioning Coverage on Stage 1 and Stage 2 Loans	3.53%	2.66%	2.09%
Total Equity	11,437.0	13,742.7	15,819.8
Return on Equity (ROE)	18.68%	19.55%	14.72%
Return on Assets (ROA)	2.97%	3.03%	2.16%
Total Borrowings by Instrument			
- Term loans and Working Capital Demand Loans	21,968.0	31,661.0	32,990.2
- Non-Convertible Debentures	27,096.4	33,700.0	36,052.4
- External Commercial Borrowings	1,888.9	2,085.1	8,938.7
- Subordinated debts	2,894.5	4,657.7	4,515.2
- Perpetual debts	646.6	990.5	1,488.6
- Commercial paper	0.0	1,151.2	3,412.8
- Borrowing under Securitization	370.9	85.2	0.0
Total Borrowings	54,865.3	74,330.7	87,397.8
Debt to Equity Ratio (X)	5.26	5.81	5.85
CRAR – Tier I	15.91%	14.12%	14.61%
CRAR – Tier II	4.14%	5.13%	4.55%
Total Disbursements by Verticals			
Enterprise Lending	14,107.5	17,358.9	18,503.5
Asset Finance Verticals	15,869.5	20,983.0	22,008.9
Consumer Finance	14,824.7	22,557.3	25,595.1
Total Disbursements	44,801.8	60,899.3	66,107.5
Branches by Region			
- East	14.54%	16.41%	16.49%
- North	33.11%	32.16%	31.56%
- South	25.60%	25.80%	26.48%
- West	26.74%	25.62%	25.47%

## Financial Statement

(In Rs. Cr)	FY23	FY24	FY25
Share Capital	791.4	793.1	795.8
Net Worth	11437.0	13742.7	15819.8
Borrowings	24227.8	33831.4	41928.9
Other Financial Liabilities	33707.8	43968.3	49867.7
Non-Financial Liabilities	677.8	1014.1	1047.0
Advances	66382.7	86721.3	103343.0
Other Financial Assets	2163.0	4248.9	3425.2
Non-Financial Assets	1504.7	1586.4	1895.0
Total Assets	70050.4	92556.5	108663.3
Net Interest Income	5415.9	6292.4	7445.6
Non Interest Income	3475.1	3014.4	2464.5
Net Profit	1959.4	2460.8	2175.9
Earnings Per Share (Rs.)	24.8	31.0	27.3
Return on Networth (%)	18.7%	19.6%	14.7%
Net Asset Value per Share (Rs.)	144.5	173.3	198.8

Source: RHP, Ashika Research

## Comparison with Listed Industry Peers

	NII (Rs cr)	PAT (Rs cr)	Mkt Cap (Rs cr)	AUM (Rs cr)	NIM (%)	ROA (%)	ROE (%)	GNPA (%)	NNPA (%)	PCR (%)	P/BV (x)	P/E (x)
HDB Financial Services	7,446	2,176	61,388	1,07,262	7.8	2.2	14.7	2.3	1.0	56.0	3.7	27.1
Bajaj Finance	36,393	16,779	5,62,175	4,16,661	9.7	4.6	19.2	1.2	0.6	53.0	6.4	33.5
Cholamandalam Investment	13,570	4,259	1,30,371	1,84,746	7.7	2.4	19.8	2.8	1.5	45.3	5.5	30.6
Shriram Finance	22,835	9,761	1,24,923	2,63,190	8.6	3.5	18.6	4.6	2.6	43.3	2.2	12.8
L&T Finance	8,048	2,644	47,490	97,760	8.7	2.4	19.7	3.3	1.0	71.0	1.9	18.0

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