

HDB Financial Services Ltd.

Nifty: 25,044 | Sensex: 82,055

IPO Note | 24th June 2025

Sector: NBFC

Price Range: ₹700 - ₹740

A Diversified Lender– Powered by HDFC...

HDB Financial Services Ltd (HDB), established in 2007, is a retail-focused, upper-layer NBFC as classified by the RBI. It operates across three lending segments—enterprise (~39%), asset finance (~38%), and consumer finance (~23%)—primarily serving low- to middle-income customers with limited credit histories. As of March 31, 2025, the average loan ticket size stood at ~₹1.65 lakh. HDB also provides BPO services to its promoter and distributes insurance products to their borrowers. Its extensive network includes 1,771 branches across 1,170 locations in 31 states and union territories, with over 80% in non-metro areas and more than 70% in Tier-4 and smaller towns.

- As of FY25, India's NBFC sector reported an AUM of ₹48 trillion, having grown at a CAGR of 13.2% since FY19, and is expected to grow at 15–17% over FY25–FY28, driven by growth across retail, MSME, and corporate segments. (source: CRISIL Intelligence).
- The total gross loans of HDB grew at a CAGR of 23.5% over FY23-25 and stood at ₹1,068.8 bn as of March 31, 2025. The loan portfolio is highly granular, with the top 20 customers accounting for less than 0.34% of total gross advances.
- HDB has served 19.2 mn customers in FY25, registering a CAGR of 25.45% over FY23-25—highlighting its rapid customer base expansion.
- As of March 31, 2025, secured loans accounted for ~73% of HDB's total gross loans, while unsecured loans comprised the remaining 27%, reflecting a predominantly collateral-backed lending portfolio.
- Driven by consistent growth in total gross loans, enhanced operating efficiencies, and strong asset quality, HDB achieved a Return on Assets (RoA) of 2.16% and a Return on Average Equity (RoE) of 14.72% for FY25.
- HDB's asset quality remained strong as of March 2025, with GNPA at 2.3% and NNPA at 1.0%, ranking 4th and 5th lowest among NBFC peers.
- As of March 2025, HDB reported an average cost of borrowing of 7.9%, supported by a diversified liability base, strong AAA credit ratings, prudent leverage of 5.85x, and a healthy CRAR (capital to risk assets ratio) of 19.22%.
- At the upper price band of ₹740, HDB is available at a P/B ratio of 3.4x (FY25-post issue basis), which appears to be fairly priced compared to its peers.
- Given its diversified lending portfolio, strong parentage support, omni-channel distribution platform, granular lending model, customer expansion, asset quality and better growth prospects, we recommend a "Subscribe" rating on a long term basis.

Issue Details	
Date of opening	June 25, 2025
Date of closing	June 27, 2025
Total No. of shares offered (cr.)	16.9
Post Issue No. of shares (cr)	83.0
Face Value	₹10
Bid Lot	20 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,800
Maximum application for retail (upper price band for 13 lot)	₹ 1,92,400
Listing	BSE,NSE
HDFC Bank Shareholders Reservation Portion	₹1,250 cr
Employee Reservation Portion	₹20 cr
Lead Managers	JM Financial Limited,BNP Paribas,BofA Securities India Limited, Goldman Sachs (India)Securities Pvtetc
Registrar	MUFG Intime India Private Limited

Issue size (upper price)	Rs.cr
Fresh Issue	2,500
OFS	10,000
Total Issue	12,500

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	94	74
Public & others	6	26
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	4,375
Non-Institutional	15	1,875
QIB	50	6,250
Total	100	12,500

Y.E March (₹ cr) Consol.	FY23	FY24	FY25
Net Interest Income (NII)	5,416	6292	7,446
% Change	-	16	18
Net Interest Margin %	8.25	7.85	7.56
PAT Adj.	1,959	2,461	2,176
% Change		26	-12
EPS Diluted	23.6	29.7	26.2
P/E (x)	31	25	28
P/BV (x)	5.4	4.5	3.4*
RoE (%)	18.7	19.5	14.7
RoA (%)	2.97	3.03	2.16

* post issue basis

Purpose of IPO

The issue is primarily a fresh issue of Rs. 2,500cr and OFS (offer for sale) of Rs.10,000cr, totalling issue size to Rs.12,500cr. The net proceeds from the fresh issue will be utilized to meet future capital requirements towards onward lending.

Key Risks

- A further stake sale by parent HDFC Bank may create an overhang on the stock price, potentially impacting investor sentiment.
- In FY25, Gross Stage 3 Loans rose to 2.26% from 1.90% a year earlier, indicating increased credit risk.
- Adverse regulatory changes or non-compliance may impact the business.

Peer Valuation

Company	MCap(₹ cr)	AUM(₹ bn)	AUM CAGR Growth(%) (FY22-25)	BV(₹)	EPS(₹)	RoE (%)	RoA (%)	P/BV	P/E (x)	CMP(₹)
HDB Financial Services Ltd	61,388	1,072.6	20.4	190.7	26.2	14.72	2.16	3.9	28	740
Bajaj Finance Ltd	5,69,260	3,088.3	28.1	155.7	26.8	20.8	5.01	5.9	34	916
Cholamandalam Investment &	1,34,891.67	1,847.5	30.6	281.5	50.6	19.7	2.38	5.7	32	1,604

Source: Geojit Research, Bloomberg; Valuations of HDB are based on upper end of the price band, Financials as per FY25 consolidated.

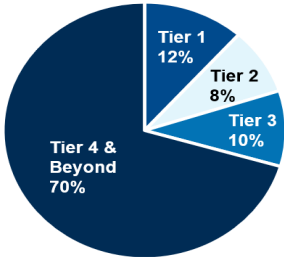


Product Portfolio:

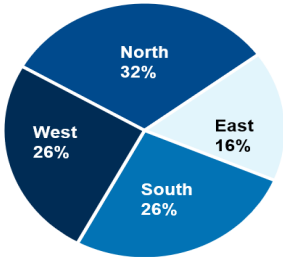
Customer Segment		Products								
	Enterprise Lending									
				Gold Loans		Salaried Personal Loan				
	Asset Finance									
				Tractor Loans		Commercial Vehicle Loans		Construction Equipment Loans		
	Consumer Finance									
				Two-Wheeler Loans		Digital Loans		Consumer Durable Loans		
	Fee Products									
				General Insurance		Life Insurance			Health Insurance	

Source: RHP, Geojit Research

Strong Presence Beyond Metro Markets ⁽¹⁾



Balanced Presence Across Geographies ⁽¹⁾



Source: RHP, Geojit Research

Key strengths:

- ◆ Highly granular retail loan book, bolstered by a large and rapidly growing customer base with a focus on serving the underbanked customer segments.
- ◆ Large, diversified and seasoned product portfolio with a sustainable track record of diversification, growth and profitability through the cycles .
- ◆ Tailored sourcing supported by an omni-channel and digitally powered pan-India distribution network
- ◆ Comprehensive systems and processes contributing to robust credit underwriting and strong collections
- ◆ Advanced technology tools driving enhanced customer experience and efficiency across each stage of the customer lifecycle .
- ◆ High-quality liability franchise with access to low cost, diversified borrowing sources and the highest credit rating.
- ◆ Distinguished parentage of HDFC Bank, India's largest private bank, enjoying strong trust and brand equity with consumers.

Key strategies:

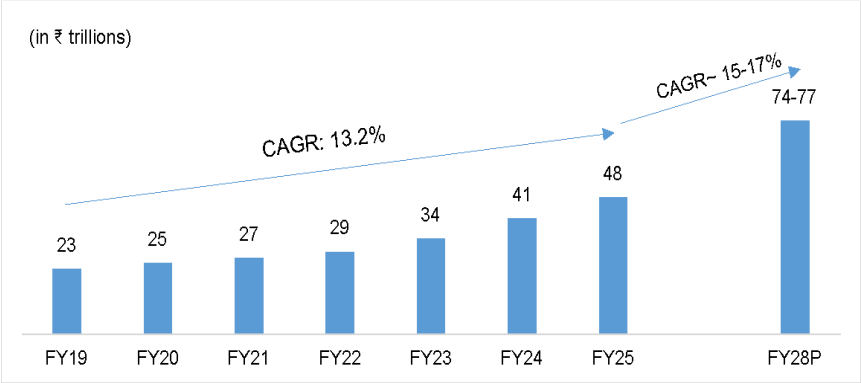
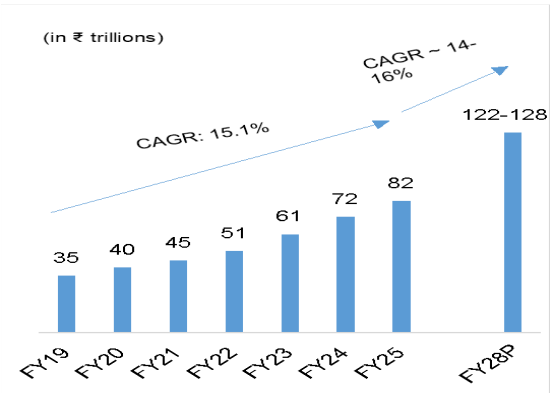
- ◆ Diversify and expand the addressable customer segments by widening and enhancing the product offering.
- ◆ Continue to expand pan-India omni-channel distribution network.
- ◆ Continue to invest in technology, data analytics and artificial intelligence to further improve customer experience, increase organisational productivity and decrease costs.
- ◆ Continue to diversify the borrowing profile to optimise borrowings costs.
- ◆ Further strengthen and improve robust risk management framework as well as underwriting and collections capabilities to minimise the risk of credit losses.
- ◆ Continue to attract, upskill and retain talented employees by strengthening the organizational culture.

Industry Outlook

NBFCs have evolved in size, operations, technological sophistication and variety of financial services and products, growing from under ₹2 trillion AUM in FY 2000 to ₹48 trillion in FY25. In the financial sector ecosystem, NBFCs compete with banks, micro-finance companies, digital lending platforms and informal financiers. During FY 2019 to 2025, NBFC credit grew at an estimated CAGR of 13.2%. CRISIL Intelligence expects NBFC credit to grow at 15-17% between FY 2025 and FY 2028 primarily driven by growth in the retail, MSME and corporate segments.

Retail credit growth is projected to grow on a strong footing from FY 2025 to FY 2028

NBFC credit to grow at 15-17% between FY 25 and FY 28



Source: RHP, Geojit Research

Promoter and promoter group

The Promoter of the Company is HDFC Bank Limited. As on the date of this Red Herring Prospectus, the Promoter holds 750,596,670 Equity Shares of face value of ₹10, equivalent to 94.04% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the Company (on a fully diluted basis).

As on the date of this Red Herring Prospectus, the Board comprises of nine Directors including one Executive Director and eight Non-Executive Directors out of which seven are Independent Directors (including two women Independent Directors).

Brief Biographies of directors

- ◆ **Arijit Basu** is the Part- time Non-Executive Chairman of the Board and Independent Director of the Company.
- ◆ **Dr. Amla Ashim Samanta** is an Independent Director of the Company.
- ◆ **A.K. Viswanathan** is an Independent Director of the Company.
- ◆ **Arundhati Mech** is an Independent Director of the Company.
- ◆ **Jayesh Chakravarthi** is an Independent Director of the Company.
- ◆ **Jayant Purushottam Gokhale** is an Independent Director of the Company.
- ◆ **Bhaskar Sharma** is an Independent Director of the Company.
- ◆ **Jimmy Minocher Tata** is the Non-Executive Director (Non-Independent) of the Company.
- ◆ **Ramesh Ganesan** is the first employee associated with the Company since September 3, 2007 as Manager under the Companies Act 1956 and designated as Chief Operating Officer and currently the Managing Director and Chief Executive Officer of the Company.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY23	FY24	FY25
Interest Income	8,928	11,157	13,836
Interest Expense	3,512	4,864	6,390
Net Interest Income	5,416	6,292	7,446
% Change	-	16%	18%
Non-Interest Income	3,475	3,014	2,464
Operating income	8,891	9,307	9,910
Operating Expenses	4,933	4,935	4,869
Total Income	12,403	14,171	16,300
Total Expenditure	8,445	9,799	11,259
Pre-Prov. Profit	3,958	4,372	5,041
% Change	-	10%	15%
Provisions & Contingencies	1,330	1,067	2,113
% Change	-	-20%	98%
Reported PAT	1,959	2,461	2,176
% Change	-	26%	-12%
Post Issue No.of Shares (cr.)	83.0	83.0	83.0
Adj. EPS (Rs)	23.6	29.7	26.2
% Change	-	26%	-12%

BALANCE SHEET

Y.E March (Rs cr)	FY23	FY24	FY25
Liabilities			
Capital	791.40	793.08	795.78
Reserve & Surplus	10,645.57	12,949.63	15,023.97
Deposit	-	-	-
Borrowings	24,227.80	33,831.38	41,928.89
Provision & Other Liabilities	3748.11	4483.13	5445.77
Total Liabilities	70,050.39	92,556.51	1,08,663.29
Assets			
Fixed Assets	387.05	511.19	735.09
Investments	1,243.25	3,380.33	2,060.13
Advances	66,382.67	86,721.26	1,03,343.04
Other Assets	1383.6	1241.22	1540.76
Cash & Bank Balances	653.82	702.51	984.27
Total Assets	70,050.39	92,556.51	1,08,663.29

RATIOS

Y.E March	FY23	FY24	FY25
Gross Loan (Rs.cr)	70,031	90,219	1,06,878
Growth (%)		29%	18%
Per Share Data (Rs.)			
EPS Diluted	23.6	29.7	26.2
BVPS (Post Issue)	137.9	165.7	220.8
Key Ratios			
Average Yield (%)	13.59	13.92	14.04
Cost to income (%)	39.0	42.7	42.8
Net Interest Margin (%)	8.25	7.85	7.56
Credit Cost Ratio	2.03	1.33	2.14
Capital (%)			
CRAR (%)	20.04	19.25	19.22
Net worth (Rs. cr)	11,437	13,743	18,320*
Asset Quality (%)			
GNPA	2.73	1.90	2.26
NNPA	0.95	0.63	0.99
PCR	65	67	56
Return Ratios (%)			
RoE	18.68	19.55	14.72
RoA	2.97	3.03	2.16
Valuations			
P/E (x)	31	25	28
P/BV (x)	5.4	4.5	3.4*

* post issue basis

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Certification: I, Sheen G , author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Investments Limited, hereinafter referred to as GIL.

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(ii)It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein, at the end of the month immediately preceding the date of publication of the research report.

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(i) He, his associates and his relatives shall take reasonable care to ensure that they do not have any financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report.

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report.

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4. Disclosure regarding the Research Analyst's connection with the subject company: It is affirmed that I, Sheen G , Research Analyst (s) of GIL have not served as an officer, director or employee of the subject company.

5. Disclosure regarding Market Making activity: Neither GIL/its Analysts have engaged in market making activities for the subject company.

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GRIEVANCES

Step 1: The client should first contact the RA using the details on its website or following

contact details: Compliance officer: Ms. Indu K. Address: 7th Floor, 34/659-P, Civil Line Road, Padivattom, Ernakulam,; Phone: +91 484-2901367; Email: compliance@geojit.com. For Grievances:grievances@geojit.com. **Step 2:** If the resolution is unsatisfactory, the client can also lodge grievances through SEBI's SCORES platform at www.scores.sebi.gov.in **Step 3:** The client may also consider the Online Dispute Resolution (ODR) through the Smart ODR portal at <https://smartodr.in>

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