IPO Note

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Quality Parentage and Scalable Business Model

HDB Financial Services

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HDB Financial Services - IPO NOTE

ABOUT COMPANY:

- The Company was incorporated as 'HDB Financial Services Limited on June 4, 2007, at Ahmedabad. The RBI granted a certificate of registration dated December 31, 2007, to the Company to carry on the business of a non-banking financial institution without accepting public deposits.
- HDB Financial Services is the 7th largest, diversified retail-focused nonbanking financial company ("NBFC") in India in terms of the size of the Total Gross Loan book, at ₹ 902.2 billion as at March 31, 2024, amongst its NBFC peers. The Company is categorised as an Upper Layer NBFC ("NBFC-UL") by the RBI and is registered with the IRDAI as a corporate agent (composite).
- The company's lending products are offered through its 3 business verticals: Enterprise Lending, Asset Finance and Consumer Finance. As at March 31, 2025, Enterprise Lending, Asset Finance and Consumer Finance accounted for 39.30%,38.03% and 22.66% of its Total Gross Loans, respectively.
- The products and financial services are offered through a wide omni-channel "phygital "distribution network. As at March 31, 2025, the company had a pan India network of 1,771 branches in 1,170 towns and cities across 31 States and Union Territories.
- HDB Financial Services is India's 2nd largest and 3rd fastest growing customer franchise amongst its NBFC peers, and it has served 19.2 million customers as at March 31, 2025. The customers have grown at a CAGR of 25.45% between March 31, 2023, and March 31, 2025.
- The company's Return on Assets of 2.16% and Return on Average Equity of 14.72% for FY 2025 are the 7th and 5th highest amongst its NBFC peers, respectively.
- The company has a diversified liability franchise supported by a strong credit rating of AAA stable by CRISIL and CARE, which is the highest that can be assigned on the credit rating scale for any NBFC in India.
- The company's interest income has grown at a CAGR of 24.49% from ₹ 8,927.78 Cr during FY 2023 to ₹ 13,835.79 Cr during FY 2025, driven by a growing yield on the Total Gross Loan book, from 13.59% in FY 2023 to 14.04% in FY 2025. The company's profit after tax increased from ₹1,959.35 Cr in FY23 to ₹ 2,175.92 Cr in FY 2025, reflecting a CAGR of 5.38%.
- As at March 31, 2025, the GNPA and NNPA stood at 2.26% and 0.99%, respectively, which are the 4th and 5th lowest amongst its NBFC competitors, respectively.

ISSUE BREAK-UP

Investor	No. of Equity Shares		₹ In Cr	% of Allocation
	Lower	Upper		
QIB	8,02,14,285	7,58,78,378	5,615.00	**50%**
NIB	2,40,64,286	2,27,63,514	1,684.50	**15%**
-NII 1	80,21,428	1,51,75,676	1,123.00	
-NII 2	1,60,42,858	75,87,838	561.50	
Retail	5,61,50,000	5,31,14,865	3,930.50	**35%**
Employee	2,85,714	2,70,270	20.00	
SH. Reserv	1,78,57,142	1,68,91,891	1,250.00	
Total	17,85,71,427	16,89,18,918	12,500.00	100%

NIB-1=NII Bid between ₹ 2 to 10 Lakhs **NIB-2 =NII Bid Above ₹ 10 Lakhs**

Anchor Bid on : Tuesday, 24th June 2025
Issue opens on : Wednesday, 25th June 2025
Issue closes on : Friday, 27th June 2025

Issue Details	*Fresh Issue of Equity Shares aggregating upto ₹ 2,500 Cr+ Offer for Sale aggregating upto ₹ 10,000 Cr*
Issue size:	*₹ 12,500 Cr*
No. of shares:	*17,85,71,427 -16,89,18,918*
Face value:	₹ 10
Price band:	₹700 – 740
Bid Lot:	20 Shares and in multiple thereof
Post Issue Implied Market Cap:	₹ 58,205 – 61,388 Cr
BRLM	BNP Paribas, BofA Securities, Goldman Sach, HSBC Securities, JM Financial
Registrar:	MUFG Intime India Pvt Ltd

Industry: Non-Banking Financial Company (NBFC)

Listing: BSE & NSE

INDICATIVE TIMETABLE:

Activity	On or about
Finalization of Basis of Allotment	30-06-2025
Refunds/Unblocking ASBA Fund	01-07-2025
Credit of equity shares to DP A/c	01-07-2025
Trading commences	02-07-2025

SHAREHOLDING (APPROX. NO. OF SHARES):

Pre issue	Post issue~	Post issue^
79,57,82,945	83,14,97,230	82,95,66,728

~@Lower price Band ^@ Upper Price Band

SHAREHOLDING PATTERN(%)

Particulars	Pre-Issue	Post-Issue
Promoters	94.32%	74.19%
Public – Others S/h	5.44%	25.81%
Total	100.00%	100.00%

Category	Retail Category	NII-Bid between ₹ 2 - 10 Lakhs	NII – Bid Above ₹ 10 Lakhs
Minimum Bid Lot (Shares)	20 Shares	280 Shares	1,360Shares
Minimum Bid Lot Amount (₹)	₹ 14,800^	₹ 2,07,200^	₹ 10,06,400^
No. Of Applications For 1x	26,55,743 Applications	27,099 Applications	54,199 Application

KEY FINANCIALS:

₹ in Cr

Particular (INR Cr)	As at Mar' 31,		
	2025	2024	2023
Equity Share Capital	795.78	793.08	791.4
Net Worth as Stated	14,936.50	12,802.76	10,436.09
Total Borrowings	87,397.77	74,330.67	54,865.31
Total Income	16,300.28	14,171.12	12,402.88
EBITDA as Stated	9,512.37	8,314.13	6,251.16
Restated Profit/(Loss) as Stated	2,175.92	2,460.84	1,959.35
Restated EPS - Basic	27.4	31.08	24.78
Restated EPS - Diluted	27.32	31.04	24.76
Net Asset Value per Share	198.8	173.3	144.5
Return on Average Equity (%)	14.72%	19.55%	18.68%
AUM	1,07,261.68	90,234.73	70,083.79
Gross NPA (%)	2.26%	1.90%	2.73%
Net NPA (%)	0.99%	0.63%	0.95%
Provision Coverage Ratio (%)	55.95%	66.82%	65.10%

*Source: RHP, *Restated Consolidated,*

OBJECT OF THE ISSUE :

Objects	Amount (₹ Cr)
Augmentation of the Company's Tier–I Capital base to meet the Company's future capital requirements	[•]
General corporate purposes.	[•]
Total	**[•]**

OFFER DETAIL :

Fresh Issue	No. of Shares
Fresh Issue (₹ 2,500 Cr^)	Up to 3,37,83,783 ^ Equity Shares

The Offer	No. of Shares
HDFC Bank Ltd (₹ 10,000 Cr)	Up to 13,51,35,135 ^ Equity Shares @ WACA ₹ 46.40 per share

SHAREHOLDING PATTERN:

Shareholders	Pre-offer		Fresh Issue of Equity Shares^	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter & Promoter Group	75,05,96,670	94.32%	13,51,35,135	61,54,61,535	74.19%
Total for Promoter and Promoter Group	**75,05,96,670**	**94.32%**	13,51,35,135	**61,54,61,535**	**74.19%**
Public	4,32,64,213	5.44%	3,37,83,783	21,21,83,131	25.58%
Employee Trust	19,22,062	0.24%	-	19,22,062	0.23%
Total for Public Shareholder	**4,51,86,275**	**5.64%**	**-**	**21,41,05,193**	**25.81%**
Total Equity Share Capital	**79,57,82,945**	**100.00%**		**82,95,66,728**	**100.00%**

BUSINESS OVERVIEW:

HDB Financial Services is the 7th largest, diversified retail-focused non-banking financial company ("NBFC") in India in terms of the size of the Total Gross Loan book at ₹ 902.2 billion as at March 31, 2024, amongst its NBFC peers. The Company is categorised as an Upper Layer NBFC (NBFC-UL) by the RBI. The company's lending products are offered through its three business verticals: Enterprise Lending, Asset Finance and Consumer Finance. The company began its journey in 2007 as a subsidiary of HDFC Bank, which is the largest private sector bank in India. The company has derived benefits from HDFC Bank's parentage, including its brand recognition, while still establishing a set-up independent from HDFC Bank across its various functions, including sourcing, underwriting, operations and risk management functions.

The company's Total Gross Loans stood at ₹ 1,068.8 billion as at March 31, 2025, reflecting a CAGR of 23.54% between March 31, 2023, to March 31, 2025. The company's assets under management (AUM) stood at ₹ 1,072.6 billion as at March 31, 2025, reflecting a CAGR of 23.71% between FY 2023 and FY 2025. In Fiscal 2025, the company's profit after tax was ₹ 21.8 billion, reflecting a CAGR of 5.38% between FY 2023 and FY 2025. The company'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 FY 2025, which is the 7 th and 5th highest amongst its NBFC peers, respectively.

HDB Financial Services is India's 2 nd largest and 3 rd fastest growing customer franchise amongst its NBFC peers, and it has served 19.2 million customers as at March 31, 2025. The customers have grown at a CAGR of 25.45% between March 31, 2023 and March 31, 2025. The company primarily caters to underserved and underbanked customers in low to middle-income households with minimal or no credit history. As at March 31, 2025, over 80% of the company's branches are located outside India's 20 largest cities by population (based on the 2011 census) and over 70% are located in Tier 4+ towns.

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The company's omni-channel "phygital" distribution model combines a branch network, in-house tele-calling teams and various external distribution networks and channel partners. As at March 31, 2025, the company had a pan-India network of 1,771 branches in 1,170 towns and cities across 31 States and Union Territories, with over 80% of its branches located outside the 20 largest cities in India by population, based on the 2011 census report. The company's network of branches is complemented by its external distribution channel partnerships with over 80 brands and original equipment manufacturers, and external distribution networks with over 140,000 retailers and dealer touchpoints as at March 31, 2025.

The company is a diversified NBFC, with an optimal mix across products, while maintaining a balanced approach to secured and unsecured loans in its loan book. As at March 31, 2025, secured loans represented 73.01% and unsecured loans represented 26.99% of its Total Gross Loans, respectively. The company serves its customers via three business verticals:

- Enterprise Lending, accounting for 39.30% of its Total Gross Loans as at March 31, 2025—secured and unsecured loans primarily to micro, small and medium enterprises ("MSMEs") to meet their varied and evolving business needs;
- Asset Finance, accounting for 38.03% of its Total Gross Loans as at March 31, 2025—secured loans for purchase of new and used commercial vehicles, construction equipment and tractors, all of which are income-generating assets for the customers; and
- Consumer Finance, accounting for 22.66% of its Total Gross Loans as at March 31, 2025—secured and unsecured loans for purchase of consumer durables, digital and lifestyle products, two-wheelers, automobiles and other unsecured personal loans. 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 the distribution of insurance products primarily to its lending customers

The company's tech-enabled operating processes have contributed to maintaining a strong asset quality and low Credit Costs despite its fast-growing customer base and distribution network. This is evidenced by its GNPA and NNPA ratios of 2.26% and 0.99%, respectively, as at March 31, 2025, and Credit Costs Ratio of 2.14% for FY 2025. The company has complemented its deep on-ground lending expertise with strong digital capabilities. The company has implemented a digitally assisted sales process for its field officers ("FOS"), direct selling agents ("DSAs"), dealers and OEMs, improving their decision matrix, productivity and customer engagement. As at March 31, 2025, over 95% of the customers were sourced and onboarded digitally and over 95% of the collections were done through digital and banking channels.

The company has a diversified liability franchise supported by a strong credit rating of AAA stable by CRISIL and CARE, which is the highest rating that can be assigned on the credit rating scale for any NBFC in India, as per the CRISIL Report. This has allowed the company to fund its operations at competitive rates and tenors across fixed and floating-rate debt instruments. The company's Average Cost of Borrowings stood at 7.90% as at March 31, 2025, which is the 6 th lowest amongst its competitors. The company has maintained a prudent and sustainable level of leverage in its business, with a debt-to-equity ratio of 5.85x as at March 31, 2025, while ensuring adequate capitalisation with a capital to risk assets ratio ("CRAR") (including Tier II Capital) of 19.22% as at March 31, 2025.

KEY FINANCIAL AND OPERATIONAL METRICS

Particular (INR Cr)	As at Mar' 31,		
	2025	2024	2023
Number of Customers (Mn)	19.2	15.8	12.2
Number of Branches (Nos)	1,771	1,682	1,492
Number of Locations (Nos)	1,170	1,148	1,054
Number of Total Employees (Nos)	60,432	56,560	45,883
Breakdown of Total Gross Loans by Verticals			
- Enterprise Lending	4,20,058.60	3,68,225.60	3,16,187.10
- Asset Finance	4,06,488.30	3,41,946.60	2,63,262.70
- Consumer Finance	2,42,228.80	1,92,007.10	1,20,857.20
Total Gross Loans	10,68,775.80	9,02,179.30	7,00,307.00
Total Gross Loans Growth YoY%	18.47%	28.83%	14.19%
Secured Loans as % of Total Gross Loans	73.01%	71.34%	72.87%
Net Interest Income	7,445.64	6,292.40	5,415.86
Other Financial Charges	1,192.45	953.11	756.41
Net Total Income	8,693.47	7,357.25	6,257.03

Financial Metrics Overview

Particular (INR Cr)	As at Mar' 31,		
	2025	2024	2023
Credit Cost	2,113.05	1,067.39	1,330.40
Profit after Tax (PAT)	2,175.92	2,460.84	1,959.35
PAT Growth YoY %	-11.62%	25.59%	93.77%
EPS (₹)	27.4	31.08	24.78
Average Yield %	14.04%	13.92%	13.95%
Average Cost of Borrowings %	7.90%	7.53%	6.70%
Net Interest Margin %	7.56%	7.42%	8.25%
Cost to Income Ratio	42.84%	42.76%	39.00%
Operating Expense Ratio	3.78%	3.92%	3.71%
Credit Cost Ratio	1.33%	0.73%	1.15%
Gross Stage 1 and Stage 2 Loans	1,04,463.87	88,506.11	68,118.55
Gross Stage 3 Loans	2,213.77	1,711.82	1,941.45
Gross NPA % (GNPA)	2.26%	1.90%	2.73%
Net NPA % (NNPA)	0.99%	0.63%	0.95%
Provision Coverage Ratio (PCR)	55.95%	66.82%	65.10%
Provision Coverage on Stage 1 and 2 Loans	2.66%	5.35%	–
Total Equity	15,819.75	13,742.71	11,436.97
Return on Equity (ROE)	14.72%	19.55%	18.68%
Return on Assets (ROA)	2.16%	3.03%	2.97%

Borrowings by Instrument (₹ Cr)

Instrument	As at Mar' 31,		
	2025	2024	2023
Term Loans & Working Capital Loans	32,990.21	31,661.03	21,968.00
Non-Convertible Debentures	36,052.42	33,699.96	26,441.36
External Commercial Borrowings	8,938.68	2,683.15	1,898.94
Subordinated Debts	4,515.15	4,657.65	2,894.66
Perpetual Debts	1,488.56	990.52	646.04
Commercial Paper	3,412.75	1,151.16	1,016.30
Borrowing under Securitization	–	85.27	–
Total Borrowings	**87,397.77**	**74,330.67**	**54,865.31**
Debt to Equity Ratio (X)	5.85	5.81	4.8
Term Loans & Working Capital Loans	32,990.21	31,661.03	21,968.00
Non-Convertible Debentures	36,052.42	33,699.96	26,441.36
External Commercial Borrowings	8,938.68	2,683.15	1,898.94
Subordinated Debts	4,515.15	4,657.65	2,894.66
Perpetual Debts	1,488.56	990.52	646.04

Capital Adequacy Ratios

CRAR	As at Mar' 31,		
	2025	2024	2023
CRAR – Tier I	14.61%	14.12%	15.91%
CRAR – Tier II	4.55%	5.13%	4.14%

Disbursements by Verticals (₹ Cr)

Vertical	As at Mar' 31,		
	2025	2024	2023
Enterprise Lending	18,503.51	17,358.94	14,107.50
Asset Finance Verticals	22,008.86	20,983.01	15,869.54
Consumer Finance	25,595.13	22,597.31	14,824.72
Total Disbursements	**66,107.50**	**60,939.26**	**44,801.76**

Branches by Region (%)

Region	As at Mar' 31,		
	2025	2024	2023
East	16.49%	16.21%	14.56%
North	31.97%	32.45%	31.11%
South	25.47%	25.62%	26.26%
West	25.47%	25.62%	26.26%

Vertical -wise Loan Book break-up

Vertical	As at Mar' 31,					
	Amount (2025)	% Mix (2025)	Amount (2024)	% Mix (2024)	Amount (2023)	% Mix (2023)
Enterprise Lending	42,005.86	39.30%	36,822.56	40.82%	31,618.71	45.15%
Asset Finance	40,648.83	38.03%	34,194.66	37.90%	26,326.27	37.59%
Consumer Finance	24,222.88	22.66%	19,200.71	21.28%	12,085.72	17.26%
Total Gross Loans	**1,06,877.58**	**100.00%**	**90,217.93**	**100.00%**	**70,030.70**	**100.00%**

Business Verticals

	Segment Description	Loan Size (INR)	Tenor	Interest Rate	Secured	Underwriting	Locations	Total Gross Loans[1] (INR Bn)
Enterprise Lending	• Fulfilling funding needs of small businesses, including for working capital or capex • Secured and unsecured loans to cater to the needs of these enterprises	25K – 250MM	Up to 15 years	9-18% - Secured Floating 11-30% - Unsecured Fixed	Secured/ Unsecured	Scorecards + at branches based on Policy	900+	420.1
Asset Finance	• Loans for purchase of income-generating new and used vehicles and equipment • Provides finance to a spectrum of customers including fleet owners, first time users, first time buyers and captive use buyers	100K – 250MM	Up to 6 years	9-18% Fixed	Secured	Scorecards + at hubs based on Policy	900+	406.5
Consumer Finance	• Loans for purchase of consumer durables, digital products, two-wheelers, auto and micro loans • Loans to individuals for personal, family or household purposes to meet their short- or medium-term requirements	4K – 5MM	Up to 7 years	11-34% Fixed	Secured/ Unsecured	Based on segment specific scorecards using analytics	1,000+	242.2

COMPETITIVE STRENGTH:

- ***Highly granular retail loan book, bolstered by a large and rapidly growing customer base with a focus on serving the underbanked customer segments***

The company is India's 2 nd largest and 3 rd fastest growing customer franchise amongst its NBFC peers. The company has served 19.2 million customers as at March 31, 2025, which grew at a CAGR of 25.45% between FY2023 and FY2025. The company's low customer concentration reduces its dependence on any particular set of customers. The company's 20 largest customers contributed to less than 0.34% of its Total Gross Loan book as at March 31, 2025. The company's ability to serve the underbanked is backed by its capabilities to underwrite customers with minimal or no credit history. As at March 31, 2025, 11.57% of its Total Gross Loans were to customers who are classified as "new to credit". The company has been able to sustainably deliver strong loan book growth over 18 years of operations. As at March 31, 2025, the average ticket sizes of the company's loan book in Enterprise Lending, Asset Finance and Consumer Finance were ~ ₹ 6.2 lakhs, ₹ 8.9 lakhs and ₹ 0.5 Lakhs, respectively, with average loan tenures of 6, 4 and 2 years, respectively.

- ***Large, diversified and seasoned product portfolio with a sustainable track record of diversification, growth and profitability through the cycles***

The company has built a balanced and diversified portfolio of lending products. As at March 31, 2025, the company's product portfolio consisted of 13 lending products spanning across its 3 business verticals of Enterprise Lending, Asset Finance and Consumer Finance. The company's product suite varies by type of loan, type of customer, tenure and interest rate. The company's product portfolio has delivered resilient performance and profitability, seasoned through multiple economic and credit cycles as well as events such as the 2008 global financial crisis, the 2013-2014 liquidity crisis in India, the NBFC liquidity crisis of 2018 and the COVID-19 nation-wide lockdowns in 2020 and 2021. The company has created and structured its business vertically to operate independent businesses within its wider organizational structure. As at March 31, 2025, the company's loan book is well diversified and granular across products with no single product accounting for more than 25% of its Total Gross Loan book. The average tenure of the company's Total Gross Loan book was around 4 years as at March 31, 2025, and 73.01% of its Total Gross Loan book was secured by asset-backed collateral as at March 31, 2025.

- ***Tailored sourcing supported by an omni-channel and digitally powered pan-India distribution network***

The company's phygital sourcing network is composed of its own internal distribution network, its external distribution network as well as its digital capabilities. The company has established a strong presence across India with a country-wide network of 1,771 physical branches spreading across over 1,170 towns and cities spread across 31 States and Union Territories as at March 31, 2025. The branch network is supported by direct sales through its in-house tele-calling team, which is the primary distribution channel for personal loan products. As at March 31, 2025, the company had partnerships with over 80 brands and OEMs. Similarly, its external distribution network has grown to over 140,000 retailers and dealer touchpoints as of March 31, 2025. Further, the company is growing its external digital distribution channels, such as by partnering with fintechs. The company's HDB On-The-Go application allows its customers to access most of its products. It had around 9.2 million downloads as of March 31, 2025.

- ***Comprehensive systems and processes contributing to robust credit underwriting and strong collections***

The company has instituted a robust and comprehensive underwriting and collections process led by its Chief Credit Officer and supported by a dedicated and experienced team of professionals. The company has built an in-house, experienced and dedicated underwriting team of over 4,500 members as at March 31, 2025, that operates independently of its sales team. The company has also been able to underwrite over 95% of loans digitally end-to-end as of March 31, 2025. The strength of the company's underwriting is well evidenced by the amount of the company's Gross Stage 3 Loans and Credit Cost. As at March 31, 2025, the GNPA and NNPA stood at 2.26% and 0.99%, respectively, which is the 4 th and 5 th lowest amongst its NBFC competitors, respectively, and the company's Credit Cost Ratio was 2.14% for FY2025. As at March 31, 2025, the company's overall collections team consisted of over 12,500 employees. The company has an inhouse dedicated team of approximately 170 specialists in legal and regulatory compliance for handling cases of recovery and enforcement of collections. As at March 31, 2025, the company had a team of over 3,700 employees making tele-calls to customers for collections. The company's collections through digital and banking channels constituted over 95% of the collections as at March 31, 2025.

COMPETITIVE STRENGTH:

- ***High-quality liability franchise with access to low cost, diversified borrowing sources and the highest credit Rating***

The company has a diversified liability franchise supported by a strong credit rating of AAA stable by CRISIL and CARE, which is the highest that can be assigned on the credit rating scale for any NBFC in India. The company's Average Cost of Borrowings stood at 7.90% as at March 31, 2025, which is the sixth lowest amongst competitors. The company finances its borrowings through a diversified mix of sources including from the public sector, the private sector, foreign banks, mutual funds, insurance companies, pension funds and financial institutions. The company's Debt to Equity ratio stood at 5.85x as at March 31, 2025, which is the third highest leverage ratio among its NBFC competitors.

- ***Track record of robust financial performance with sustainable and profitable growth***

The company has an established track record of delivering robust financial performance. The company's Total Gross Loan book has grown from ₹ 700.3 billion as of FY 2023 to ₹ 1,068.8 billion as of Fiscal 2025, reflecting a CAGR of 23.54%. The company's interest income has grown at a CAGR of 24.49% from ₹ 8,927.78 Cr during FY 2023 to ₹ 13,835.79 Cr during FY 2025, driven by a growing yield on the Total Gross Loan book, from 13.59% in FY2023 to 14.04% in FY 2025. The company's profit after tax increased from ₹19,59.35 Cr in FY23 to ₹ 2,175.92 Cr in FY 2025, reflecting a CAGR of 5.38%. The company's Net Total Income for the lending business increased from ₹ 6,257.03 Cr in Fiscal 2023 to ₹ 8,693.47 Cr in Fiscal 2025, reflecting a CAGR of 17.87%

- ***Stable, highly experienced and professional management team supported by a talented workforce***

The company is led by a management team with deep industry experience of over 25 years each in the retail banking and lending sectors. A number of key members of the management team have been with the Company since its early days of inception. The management team is backed by a distinguished Board of Directors composed of 9 members, including 7 independent members, experienced in diversified fields allowing the company to navigate diverse challenges and capitalize on opportunities for growth

- ***Distinguished parentage of HDFC Bank, India's largest private bank, enjoying strong trust and brand equity with consumers***

The company's Promoter is one of India's leading, and most trusted consumer brands. HDB Financial Services was established in 2007 as a subsidiary of HDFC Bank. HDFC Bank (along with its subsidiaries) has an established track record of providing highquality services across a diverse range of financial sectors, including retail and wholesale banking and lending, life and non-life insurance, asset management, Investment banking and securities trading. While HDB Financial Services operate as an independent company, it has enjoyed the long-term support and brand value of its Promoter. The company has embodied HDFC Bank's long-term culture of creating and institutionalizing robust processes across all aspects of its operations along with a strong focus on execution, enabling us to drive sustainable growth, despite an ever-changing and evolving macroeconomic and credit environment in India.

KEY BUSINESS STRATEGIES

- ***Diversify and expand the addressable customer segments by widening and enhancing product offering***

The company 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.

- ***Continue to expand the pan-India omni-channel distribution network***

The company 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 to continue to grow and diversify its distribution network by opening additional new branches to expand its coverage across the entirety of India

- ***Continue to invest in technology, data analytics and artificial intelligence to further improve customer experience, increase organizational productivity and decrease costs***

The company'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.

- ***Continue to diversify the borrowing profile to optimize borrowings costs***

The company plans to further diversify its funding sources by enlarging and deepening the lender base to optimise both its leverage level and the Average Cost of Borrowings. For example, the company increased its external commercial borrowings ("ECBs") in FY2025 to a total of US$ 1,050.0 million as of March 31, 2025. The other diversified funding sources include the public sector, the private sector, foreign banks, mutual funds, insurance companies, pension funds and financial institutions. The company raises funds through term loans, non-convertible debentures ("NCDs"), subordinated bonds, ECBs, perpetual bonds and commercial paper instruments.

- ***Further strengthen and improve the robust risk management framework as well as underwriting and collections capabilities to minimise the risk of credit losses***

The company plans to focus on enhancing its robust risk-management framework to ensure that it is able to retain its high credit quality. The company will continue to upgrade its credit underwriting, collections and risk management policies and strategies by training its employees in customised credit assessment processes, using technology and improving the speed of decision-making proces

- ***Continue to attract, upskill and retain talented employees by strengthening the organizational culture***

The company has instituted strong processes for ensuring that it continues to recruit the right people while retaining and training the existing workforce. The company also trains its new employees and provides continuous training to boost the skills of its existing employees, ensuring that they are kept up to date with new technologies. The company intends to continue to deepen and embed this culture in its organization and create a valuable consumer lending franchise that will last for generations and benefit the customers, partners, employees and communities.

INDUSTRY OVERVIEW :

Peer Group analysis

Company Name	Total Revenue from Ops (₹ Cr)	P/E Ratio (x)	P/B Ratio (x)	Restated EPS (₹)Basic	Diluted	RoAE (%)	NAV/Share (₹)
HDB Financial Services	*16,300.28*	*[●]*	*[●]*	*27.4*	*27.3*	*14.72%*	*198.8*
Bajaj Finance	69,683.51	34.3	5.9	26.89	26.82^	19.35%	155.6
Sundaram Finance	8,485.63	28.1	4	170.53	170.53	15.48%	1,187.80
L&T Finance	15,924.24	17.9	1.6	10.61	10.57	10.79%	102.5
M&M Financial Services	18,463.10	14.5	1.7	18.32	18.31	10.91%	154.9
Cholamandalam Invst and Fin.Co.	25,485.98	31.4	5.6	50.72	50.6	19.71%	281.5
Shriram Finance	41,834.42	13	2.2	50.82	50.75	18.17%	300.3

Instrument	As at Mar' 31, 2025		
	HDB Financial Services	Bajaj Finance	Sundaram Finance
No. of Customers (Mn)	19.2	101.8	0.6
No. of Branches	1,771	-	710
No. of Locations	1,170	4,263	-
No. of Total Employees	60,432	61,269	7,293
Total Gross Loans by Verticals			
– Enterprise Lending (₹ Cr)	42,005.90	-	-
– Asset Finance (₹ Cr)	40,648.80	-	-
– Consumer Finance (₹ Cr)	24,222.90	-	-
Total Gross Loans (₹ Cr)	1,06,877.60	2,47,852.50	42,520.60
Total Gross Loans Growth YoY (%)	18.50%	35.50%	24.30%
Secured Loans as % of Total Gross Loans	73.00%	48.50%	99.20%
Net Interest Income (₹ Cr)	7,445.60	33,111.20	2,403.40
Other Financial Charges (₹ Cr)	1,192.50	5,640.90	327.6
Net Total Income (₹ Cr)	8,693.50	40,982.50	3,342.10
Credit Cost (₹ Cr)	2,113.10	7,882.90	241.5
Profit after Tax (₹ Cr)	2,175.90	15,661.50	1,547.20
PAT growth YoY (%)	-11.60%	31.80%	6.10%
EPS (₹)	27.4	269.3	138.9
Average Yield (%)	14.00%	18.82%#	11.80%
Average Cost of Borrowings (%)	7.90%	7.40%	5.90%
Net Interest Margin (%)	7.60%	12.09%#	5.20%
Cost to Income Ratio (%)	42.80%	34.10%	31.10%
Operating Expense Ratio (%)	3.80%	5.10%	2.70%
Credit Cost Ratio (%)	1.30%	2.88%#	0.70%
Gross Stage 1 & 2 Loans (₹ Cr)	1,04,463.90	2,45,252.20	42,506.80

HENSEX OUTLOOK:

Rating: Apply – Backed by Quality Parentage and Scalable Business Model

- ✓ *HDB Financial Services is a leading NBFC backed by HDFC Bank, offering a diversified loan portfolio spanning enterprise, consumer, and asset finance.*
- ✓ *Strong parentage (HDFC Bank) and significantly smaller size than Bajaj Finance provide a long runway for expansion in underpenetrated credit markets.*
- ✓ *Gross NPA averaged at ~2.3% over FY23–25, reflecting consistent asset quality amid growth. Between FY23 and FY25, AUM and PAT grew at a CAGR of 24% and 5.4%, respectively, showcasing resilient fundamentals.*
- ✓ *The company boasts a wide distribution network (1,771 branches, 60,000+ employees) and focuses on digital infrastructure and underbanked customer segments, positioning it well for structural credit demand.*
- ✓ *Supported by the recent RBI rate cut, the borrowing cost environment has become more favorable, potentially boosting margins and profitability.*
- ✓ *At the upper price band the stock is priced at a P/E of 28x and P/B of 3.5x, compared to peer averages of 24x P/E and 3.5x P/B, suggesting a fair premium backed by performance.*

MAJOR RISK FACTOR:

- ✓ *The promoter HDFC Bank may be required to significantly reduce its ownership in HDB Financial to less than 20% or any such higher percentage with prior RBI approval on account of overlapping business with the promoter and one of the members of the Promoter Group if the draft circular issued by the RBI on October 4, 2024 is implemented in its current form. This may have a material adverse impact on our business operations, financial position and share price. The promoter group entities include HDFC Life Insurance Company Limited, HDFC Asset Management Company Limited, HDFC ERGO General Insurance Company Limited and HDFC Securities Limited among others.*
- ✓ *Company's Gross Stage 3 Loans amounted to 2.26% of Total Gross Loans as at March 31, 2025, which was an increase from 1.90% as at March 31, 2024. Non-payment or default by its customers, its inability to provide adequate provisioning coverage for non-performing assets or change in regulatorily mandated provisioning requirements may adversely affect its financial condition and results of operation*
- ✓ *As at March 31, 2025, unsecured loans comprised 26.99% of HDB's Total Gross Loans, which is a decrease from 28.66% as at March 31, 2024. Its unsecured loan portfolio is not supported by any collateral that could help ensure repayment of the loan, and in the event of non-payment by a borrower of one of these loans, it may be unable to collect the unpaid balance. As on March 31, 2025, secured loans comprised 73.01% of its Total Gross Loans. The value of collateral for company's secured loans may decrease or it may experience delays in enforcing collateral, impacting its ability to fully recover the collateral value, thereby exposing us to potential loss that could adversely affect our business, results of operations, cash flows and financial condition.*

Our Branches

JODHPUR

First Floor, 7th, Bhagat ki Kothi Extension, New Pali Road, Jodhpur – 342005

MUMBAI

Shop No. 27/28 Grd Floor, Oswal Ornate Bldg.No. 2 Jesal Park, Near Jain Mandir, Bhayander (East) Thane – 401105

JAIPUR

5th Floor, Okay Plus Tower, Government Hostel Circle, Ajmer Road, Jaipur, 302001 (Raj).

JODHPUR

Shop No. 2, Behind Senior Secondary School, Behind Rawat Chakki, Phalodi-342301

AHMEDABAD

928, Shyamal Iconic, Shyamal Cross Road, Shyamal,
Ahmedabad 380015

VADODARA

151-153, Paradise Complex, sayajiganj, Vadodara - 390005, Gujarat.

BENGALURU

No. 156/1, 1st Floor, Opp. Karnataka Bank, Near Minerva Circle, R.V. Road, V.V. Puram, Bangalore, 560004

Source: RHP (Red Herring Prospectus)
(For Additional & Detailed information, please refer RHP.)

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