

HDB Financial Services Ltd.

Company Overview:

HDB Financial Services Ltd (HDBFS) is categorized as an upper-layer NBFC by the Reserve Bank of India. It is the 4th largest diversified retail-focused NBFC (by Gross Loan Book size) as of Mar'25. It is a subsidiary of HDFC Bank, which is the largest private sector bank in India in terms of total assets as of Mar'25. The company's Assets Under Management (AUM) stood at Rs 1,073 bn as of Mar'25. HDBFS offers a diversified portfolio of products through its 3 business verticals. As of FY25, the share of Enterprise Lending stood at 39.3%, the share of Asset Finance stood at 38.0% and the share of Consumer Finance stood at 22.7% of the gross loan book. The company operates through an omni-channel "phygital" distribution model that combines a large network of branches, in-house tele-calling teams and various external distribution and channel partners. As of Mar'25, it has a strong pan-India presence with a wide network of 1,771 branches across 31 States & UTs.

Key Highlights:

1. Healthy growth in the retail loan book and rapidly growing customer base:

The company is the second largest and fastest growing customer franchise NBFC, serving 1.9 cr customers as of Mar'25. The company focuses on underserved & underbanked customers in low to middle-income households with minimal to no credit history. The gross loan book stood at Rs 1,068 bn as of Mar'25, registering a 2-year CAGR of 23.54%. Majority of the book is secured in nature. The share of secured loans stood at 73.01% while unsecured loans stood at 26.99% of gross loans as at Mar'25.

2. Strong systems & processes leading to robust credit underwriting & collections:

HDBFS has instituted a comprehensive underwriting and collection process. It has built an in-house, experienced and dedicated underwriting team of 4,500 employees and an overall collection team of 12,500 employees. The company's focus on prudent credit underwriting and collection has led to strong asset quality. The GNPA of the company stood at 2.3% and NNPA stood at 1.0%, which stood at the 4th and 5th lowest, respectively among NBFC peers in Mar'25.

3. Access to low-cost & diversified borrowing sources:

HDBFS's average cost of borrowing stood at 7.9% as of Mar'25, the 6th lowest among NBFC peers. It was mainly driven by its diversified liability franchise and strong credit rating of AAA stable by Crisil & Care Ratings. The company maintains a prudent and sustainable level of leverage at 5.85x as of Mar 25, while ensuring adequate capitalization (CRAR standing at 19.22% as of Mar 25).

4. Strong parentage of HDFC Bank:

The company is a subsidiary of HDFC Bank, India's largest private sector bank by total assets as of Mar'25. Although HDBFC operates as an independent company it can leverage HDFC Bank's strong brand value to build a large customer franchise, a strong credit rating and low cost of borrowings.

Valuation: The company is valued at an FY25 P/B of 3.2x/3.4x at post-issue capital at the lower price band & upper price band respectively. The company is backed by strong parentage, brand, governance, risk management and a high credit rating. It is one of the largest NBFCs catering to the 2nd largest customer franchise. The company is well placed to register healthy growth going ahead, while witnessing an improvement in the asset quality. We recommend investors SUBSCRIBE to the issue at the cut-off price.

Issue Details	
Date of Opening	25 th June 2025
Date of Closing	27 th June 2025
Price Band (Rs)	700 – 740
Offer for sale (Rs cr)	10,000
Fresh Issue (Rs cr)	2,500
Issue Size (Rs cr)	12,500
Issue Size (No. of shares)	17,85,71,429 – 16,89,18,919
Face Value (Rs)	10
Post Issue Market Cap (Rs cr)	58,205 – 61,338
BRLMs	JM Financial, BNP Paribas, BofA Securities India, Goldman Sachs (India) Securities, HSBC Securities & Capital Markets, IIFL Capital Services, Jefferies India, Morgan Stanley India Co, Motilal Oswal Investment Advisors, Nomura Financial Advisory & Securities (India), Nuvama Wealth Management, UBS Securities India
Registrar	MUFG Intime India Pvt Ltd.
Bid Lot	20 shares and in multiple thereof
QIB shares	50%
Retail shares	35%
NIB shares	15%

Objects of Issue	
	Estimated utilization from net proceeds (Rs cr)
Augmentation of Tier-I capital base to meet future capital requirements including onward lending under any of the company's business segments.	2,500
Total proceeds from fresh issue	2,500

Shareholding Pattern		
Pre-Issue	No. of Shares	%
Promoter & Promoter Group	75,05,96,670	94.3
Public & Others	4,51,86,275	5.7
Total	79,57,82,945	100.0

Post Issue @ Lower Price Band	No. of Shares	%
Promoter & Promoter Group	60,77,39,527	73.1
Public & Others	22,37,57,704	26.9
Total	83,14,97,231	100.0

Post Issue @ Upper Price Band	No. of Shares	%
Promoter & Promoter Group	61,54,61,535	74.2
Public & Others	21,41,05,194	25.8
Total	82,95,66,729	100.0

Source: RHP, SSL Research

Key Financial Metrics

Particulars (Rs cr)	FY23	FY24	FY25
NII	5,415.9	6,292.4	7,445.6
Other Income	3,475	3,014.4	2,464.5
Total Income	8,891.0	9,306.8	9,910.1
PPOP	3,957.8	4,372.1	5,040.9
PAT	1,959.4	2,460.8	2,175.9
EPS (Rs)	24.8	31.0	27.3
PE (x)*	29.9	23.8	27.1
P/BV (x)*	5.1	4.3	3.7
RoA (%)	2.8	3.0	2.2
RoE (%)	17.1	19.5	14.7

Source: RHP, SSL Research

*Pre-issue based on upper price band

Risk Factors

- **Further stake sale by parent HDFC Bank can be overhang on the stock price:** The parent HDFC Bank may have to decrease its holding from 74.2% (post-issue @ UB) to less than 20% in a span of 2 years, according to the draft circular by the RBI, which was issued on 4th October 24.
- **Asset quality risk:** The company's Gross Stage 3 Loans accounted for 2.3% of the gross loans as of Mar'25, which may adversely affect the company's financials in case of non-payment or default.
- **Unsecured loan risk:** Unsecured loans accounted for 27.0% of the company's gross loans as of Mar'25.
- **Liquidity risk:** Any asset-liability mismatch may cause liquidity concerns affecting the results of operations and financial condition
- **Regulatory risk:** The NBFC industry is highly regulated by the Reserve Bank of India, and any adverse regulations or any failure to comply with a regulation may have an adverse impact on the business.

Growth Strategy

- Diversify and expand the addressable customer segments by widening and enhancing the product portfolio.
- Continue to expand the omnichannel distribution network to pan-India.
- Invest in technology, data analytics and artificial intelligence to further improve customer experience, increase organisational productivity and decrease costs.
- Diversify borrowing profile to optimise costs of funding
- Strengthen & improve the risk management framework as well as underwriting & collection capabilities to minimise the risk of credit losses.
- Continue to attract, upskill and retain talented employees by strengthening organisational culture.

Gross Loans by Business Verticals

Particulars	FY23		FY24		FY25	
	Rs cr	as a % of Total Gross Loans	Rs cr	as a % of Total Gross Loans	Rs cr	as a % of Total Gross Loans
Enterprise Lending	31,618.7	45.1	36,822.6	40.8	42,005.9	39.3
Asset Finance	26,326.3	37.6	34,194.7	37.9	40,648.8	38.0
Consumer Finance	12,085.7	17.3	19,200.7	21.3	24,222.9	22.7
Total	70,030.7	100.0	90,217.9	100.0	1,06,877.6	100.0

Source: RHP, SSL Research

Disbursements by Business Verticals

Particulars	FY23		FY24		FY25	
	Rs cr	as a % of Total Disbursements	Rs cr	as a % of Total Disbursements	Rs cr	as a % of Total Disbursements
Enterprise Lending	14,107.5	31.5	17,358.9	28.5	18,503.5	27.8
Asset Finance	15,869.5	35.4	20,983.0	34.5	22,557.3	33.8
Consumer Finance	14,824.7	33.1	22,557.3	37.0	25,595.1	38.4
Total	44,801.8	100.0	60,899.3	100.0	66,656.0	100.0

Source: RHP, SSL Research

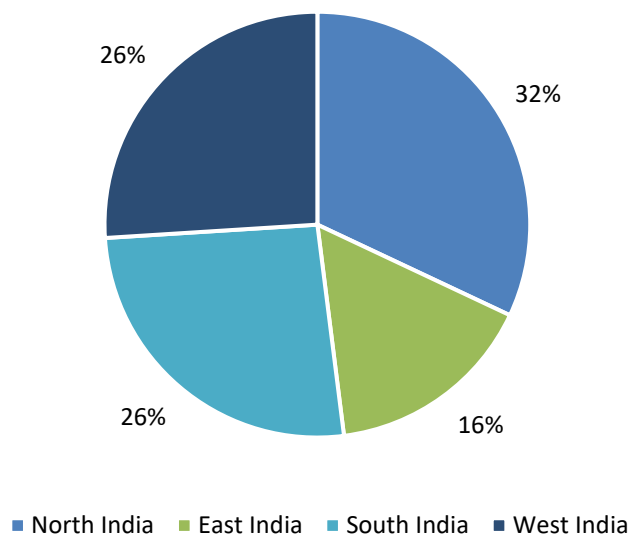
Product Portfolio

Customer Segment	Products
Enterprise Lending	Business Loans, Loan Against Property, Gold Loans, Enterprise Business Loan, Salaried Personal Loans
Asset Finance	Tractor Loans, Commercial Vehicle Loans, Construction Equipment Loans
Consumer Finance	Personal Loans, Auto Loans, 2-Wheeler Loans, Digital Loans, Consumer Durable Loans, Micro-Finance Loans
Free Products	General Insurance, Life Insurance, Health Insurance

Source: RHP, SSL Research

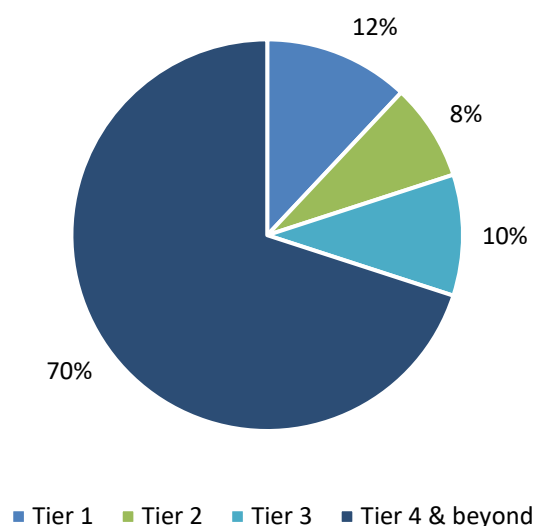
Geographical Presence beyond Metro Cities

Pan-India Geographical Presence



Source: RHP, SSL Research

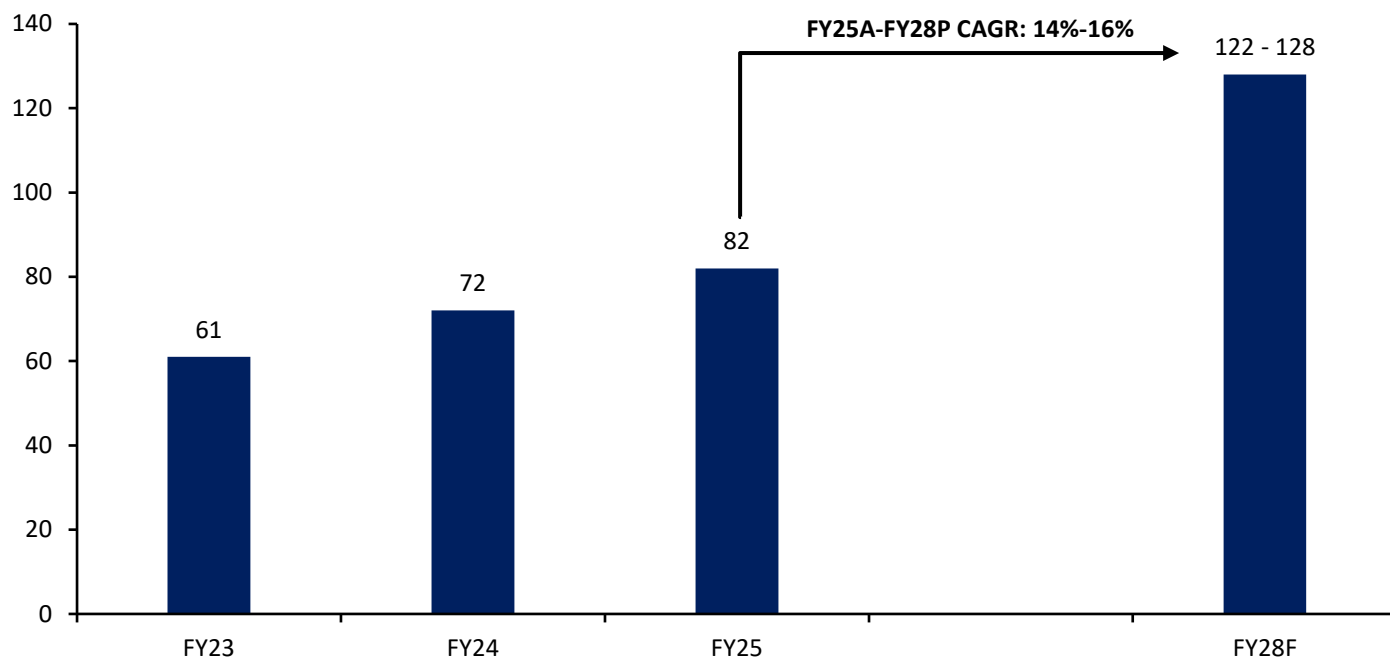
Geographical Presence beyond metro cities



Source: RHP, SSL Research

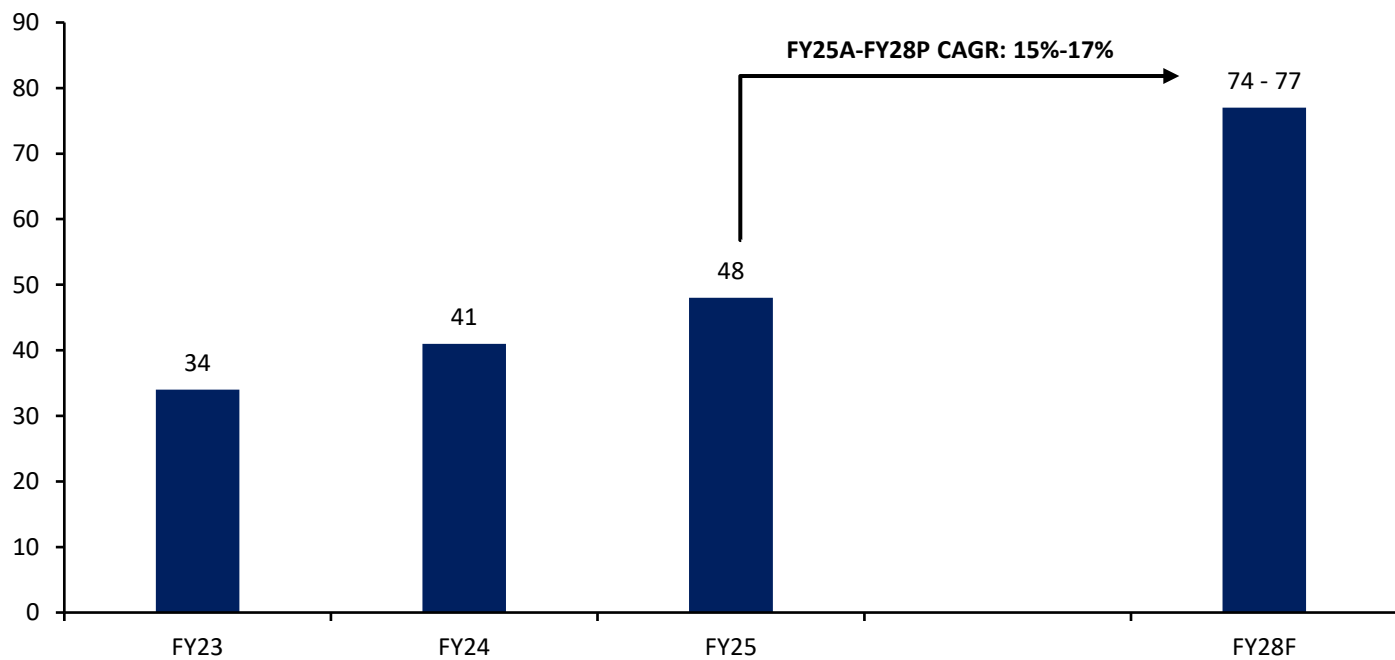
Industry Overview

Retail Credit Industry (Rs tn)



Source: RHP, SSL Research

NBFC Credit Industry (Rs tn)



Source: RHP, SSL Research

Financial Snapshot

INCOME STATEMENT			
(Rs cr)	FY23	FY24	FY25
Interest Income	8,927.8	11,156.7	13,835.8
Interest Expense	3,511.9	4,864.3	6,390.2
Net Interest Income	5,415.9	6,292.4	7,445.6
Other Income	3,475	3,014.4	2,464.5
Total Income	8,891.0	9,306.8	9,910.1
Operating Expenditures	4,933.2	4,934.7	4,869.3
Employee Expense	4,057.6	3,850.8	3,619.6
Other Expense	875.6	1,084.0	1,249.7
Operation Profit before Provision	3,957.8	4,372.1	5,040.9
Provisions	1,330.4	1,067.4	2,113.1
Operating Profit After Provision	2,627.4	3,304.7	2,927.8
Exceptional Items	-	-	-
Profit Before Tax	2,627.4	3,304.7	2,927.8
Provision for Tax	668.1	843.8	751.9
Current Tax	621.3	770.7	739.2
Provision related to earlier year	-	-	(60.1)
Deferred Tax	46.8	73.2	72.8
Profit After Tax	1,959.4	2,460.8	2,175.9

BALANCE SHEET			
(Rs cr)	FY23	FY24	FY25
Shareholders Funds'	11,437.0	13,742.7	15,819.8
Share capital	791.4	793.1	795.8
Reserves and Surplus	10,645.6	12,949.6	15,024.0
Non-Current Liabilities	58,613.4	78,813.8	92,843.5
Debt Securities	27,096.4	34,851.1	39,465.2
Borrowings	27,768.9	39,479.6	47,932.6
Other Liability and Provision	3,748.1	4,483.1	5,445.8
Total Equity and Liabilities	70,050.4	92,556.5	1,08,663.3
Assets			
Non-Current Assets			
Cash and Balances	395.9	647.9	950.5
Balances with Banks	257.9	54.7	33.8
Investments	1,243.3	3,380.3	2,060.1
Advances	66,382.7	86,721.3	1,03,343.0
Fixed Assets	387.1	511.2	735.1
Other Assets	1,383.6	1,241.2	1,540.8
Total Assets	70,050.4	92,556.5	1,08,663.3

RATIOS			
Particulars	FY23	FY24	FY25
Yield on Assets (%)	13.1	14.0	14.0
Cost of fund (%)	6.4	7.5	7.9
Spread (%)	6.7	6.5	6.1
NIM (%)	8.2	8.2	7.8
Cost to Income Ratio (%)	55.5	53.0	49.1
Credit Cost (%)	2.0	1.4	2.2
Tax (%)	25.4	25.5	25.7
GNPA (%)	2.7	1.9	2.3
NNPA (%)	1.0	0.6	1.0
PCR (%)	65.1	66.8	56.0
BVPS (Rs)	144.5	173.3	198.8
PE(x)*	29.9	23.8	27.1
P/BV (x)*	5.1	4.3	3.7
ROA (%)	2.8	3.0	2.2
RoE (%)	17.1	19.5	14.7

**Valuation ratios are based on pre-issue capital at the upper price band*

Source: RHP, SSL Research

Peer Comparison (FY25)

Particulars (Rs cr)	HDB Financial Services Ltd	Bajaj Finance Ltd	Cholamandalam Investment & Finance Company Ltd	Shriram Finance Ltd	L&T Finance Ltd
CMP (Rs)	740.0	905.0	1,549.0	664.0	190.0
NII (Rs cr)	7,445.6	36,393.0	13,570.0	22,835.1	8,048.0
PAT (Rs cr)	2,175.9	16,779.0	4,259.0	9,761.0	2,644.0
Mkt Cap (Rs cr)	61,387.9	5,62,175.0	1,30,371.0	1,24,923.0	47,490.0
AUM (Rs cr)	1,07,261.7	4,16,661.0	1,84,746.0	2,63,190.3	97,760.0
NIM (%)	7.8	9.7	7.7	8.6	8.7
ROA (%)	2.2	4.6	2.4	3.5	2.4
ROE (%)	14.7	19.2	19.8	18.6	19.7
GNPA (%)	2.3	1.2	2.8	4.6	3.3
NNPA (%)	1.0	0.6	1.5	2.6	1.0
PCR (%)	56.0	53.0	45.3	43.3	71.0
P/BV (x)*	3.7	6.4	5.5	2.2	1.9
P/E (x)*	27.1	33.5	30.6	12.8	18.0

For HDB Financial Services Limited, the Market cap, P/E(x), and P/BV(x) are calculated on post-issue equity share capital based on the upper price band.

CMP as on 20th June, 2025.

Source: RHP, SSL Research

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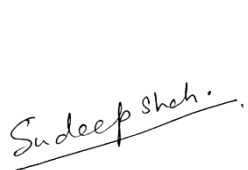
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