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INITIAL PUBLIC OFFER (IPO)
24-06-2025

# HDB FINANCIAL SERVICES LTD

25-06-2025 TO 27-06-2025

**Industry: NBFC**
**Recommendation: Subscribe for long term**

**Price Band: ₹700-740**
**Post Implied Market Cap: ₹ 58,205Cr - ₹ 61,388 Cr**

## Key Data

| | |
|---|---|
| Issue Size (₹ Cr) | 12,500 |
| Fresh (₹) | 2,500 |
| OFS (₹) | 10,000 |
| No. of shares offered | 3,37,83,784 |
| Face Value (₹ /share) | 10 |
| Bid Lot | 20 |

## Indicative Timetable

| Activity | On or about |
|---|---|
| Finalisation 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 (No. of shares)

| | |
|---|---|
| Pre-Issue | 79,57,82,945 |
| Post Issue (Lower price band) | 83,14,97,230 |
| Post Issue (Higher price band) | 82,95,66,728 |

## Shareholding Pattern

| | |
|---|---|
| **Promoter:** | |
| Pre Issue | 94.32% |
| Post Issue | 74.19% |
| **Public - Others:** | |
| Pre Issue | 5.44% |
| Post Issue | 25.81% |

## Issue Breakup

| | |
|---|---|
| QIB | 50% |
| NIB | 15% |
| Retail | 35% |

## Other Details

**BRLMs:** BNP Paribas, BofA Securities, Goldman Sachs, HSBC Securities, JM Financial, IIFL Securities, Jefferies India, Morgan Stanley, Motilal Oswal, Nomura Financial, Nuvama Wealth, UBS Securities

**Registrar:** MUFG Intime India Pvt Ltd.
**Listing:** BSE & NSE

## Research Analyst


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## About the Company

HDB Financial Services Ltd (HDBFIN) is the 7th largest diversified retail-focused NBFC in India by gross loan book (₹902.2 billion as of March 31, 2024). Classified as an Upper Layer NBFC by RBI, it also holds IRDAI registration as a composite corporate agent. As of March 2025, it is the 2nd largest and 3rd fastest-growing NBFC in terms of customer base, having served 19.2 million customers. Its lending operations span three verticals: Enterprise Lending, Asset Finance, and Consumer Finance.

## Investment Rationales

**1) Highly granular retail loan book, bolstered by a large and rapidly growing customer base with a focus on serving the underbanked customer segments:** HDBFIN is India's 2nd largest and 3rd fastest-growing NBFC by customer franchise, having served 19.2 million customers as of March 31, 2025, with a 25.45% CAGR in customer growth from FY2023 to FY2025. The company has low customer concentration, with its top 20 customers contributing less than 0.34% of its gross loan book. It focuses on serving underbanked customers, with 11.57% of loans to "new to credit" individuals. HDB has consistently grown its loan book over 18 years, with average ticket sizes of ₹6.2L (Enterprise), ₹8.9L (Asset Finance), and ₹0.5L (Consumer Finance) and loan tenures of 6, 4, and 2 years, respectively.

**2) Large, diversified and seasoned product portfolio with a sustainable track record of diversification, growth and profitability through the cycles:** As of March 31, 2025, HDBFIN offers a well-diversified portfolio of 13 lending products across Enterprise Lending, Asset Finance and Consumer Finance. Its product mix varies by customer type, tenure, and interest rate, with no single product contributing more than 25% of the total gross loan book, ensuring granularity and balance. With 73.01% of loans secured by collateral and an average loan tenure of around 4 years, the portfolio has shown resilience across economic and credit cycles, including the 2008 financial crisis, NBFC crisis of 2018, and the COVID-19 pandemic. The company's vertically structured business model supports operational independence and efficiency.

**3) Tailored sourcing supported by an omni-channel and digitally powered pan-India distribution network:** As of March 31, 2025, HDBFIN has built a robust phygital sourcing network comprising 1,771 branches across 1,170+ towns and cities in 31 states and union territories. This physical network is complemented by in-house tele-calling for personal loans and a strong external network of over 140,000 retailers and dealers. The company also has partnerships with 80+ brands and OEMs, and is expanding its digital reach through fintech collaborations. Its mobile app, HDB On-The-Go, had approximately 9.2 million downloads, enabling broad digital access to its product offerings.

**4) Comprehensive systems and processes contributing to robust credit underwriting and strong collections:** As of March 31, 2025, HDBFIN has implemented a strong underwriting and collections framework led by its Chief Credit Officer and a 4,500+ member dedicated underwriting team that functions independently from sales. Over 95% of loans are digitally underwritten end-to-end. Its asset quality remains solid, with GNPA at 2.26% and NNPA at 0.99%—among the lowest in the NBFC sector—while maintaining a credit cost ratio of 2.14% in FY2025. The company's collections strength is backed by 12,500+ employees, including 3,700 tele-callers and 170 legal and compliance specialists, with over 95% of collections processed via digital and banking channels.

**5) Distinguished parentage of HDFC Bank, India's largest private bank, enjoying strong trust and brand equity with consumers:** HDBFIN, established in 2007 as a subsidiary of HDFC Bank, benefits from the strong brand equity and institutional support of its Promoter—one of India's most trusted financial brands. While operating independently, the company has adopted HDFC Bank's culture of robust processes and execution excellence across all operational areas. This has enabled HDBFIN to sustain long-term growth and navigate various macroeconomic and credit cycles effectively.

## Risk

- High Regulated industry by RBI.
- Company Witnesses an increase in Gross stage 3 loans to 2.26% in FY 2025 from 1.90% at end of FY 2024.
- As per RBI's draft circular dated October 4, 2024, HDFC Bank may be required to reduce its post-issue stake in HDB Financial Services from 74.2% to below 20% within two years.

## MView

We believe HDB Financial Services Ltd IPO brings investors an opportunity to invest in one of India's leading and fastest-growing diversified NBFCs, with a well-balanced loan portfolio across Enterprise Lending, Asset Finance, and Consumer Finance. We think as it is backed by the brand strength and operational discipline of its promoter, HDFC Bank, HDB has demonstrated consistent growth, strong underwriting capabilities, and resilient asset quality—evidenced by its low GNPA and NNPA ratios. We also think with over 19 million customers, a granular loan book, and a robust phygital distribution network of 1,771 branches and 140,000+ retail touchpoints, the company is well-positioned to capture underpenetrated credit demand, particularly among "new to credit" borrowers. By looking at the financials, the company has demonstrated a a revenue growth of 14.3% in FY2024 and 15% in FY2025, with net profit rising by 25.6% in FY2024, though witnessing a modest decline of 11.6% in FY2025, mainly on account of two- fold increase in provision. On valuation parse at the upper price band of ₹740/-, the issue is asking a market cap of ₹ 61,388 cr. Based on FY 2025 earnings and fully diluted post-IPO paid up capital, the company is asking for Price to book ratio (P/B) of 3.5x which seems fairly valued looking at its industry average ~3.5-4x. Given its strong parentage, proven execution across cycles, diversified loan mix, and digital-first approach, we believe HDB Financial Services is well positioned to benefit from India's ongoing financial inclusion and expanding retail credit demand. Hence, looking at all attributes we recommend investors to "SUBSCRIBE" the HDB Financial Services Ltd IPO for long term perspective.

## CONSOLIDATED FINANCIAL TABLES

### BASIC FINANCIAL DETAILS

| | As at March' 31 | | |
|---|---|---|---|
| Particulars ₹ (in Cr) | 2025 | 2024 | 2023 |
| Equity Share Capital | 795.7 | 793 | 791.4 |
| Net Worth | 14,936.5 | 12,802.8 | 10,436.1 |
| Total Borrowings | 87,397.8 | 74,330.7 | 54,865.3 |
| Total Income | 16,300.3 | 14,171.1 | 12,402.9 |
| EBITDA | 9,512.4 | 8,314.1 | 6,251.2 |
| Net Profit for the period | 2,175.9 | 2,460.8 | 1959.3 |
| Restated EPS - Basic | 27.4 | 31 | 24.7 |
| Restated EPS - Diluted | 27.3 | 31 | 24.7 |
| Net Asset Value per share | 198.8 | 173.3 | 144.5 |
| Return on Average Equity (%) | 14.7% | 19.6% | 18.7% |
| AUM | 107261.6 | 90,234.7 | 70,083.7 |
| Gross NPA (%) | 2.2% | 1.9% | 2.7% |
| Net NPA (%) | 0.9% | 0.6% | 0.9% |
| Provision Coverage ratio (%) | 56% | 66.8% | 65.1% |

Source: Company RHP

### COMPARISON WITH INDUSTRY LISTED PEERS ₹ (in Cr)

| Companies | Total Revenue from Ops. (₹ in Cr) | Mcap (₹ in Cr) | FV | EPS | NAV (₹ Per Share) | P/B | P/E | RoAE (%) |
|---|---|---|---|---|---|---|---|---|
| **HDB Financial Services** | **16,300.2** | **61388** | **10** | **26.2** | **210.2** | **3.5** | **28.2** | **14.7%** |
| Bajaj Finance | 69,683.5 | 5,75,319 | 1 | 26.8 | 155.6 | 6 | 34.6 | 19.4% |
| Sundaram Finance | 8,485.6 | 54,731 | 10 | 170.5 | 1187.8 | 4.2 | 29.1 | 15.5% |
| L&T Finance | 15,924.2 | 49,998 | 10 | 10.6 | 102.5 | 1.9 | 18.9 | 10.8% |
| M&M Finance Services | 18,463.1 | 37,390 | 2 | 18.3 | 154.9 | 1.7 | 16.5 | 10.9% |
| Cholamandalam Invest & Fin.co | 25,845.9 | 1,34,871 | 2 | 50.7 | 281.5 | 5.7 | 31.6 | 19.7% |
| Shriram Finance | 41,834.4 | 1,27,772 | 10 | 50.8 | 300.3 | 2.2 | 15.3 | 18.2% |

Date as on 31st March 2024, Cline Mcap, PE, PB calculated as on 24-06-2025
HDB Financial Services, EPS/PE,PB, NAV calculated on annualised basis post money.

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**Msearch’s Recommendation (Absolute Performance)**
**Buy: > 20% within the next 12 Months**
**Accumulate: 5% to 20% within the next 12 Months**
**Sell : < -20% within the next 12 Months**

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