



IPO Details:

HDB Financial Services Ltd (HDB) is coming out with an IPO of about Rs. 12,500.00 cr consisting of 16,89,18,918 shares of face value of Rs. 10 each in a price band of Rs. 700 – Rs. 740. The IPO comprises of Fresh Issue of Rs. 2,500.00 cr and an Offer for Sale of Rs. 10,000.00 cr by the promoter – HDFC Bank. The IPO opens on 25th June' 2025 and closes on 27th June' 2025.

Company Details:

- **7th largest leading, diversified retail-focused NBFC**, offering a large portfolio of lending products that cater to a growing and diverse customer base through a wide omni-channel distribution network.
- **Offers Enterprise Lending, Asset Financing and Consumer Finance** to underserved and underbanked customers in low-to-middle income households with **minimal or no credit history**.
- Company also offers **Business Process Outsourcing (BPO) services** such as back-office support services, collection and sales support services to its promoter – **HDFC Bank** while also offering **fee based products** such as **distribution of insurance products** primarily to its lending customers.
- Adopted **omni-channel “phygital” distribution model** that combines a large branch network, in-house tele-calling teams and various external distribution networks and channel partners.

Strength:

- **Highly granular loan book** with **20 largest customers** accounting for **less than 0.34%** of Total Gross Loans and aggregated average ticket size stood at approximately **Rs. 1,65,000**.
- Wide distribution network comprising of pan-India network of **1,771 branches** across **1,170** towns and cities across **31** States and Union Territories. Company's branch network 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 touchpoints** as of 31st Mar' 2025.
- Adopted **Hybrid underwriting structure** depending on the product, customer segment and ticket size, wherein a centralized credit assessment and underwriting is undertaken for Consumer Finance Products and decentralized regional and branch-level credit assessment for Enterprise Lending and Asset Finance products.



- Well **Seasoned Loan Book** which has weathered multiple credit cycles in India since its inception in 2007.
- Complimented its deep on-ground lending expertise with **strong digital capabilities** by instituting tech-enabled sourcing, credit assessment, risk management and collection capabilities as well as customer engagement tools.
- Enjoys highest credit rating of **AAA/Stable** (long term) and **A1+** (short term) from credit rating agencies and Crisil and CARE Ratings. This has enabled the company to borrow at competitive rates and tenors across fixed and floating – rate debt instruments.

Growth Drivers:

- Systemic credit growth expected to be in the range of **13% - 15%** between FY25 to FY28 while retail credit including small ticket loans for housing finance, vehicle finance, gold loans, consumer durable loans, personal loans, among others is expected to grow at a CAGR of **14% - 16%** between FY25 to FY28.
- Company designs its products **to address demands across the lifecycle** of its customers which in turn enables it to cater to larger customer base across geographies in a consistent manner. Diversified product portfolio enables the Company to **increase cross and up-selling** across its products to existing customers.
- **Intention to continue to grow and diversify the distribution network** by opening additional new branches to expand coverage across the entirety of India while also deepening relationships with OEMs, dealers, brands, points of sales distribution and DSAs and continuing to add more partners..
- **Plans to continue to invest in technology, data analytics and artificial intelligence** to further improve customer experience, increase organizational productivity and decrease costs.

Objectives of Fund Raise – Fresh Issue of Rs. 2,500.00 cr:

- Net Proceeds from the fresh issue will be utilized by the Company towards augmenting Tier - I capital base to meet the future capital requirements including onward lending under any of the Company's business verticals i.e. Enterprise Lending, Asset Finance and Consumer Finance, all of which are expected to arise out of the growth in the business and assets and also to ensure compliance with regulatory requirements of capital adequacy prescribed by the RBI from time to time.



Key Financial Highlights:

HDB Financial Services Ltd (Rs. Cr)

Particulars	FY2022-23	FY2023-24	FY2024-25
Total Gross Loans	70,031	90,218	1,06,878
No. of Customers (in cr)	1.22	1.58	1.92
Disbursements	44,802	60,899	66,108
Net Interest Income (NII)	5,416	6,292	7,446
PAT	1,959	2,461	2,176
Networth	11,437	13,743	15,820
Total Debt	54,865	74,331	87,398
<u>Key Ratios -</u>			
Average Yields	13.59%	13.92%	14.04%
Cost of Funds	6.76%	7.53%	7.90%
NIMs	8.25%	7.85%	7.56%
Opex/AUM	3.71%	3.92%	3.78%
Credit Cost	2.03%	1.33%	2.14%
RoA	2.97%	3.03%	2.16%
RoE	18.68%	19.55%	14.72%
Debt/Equity	4.80	5.41	5.52
Gross NPAs	2.73%	1.90%	2.26%
Net NPAs	0.95%	0.63%	0.99%
PCR	65.10%	66.82%	55.95%

- Total Gross Loans has grown at a CAGR of 23.5% between FY23 – FY25 to reach Rs. 1,06,877.58 cr in FY25.
- Net Interest Income (NII) has grown from Rs. 5,415.86 cr in FY23 to Rs. 7,445.64 cr in FY25, translating into CAGR of 17.3%. Net Interest Margins has declined from 8.25% in FY23 to 7.56% in FY25.



- Opex ratio has remained more or less stable in the range of 3.71% - 3.92% between FY23 – FY25. Credit costs however, spiked to 2.14% in FY25 from 1.33% in FY24, resulting in lower growth in profitability. Profit after tax has grown at a CAGR of 5.4% between FY23 – FY25, with PAT at Rs. 2,175.92 cr in FY25.
- Asset quality deteriorated between FY24 to FY25, which was more of a systematic issue and Company also did face the challenges. Its Gross NPAs in FY25 inched up to 2.26% from 1.90% while Net NPAs inched up from 0.63% in FY24 to 0.99% in FY25. PCR has however declined to 55.95% in FY25 from 65.10% in FY23.
- Though, the Company's profitability got impacted due to higher credit cost, its Capital Efficiency though has witnessed some weakness, but it still continues to remain healthy. Its RoA in FY25 stood at 2.16% while its RoE stood at 14.72%. If Company does not face any incremental asset quality challenges, then probability of Company reporting historical RoA and RoE of about 3.0% and 18% - 19% respectively is quite possible.

Valuations:

- At Upper end of the IPO price band of Rs. 740, HDB Financial Services Ltd will be valued at about Rs. 61,387.94 cr.
- On PB basis, HDB will be available at 3.35x its post IPO Networth of Rs. 18,319.75 cr.
- **Investments can be made in HDB Financial Services from long term perspective considering it being the leading company, backed by strong parent (HDFC Bank) in the high growth lending business which caters to underserved and underbanked customers on pan – India basis by offering products which customers require during their various life phases, Company's highly efficient operating model, hybrid underwriting depending on the product and customer segment, seasoned loan book, high capital efficiency and reasonable relative valuation.**



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*Long Term Investments could range from 3-5 years.