

Aditya Birla Money Ltd.



STOCKS & SECURITIES

Empowering Financial Inclusion Across India

HDB Financial Services Limited (HDBFS), the seventh-largest retail-focused NBFC in India with a total gross loan book of ₹1068.8bn as of March 31, 2025, plays a pivotal role in extending credit to underserved and underbanked low- to middle-income households. Established in 2007 as a subsidiary of HDFC Bank, which holds a 94.09% stake, HDBFS offers a diverse portfolio of lending products through a robust omni-channel network of 1,772 branches in FY25 and advanced digital platforms. With a strong focus on asset-backed lending, disciplined risk management reflected in a low GNPA ratio of 2.26% in FY25 and a customer-centric approach, HDBFS continues to drive inclusive growth and innovation in India's expanding financial sector.

Product Portfolio and Business Snapshot

The company offers a well-diversified portfolio of 13 lending products across three core business segments: Enterprise Lending (39% of AUM in FY25), Asset Finance (38%), and Consumer Finance (23%). The loan book is granular, with no single product accounting for more than 25% of the gross loan book, ensuring effective risk distribution. Outstanding loans increased from ₹700.3bn in FY23 to ₹1,068.8bn in FY25, reflecting a strong CAGR of ~24%. The average tenure of the loan book is approximately four years, with ~73% of loans backed by asset-based collateral, highlighting a conservative credit approach. In addition to lending, the company provides BPO services to HDFC Bank and offers fee-based products such as insurance distribution, primarily to its lending customers, enhancing customer value and contributing to a more stable and diversified revenue stream.

Phygital Sourcing; Network and Distribution Strategy

HDBFS has a strong phygital sourcing network combining internal and external distribution with digital capabilities. In FY25 it operates 1,771 branches across over 1,170 towns and cities, with no region exceeding 35% of total gross loans or branches. More than 70% of branches are in Tier 4 and smaller towns, targeting India's underbanked population. The branch distribution is balanced with 32% in the North, 16% in the East, 26% in the South, and 26% in the West. The omni-channel approach includes partnerships with OEMs, dealers, retail points of sale, direct selling agents, and digital platforms such as fintech collaborations, a website, and a customized app, ensuring wide reach across India's fragmented market.

Key Risk:-

1.) Credit Risk: Deterioration in borrower credit quality, especially in unsecured or SME loans, could lead to higher NPAs and provisioning requirement. 2.) Liquidity Risk: HDB unable to meet its payment obligation when they fall due in normal and stressed circumstances. 3.) Operational Risk: Operational risk is the risk of loss arising from systems failure, human error, fraud or from external events.

Financials & valuation:-

HDBFS, a fast-growing subsidiary of HDFC Bank, is set for a ₹12,500cr IPO with a valuation of ~₹61,253cr at 3.9x P/B basis FY25 book value. Its strong presence in semi-urban and underbanked markets, diversified and expanding loan portfolio, advanced digital capabilities, and robust financial performance underscore its compelling long-term investment potential.

24 June 2025

Rating	SUBSCRIBE
Issue Details	
Issue Opens	25-Jun -25
Issue Closes	27-Jun-25
Face Value (₹)	10
Price Band (₹)	700-740
Bid Lot	20 shares
Issue Size at higher price band (₹ Cr)	12,500
Market cap @ upper price band (₹ cr)	61,253
Listing	NSE/BSE
BRLMs	JM Financial, BNP Paribas, Bofa Securities, Goldman Sachs, HSBC, Iifl, Jefferies,
Registrar	MUFG Intime India Pvt Ltd

Shareholding Pattern (%)

	Pre-Issue	Post-Issue
Promoters	94.32	74.19
Public	5.70	25.81
Total	100	100

Issue Structure (In cr no. of shares)

Issue size	16.89
OFS	13.51
Break-up of net issue to public (%):	
QIB's portion	44.9
Non-Institutional portion	13.5
Retail Portion	31.6
Shareholders	10.0

Source: ABML Research, RHP

Analyst Details

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CIN: L65993GJ1995PLC064810

IPO Note – HDB Financial Services Ltd.

24 June 2025

Key Financials (₹ Cr)	Mar-23	Mar-24	Mar-25
Net Revenue	12,403	14,171	16,300
PPOP	3,958	4,372	5,041
PAT	1,959	2,461	2,176
EPS	24.8	31.1	27.4
Net Worth	11,437	13,743	15,820
NIM (%)	8.2	7.8	7.5
GNPA (%)	2.73	1.90	2.26
NNPA (%)	0.95	0.63	0.99
ROA (%)	2.97	3.03	2.16
ROE (%)	18.68	19.55	14.72
P/B			3.9

Source: ABML Research, RHP, company presentation

Disclaimer:

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