

Company Business

HDB Financial Services Limited is primarily a **diversified retail-focused non-banking financial company (NBFC)** in India. It is categorized by the RBI as an Upper Layer NBFC (NBFC-UL).The company's core business revolves around offering lending products through three main verticals:

- ✦ **Enterprise Lending** : This vertical provides secured and unsecured loans primarily to micro, small, and medium enterprises (MSMEs) to meet their business and working capital needs. As of March 31, 2025, Enterprise Lending accounted for 39.30% of the company's Total Gross Loans.
- ✦ **Asset Finance** : This vertical offers **secured loans for purchasing new and used commercial vehicles, construction equipment, and tractors**, which are income-generating assets for customers. As of March 31, 2025, Asset Finance comprised 38.03% of Total Gross Loans.
- ✦ **Consumer Finance** : This vertical provides **secured and unsecured loans for buying consumer durables, digital and lifestyle products, two-wheelers, automobiles, and other unsecured personal loans**. As of March 31, 2025, Consumer Finance made up 22.66% of Total Gross Loans.

In addition to lending, HDB Financial Services Limited also provides other services:

- ✦ **Business Process Outsourcing (BPO) Services** : This includes **back-office support services, collection services, and sales support services** provided to its Promoter, HDFC Bank. For Fiscal 2025, income from BPO services was 7.46% of total revenue from operations. The profit before tax from BPO services was 2.44% of the total profit before tax as of March 31, 2025.
- ✦ **Fee-based Products** : The company offers **distribution of insurance products**, primarily to its lending customers. Income from fee-based services constituted 7.32% of total revenue from operations for Fiscal 2025. The company holds a license from the IRDAI and is a registered corporate agent authorized to sell both life and general (non-life) insurance products, having tie-ups with HDFC Life Insurance Company Limited and HDFC Ergo General Insurance Company Limited.

The company was incorporated on June 4, 2007, as 'HDB Financial Services Limited' and commenced operations on July 31, 2007. It received a certificate of registration from the RBI on December 31, 2007, to operate as a non-banking financial institution without accepting public deposits. Its Promoter is HDFC Bank Limited, which holds approx 94% stake in the company as of March 31, 2025. The company uses the HDFC Bank logo under a trademark license agreement with its Promoter, valid until July 1, 2028.

Breakdown of Total Gross Loans by verticals	FY 2024-25	FY 2023-24	FY 2022-23
Enterprise Lending (In Cr.)	42,005.86	36,822.56	31,618.71
Asset Finance (In Cr.)	40648.83	34,194.66	26,326.27
Consumer Finance (In Cr.)	24222.88	19,200.71	12,085.72
Total Gross Loan (In Cr.)	1,06,877.58	90,217.93	70,030.70
Secured Loans as % of Total Gross Loans	73.01%	71.34%	72.87%

IPO Details

- ✦ Total Issue Size : **16,89,18,918 Shares** (Rs.12,500 Cr.)
- ✦ Fresh issue : **3,37,83,783 shares** (Rs.2,500 Cr.)
- ✦ OFS : **13,51,35,135 Shares** (Rs. 10,000 Cr.).
- ✦ Issue Price Band : **₹700 to 740 per share**
- ✦ Lot Size : **20 shares**
- ✦ IPO Date : **June 25-27, 2025**
- ✦ Pre IPO Promoters Holding : **94.32%**
- ✦ Post IPO Promoters Holding : **74.35%**

Objects of the issue

- ✦ Augmentation of our Company's Tier – I Capital base to meet Company's future capital requirements including onward lending under any of Company's business verticals i.e. Enterprise Lending, Asset Finance and Consumer Finance : **Rs. 2,500 Cr.**

Financials of the company

(Fig. in Cr)

Particulars	March 31, 2025	March 31, 2024	March 31, 2023
Net Interest Income	7,445.64	6,292.40	5415.86
Other Financial Charges	1,192.45	953.11	756.41
Net Total Income	8,693.47	7,357.25	6,257.03
PAT	2,175.92	2,460.84	1,959.35
PAT Growth	-11.58%	25.59%	93.73%
Gross NPA	2.26%	1.90%	2.73%
Net NPA	0.99%	0.63%	0.95%
ROE	14.72%	19.55%	18.68%
ROA	2.16%	3.03%	2.97%
Debt to Equity Ratio	5.85	5.81	5.26

Comparison with Peers

Companies	Revenue	Net NPA	D/E Ratio	ROE	ROA	MCap	P/B Ratio	P/E
HDB Financial Services (FY 2025)	16300.28 Cr.	0.99%	5.85	14.72%	2.16%	61,253.30 Cr.	3.87	28.15
Bajaj Finance (FY 2025)	69,684 Cr.	0.44	3.74	19.20%	3.99%	5,71,714 Cr.	5.92	34.40
Sundaram Finance (FY 2025)	8,486 Cr.	1.25% (FY24)	4.63	9.69%	2.69%	54,341 Cr.	4.11	28.90
L&T Finance (FY 2025)	15,924 Cr.	-	3.61	10.80%	2.37%	50,247 Cr.	1.99	19
Mahindra & Mahindra Financial Services (FY 2025)	18,463 Cr.	-	5.53	10.90%	1.69%	37,182 Cr.	1.72	16.40
Cholamandalam Investment and Finance Company (FY 2025)	25,846 Cr.	2.63%	7.40	19.70%	2.38%	1,35,434 Cr.	5.72	31.80
Shriram Finance (FY 2025)	41,834 Cr.	2.64%	4.15	15.80%	3.07%	1,27,133 Cr.	2.23	15.30

Pros and Cons

Pros (Strengths & Opportunities)

- ✦ **Market Position and Business Diversification** : The company is the seventh largest leading, diversified retail-focused NBFC in India. It boasts a large, diversified, and seasoned product portfolio with a consistent record of diversification, growth, and profitability.
- ✦ **Strong Lending Verticals** : Its core business is robust, with significant contributions from three key lending verticals as of March 31, 2025:
 - **Enterprise Lending** : Accounts for **39.30% of Total Gross Loans**, providing secured and unsecured loans to MSMEs.
 - **Asset Finance** : Comprises **38.03% of Total Gross Loans**, offering secured loans for new and used commercial vehicles, construction equipment, and tractors.
 - **Consumer Finance** : Makes up **22.66% of Total Gross Loans**, including secured and unsecured loans for consumer durables, digital products, two-wheelers, automobiles, and personal loans.
- ✦ **Extensive Distribution Network and Customer Reach** : HDB Financial Services has a **highly granular retail loan book**, supported by a rapidly growing customer base, reaching **19.2 million customers** as of March 31, 2025. It utilizes an **omni-channel and digitally powered pan-India distribution network**, with **1,771 branches** as of March 31, 2025, complemented by partnerships with over 80 brands/OEMs and over 140,000 retailers and dealer touchpoints.
- ✦ **High-Quality Liability Franchise and Credit Ratings** : It has access to **low-cost, diversified borrowing sources** and **holds high credit ratings** (CRISIL AAA/Stable; CRISIL A1+; CARE AAA/Stable; CARE A1+) on its borrowing instruments, indicating a strong financial position.
- ✦ **Strong Financial Performance**
- ✦ **Promoter Support and Brand Recognition** : Being a subsidiary of **HDFC Bank Limited** (which holds 94.04% stake as of March 31, 2025), the company benefits significantly from its Promoter's brand recognition and support.
- ✦ **Strategic Use of Offer Proceeds** : The fresh issue component of the Initial Public Offer (IPO) is intended to **augment the company's Tier-I capital base** to support future business growth and ensure compliance with regulatory capital adequacy requirements.

Cons (Weaknesses & Threats & Risks)

- ✦ **Potential Conflicts of Interest with Promoter/Group Entities** : The company's reliance on its Promoter's parentage is a strength, but the Promoter's interests as a controlling shareholder may **conflict with those of other shareholders**. HDB Financial Services offers products similar to those of HDFC Bank and certain Promoter Group members (HDFC Sales Private Limited, HDFC Securities Limited), raising potential competition issues.
- ✦ **High Competition** : The company operates in a highly competitive lending industry, facing pressure from banks, other NBFCs, and fintech companies. This competition can affect the performance of its product offerings and attractiveness to customers.
- ✦ **Credit Quality and Unsecured Loans** : The unsecured nature of some loans, particularly personal loans, carries **high default risk** and can lead to asset quality concerns, making recovery difficult and potentially impacting profitability.
- ✦ PAT reduced in FY 25 as compared to FY 24.



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