



HDB FINANCIAL
SERVICES



HDB Financial Services Limited

Issue Opens - June 25, 2025 to June 27, 2025

Price Band

₹700 to ₹740

Face Value
₹10

Issue Size
₹12,500.00 Cr

Lot Size
20 Shares

Listing At
NSE, BSE

Issue Size

16,89,18,918 shares / ₹12,500.00 Cr

Fresh Issue

3,37,83,783 shares / ₹2,500.00 Cr

Offer for Sale

13,51,35,135 shares of ₹10 / ₹10,000.00 Cr

Retail Quota

Min. 35% of the Issue Size

Tentative Allotment

Mon, Jun 30, 2025

Initiation of Refunds

Tue, Jul 1, 2025

Credit of Shares to Demat

Tue, Jul 1, 2025

"HDB Financial LTD" Listing Day

Wed, Jul 2, 2025

Objects of The Offer



The Company proposes to utilize the Net Proceeds towards funding the following objects :

- The HDB Financial Services IPO aims to raise ₹2,500 crore to strengthen its Tier-I capital, supporting growth in enterprise, asset, and consumer finance. Funds will also aid lending operations and general corporate needs. Additionally, HDFC Bank will offload ₹10,000 crore worth of shares via OFS, reducing its stake from ~94% to ~74%, with proceeds going to the bank.

Brief profile of the Directors

1. **Arijit Basu** is the Part-time Non-Executive Chairman and Independent Director of the Company. With over 40 years of experience in banking and financial services, he previously served as the Managing Director and Whole-time Director at State Bank of India (SBI), where he spent 37 years. He also led SBI Life Insurance as MD & CEO. Post-retirement, he has been active on several boards including Prudential plc, Peerless Hospitex, and is an advisor to Razorpay and Ares Management. He joined the Company's board on June 1, 2021, and was reappointed on May 31, 2023.
2. **Ramesh Ganesan** is the Managing Director and Chief Executive Officer of the Company. A mechanical engineer with a PGDM from IIM Lucknow, he has 32+ years of experience across banking, finance, and operations. He has worked with HDFC Bank, Countrywide, Enam AMC, and more. He joined the Company in 2007 and has served as CEO since 2010 and MD & CEO since 2012, with reappointments in 2017 and 2022.
3. **Dr. Amla Ashim Samanta** serves as an Independent Director. A Ph.D. in science, she has more than 34 years of experience spanning the medical, banking, and finance sectors. She has previously held board positions at HDFC Bank, HDFC Securities, and Manappuram Finance. Currently, she is a director in several private companies. She joined the board on May 1, 2019, and was reappointed as an Independent Director from May 1, 2024.
4. **A.K. Viswanathan**, an Independent Director, is a Chartered Accountant with additional global certifications in internal auditing, information systems, and cybersecurity. With over 35 years of experience, he has worked with Deloitte as a Partner and held roles at Ernst & Young, Nexdigm, and others. He is also a certified executive coach. He was appointed on July 24, 2019, and reappointed from July 24, 2024.
5. **Arundhati Mech** is an Independent Director with a Master's degree in linguistics and more than 36 years of experience in finance. She served in various roles at the Reserve Bank of India, retiring as Regional Director. She joined the Company's board on February 11, 2022.
6. **Jayesh Chakravarthi**, appointed as an Independent Director on January 25, 2024, holds a bachelor's in electronics engineering and a master's in management studies. With 30+ years in IT, he has held leadership roles at Wipro, Sun Microsystems, MindTree, and Fidelity. He also serves on the board of Recast Technologies.

About The Company and Business Overview



HDB Financial Services Limited (HDBFS), a subsidiary of HDFC Bank, operates primarily as a non-banking financial company (NBFC) focused on retail and MSME lending across India. Its business model is built around a diversified loan portfolio, supported by a wide branch network and technology-driven processes.

Main Business Segments

1. *Lending Services* - HDBFS generates the majority of its revenue from interest income on a diversified loan book. Its lending operations are broadly classified into three key verticals:
 - Enterprise Lending (about 40% of loan book):
 - Provides secured and unsecured loans to micro, small, and medium enterprises (MSMEs), including salaried professionals and small businesses.
 - Asset Finance (about 37%):
 - Offers secured loans for commercial vehicles, construction equipment, tractors, and other machinery used in business operations.
 - Consumer Finance (about 23%):
 - Includes secured and unsecured loans for personal expenses, consumer durables, vehicles, gold loans, and digital loans offered via app-based platforms.
2. *Business Process Outsourcing (BPO) Service* - HDBFS also operates BPO services which include collection call centers, sales support, back-office operations, and processing services. These services support its lending business and contribute a smaller portion of overall revenue.



- **Extensive Branch Network** - HDBFS has a widespread presence with over 1,700 branches in more than 1,170 cities, primarily targeting semi-urban and rural markets (over 80% of branches), focusing on underbanked and credit-thin customer segments.
- **Technology-Enabled Operations** - The company leverages advanced technology platforms to streamline the entire customer journey—from loan application and verification to approval and disbursement—enhancing customer experience and operational efficiency.
- **Strong Asset Quality and Risk Management** - Maintains a gross non-performing asset (GNPA) ratio of around 1.90% and net NPA of 0.63%, supported by a provision coverage ratio of 61%, reflecting prudent underwriting and risk controls.
- **Financial Scale and Growth** - As of September 30, 2024, HDBFS had a gross loan book of approximately ₹98,620 crore, with assets under management (AUM) of ₹90,230 crore, growing at a CAGR of 21% since FY22. It posted a net profit of ₹2,460.8 crore in FY24.

Financial ratios

Financial ratios	ROCE	PE	INDUSTRY PE	ROE	EV / EBITDA	NNPA	GNPA
Bajaj Finance Limited	11.29	34.77	23.2	19.58	19.3	0.40	1.51
Sundaram Finance Limited	9.69	29.06	23.2	14.79	16.40	0.75	1.44
L&T Finance Limited	8.71	18.88	23.2	6.14	13.60	2.19	3.90
Mahindra & Mahindra Financial Services Limited	8.84	16.60	23.2	10.90	12.80	1.28	3.40
Cholamandalam Investment and Finance Company Limited	10.34	31.58	23.2	19.68	16.20	1.50	3.29
Shriram Finance Limited	10.97	15.31	23.2	15.15	11.30	2.64	4.55
HDB Financial Services Limited		25.9 - 27.4	23.2	14.70		0.99	4.10

Strengths



- **Robust Systems and Processes** - The company has well-developed loan approval and recovery systems, ensuring careful underwriting and strong dues collection.
- **Advanced Technology Integration** - Uses advanced technology to enhance customer experience and streamline the entire customer journey, improving operational efficiency.
- **Strong Financial Performance** - Demonstrated consistent growth in revenues and profitability, reflecting a healthy business trajectory.
- **Experienced and Professional Management** - Supported by a steady, skilled, and capable team, which strengthens operational execution and strategic growth.
- **Backing by HDFC Group** - As a subsidiary of HDFC Bank, it benefits from brand equity, operational synergies, and access to capital, enhancing market credibility and growth prospects.
- **Granular Retail Loan Book** - Focus on underserved rural and semi-urban markets with a diversified product mix including personal loans, vehicle loans, and gold-backed financing.
- **Regulatory Compliance and Capital Boost** - The IPO proceeds will strengthen Tier-1 capital, enabling faster loan growth and compliance with RBI's stricter capital norms for "Upper Layer" NBFCs.

Key Risk Factors

- **Economic Slowdown Impact** - Any slowdown in India's economy could negatively affect business performance, loan repayments, and cash flows.
- **Promoter Dependency and Stake Dilution Risk** - Heavy reliance on the promoter (HDFC Bank) and potential reduction of promoter's stake due to RBI regulations could adversely impact business and investor confidence.
- **Highly Competitive Lending Industry** - Faces intense competition from banks, NBFCs, fintech startups, and unorganized financiers, especially in rural markets, which may pressure margins and growth.
- **Funding and Liquidity Risks** - Failure to secure funding on favorable terms could constrain growth and impact profitability.
- **Regulatory and Legal Risks** - Subject to multiple statutory approvals; inability to obtain or renew them may disrupt operations. Also, ongoing legal proceedings involving promoters and directors could affect reputation and finances.
- **Asset-Liability Mismatch and Credit Quality** - Potential asset-liability mismatches may cause liquidity issues. Gross stage 3 (non-performing) loans have increased, posing credit risk.

Statement of Profit and Loss



HDB Financial Services Limited

(All amounts are in Indian Rupees millions, unless otherwise stated)

Particulars	March 31, 2025	March 31, 2024	March 31, 2023
Revenue from operations			
- Interest income	1,28,357.9	1,11,711.2	89,277.8
- Sale of services	16,128.6	19,595.0	26,399.4
- Other financial charges	11,924.5	9,351.1	7,634.1
- Net gain on fair value changes	949.2	1,136.9	1,869.6
- Net gain/(loss) on derecognition of financial instruments under amortised cost	46.6	46.6	48.2
Total Revenue from operations	1,61,402.8	1,41,711.2	1,24,428.8
Expenses			
- Finance Costs	63,901.5	63,589.2	59,961.7
- Impairment on financial instruments	21,130.5	10,677.9	13,304.0
- Employee Benefits Expenses	9,115.4	8,614.3	7,636.1
- Depreciation, amortization and impairment	13,194.2	13,942.4	13,849.1
- Other Expenses	25,592.9	21,841.7	7,617.5
Total Expenses	1,32,934.5	1,18,665.5	1,02,368.4
Profit/(loss) before tax	29,278.0	33,046.7	26,774.0
Tax Expense			
- Current tax	7,391.9	7,706.7	6,213.0
- Deferred tax (credit)	-60.1	801.6	467.5
- Income tax for earlier year			
Total Tax expense	7,518.8	8,483.3	6,680.5
Restated Profit after tax	21,759.2	24,608.4	19,593.5
Other Comprehensive Income			
(a) Items that will not be reclassified to profit or loss	-94.8	-315.4	-54.8
- Remeasurement loss on defined benefit plan	23.8	79.4	13.8
- Income tax relating to items that will not be reclassified to profit or loss			
Sub total (a)	-71.0	-236.0	-41.0
(b) Items that will be reclassified to profit or loss	-545.0	-171.0	199.9
- Movement in cash flow hedge reserve	137.2	43.0	-48.3
- Income tax relating to items that will be reclassified to profit or loss			
Sub total (b)	-407.8	-128.0	151.6
Other Comprehensive Income	-478.8	-364.0	166.6
Total Comprehensive Income for the year/period	21,280.4	24,244.4	19,699.1
Earning Per Share			
Basic	27.4	31.08	24.78
Diluted	27.32	31.04	24.76

Valuation and Outlook



HDB Financial Services Limited IPO is expected to be priced between ₹700 to ₹740 per share. At this price, the company is valued at Price-to-Earnings (P/E) ratio of **27x** while the industry P/E is around **23.2x**

Name of the Company	Standalone/C onsolidated	Total revenue from operations for year ended March 31, 2025	Face Value (per share)	P/E ratio	P/B ratio	Restated EPS for the year ended March 31, 2025 (₹) -	Restated EPS for the year ended March 31, 2025 (₹)	Return on Average Equity ended March 31, 2025 (%)	NAV per equity share ended March 31, 2025 (₹)
		(₹ in million)				Basic	Diluted		
HDB Financial Services Limited	Consolidated	363002.8	10	NA	NA	27.4	27.3	14.72	158.8
Listed Peers									
Bajaj Finance Limited	Consolidated	696835.1	1	34.3	5.9	26.89	26.825	19.35	155.6
Sundaram Finance Limited	Consolidated	84856.3	10	28.1	4	170.53	170.53	15.48	1187.8
I&T Finance Limited	Consolidated	359242.4	10	17.9	1.8	10.61	10.57	10.79	102.5
Mahindra & Mahindra Financial	Consolidated	184631	2	14.5	1.7	18.32	18.31	10.91	154.9
Cholamandilam Investment and	Consolidated	258459.8	2	31.4	5.6	50.72	50.6	19.71	281.5
Shriram Finance Limited	Consolidated	418344.2	2	11	2.2	50.82	50.75	18.17	300.3

The company is valued at a price-to-book ratio of 3.2x to 3.4x for FY25, based on the lower and upper price bands after the issue. Backed by the strong HDFC Group, it benefits from solid brand strength, governance, risk management, and a high credit rating. It is among the largest NBFCs, serving the second-largest customer base in the sector. The company is well-positioned for healthy growth and improving asset quality. However, despite steady revenue growth in recent years, its profits took a hit in FY25 due to interest rate fluctuations.

"Call us on 8448899576" to find out whether or not you should apply.

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