

Rating: Subscribe for long-term

Issue Offer

The IPO is a book-built offering comprising an offer for sale of 13,51,35,135 equity shares and a fresh issue of 3,37,83,784 equity shares with a total issue size of up to INR 12,500.00 Crore.

Issue Summary

Price Band INR	700-740
Employee Discount INR	-
Face Value INR	10
Implied Market Cap INR Mn.	612,533
Market Lot.	20
Issue Opens on	June 25, 2025
Issue Close on	June 27, 2025
No. of share pre-issue	79,39,63,540
No. of share post issue	82,77,47,324
Listing	NSE, BSE

Issue Break-up %

QIB Portion	≤ 50
Retail Portion	≥ 35
NII Portion	≥ 15

Registrar

MUFGIntime India Private Ltd

Book Running Lead Managers

BNP Paribas, Bofa Securities Pvt Ltd
HSBC Securities and Capital Markets
JM Financial Limited, Goldman Sachs (India) Securities Pvt Ltd, IIFL Capital Services Ltd, Nomura Financial Advisory and Securities (India) Pvt Ltd, Jefferies India Private Ltd
Morgan Stanley India Company Private Limited
Motilal Oswal Investment Advisors Limited
Nuvama Wealth Management Limited
UBS Securities India Private Limited

Pre-Issue Post-Issue

Promoters	94.32%	74.19%
Public & Others	5.68%	25.81%

Objects of the issue

- Augmentation of our Company's Tier – I Capital base to meet its Company's future capital requirements including onward lending under any of the Company's business verticals i.e. Enterprise Lending, Asset Finance and Consumer Finance

Abhishek Jain

abhishek.jain@arihantcapital.com

022-422548871

HDB Financial Services is a major Indian NBFC established in 2007 as an HDFC Bank subsidiary. With a INR 902,200 Mn loan book as of March 2024, it ranks as India's 7th largest retail-focused NBFC and holds Upper Layer NBFC status from the RBI. The company operates across 3 main segments: Enterprise Lending to MSMEs (39.30%), Asset Finance for vehicles and equipment (38.03%), and Consumer Finance for durables and personal loans (22.66%). Its portfolio is predominantly secured lending at 73.01%. HDB Financial serves 19.2 Mn customers as of March 2025, with customer growth at 25.45% CAGR over 2 years, making it India's 2nd largest and 3rd fastest-growing NBFC by customer base. The company focuses on underserved, low-to-middle income customers with limited credit history, strategically positioning over 80% of its branches outside India's top 20 cities and more than 70% in smaller Tier 4+ towns.

Investment Rationale:

Credit Underwriting and Strong Asset Quality: The loan book is well-seasoned and has weathered multiple credit cycles. Tech-enabled operating processes have contributed to maintaining strong asset quality and low credit costs. As of March 31, 2025, GNPA and NNPA ratios were 2.26% and 0.99%, respectively, with a Credit Costs Ratio of 2.14% for FY25. The Provisioning Coverage Ratio was 55.95% as of March 31, 2025, which is the 3rd highest among peers.

Extensive Omni-channel Distribution Network: The company operates an omni-channel "phygital" distribution model with 1,771 branches in 1,170 towns and cities across 31 States and Union Territories as of March 31, 2025. This network is complemented by partnerships with 80+ brands and OEMs and 140,000+ retailers and dealer touchpoints.

Highly Granular Loan Book: The company maintains a highly granular loan book, with its 20 largest customers accounting for less than 0.34% of Total Gross Loans as of March 31, 2025. The aggregated average ticket size was ~INR 165,000 as of March 31, 2025.

Focus on Underbanked Segment: Over 80% of the company's branches are located outside India's 20 largest cities, and over 70% are in Tier 4+ towns as of March 31, 2025. This allows them to cater to a key customer segment of the underbanked but bankable population in India, which has favorable customer characteristics and profitable economics.

Strong and Sustained Growth and Profitability Metrics: Total Gross Loans reached INR 1,068.8 Bn as of March 31, 2025, showing a CAGR of 23.54% between March 31, 2023, and March 31, 2025. AUM stood at INR 1,072.6 Bn as of March 31, 2025, reflecting a CAGR of 23.71% during the same period. In FY25, the company generated a PAT of INR 21.8 Bn, with a CAGR of 5.38% between FY23 and FY25. For FY25, ROA was 2.16% and Return on Average Equity was 14.72%.

Valuation and View:

The company is strategically positioned to benefit from India's massive credit expansion opportunity, with systemic credit projected to grow at 13-15% CAGR to reach INR 297 trillion by FY28. Its digital-first approach (95% digital onboarding) perfectly aligns with India's digital payment revolution (50% CAGR growth), while its proven multi-cycle experience enables it to capture the expanding Middle India segment (75% household growth by FY30) and the vastly under-penetrated rural market where only 9% of banking credit reaches despite contributing 47% to GDP. With retail credit at just 25% of GDP compared to global peers and only 12% of Indians borrowing from formal sources, the company is well-positioned to ride the secular growth wave in a market with structural tailwinds and low penetration across key segments. The company's strategic focus on the underbanked segments in India, supported by an extensive omni-channel distribution network that blends physical branches with robust digital capabilities, positions it well to capture future market opportunities. **At the upper band of INR 740, the issue is valued at a P/BV ratio of 3.87x, based on a BV of INR 191 per share. We are recommending a "Subscribe for long-term" rating for this issue.**

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri E Mumbai – 400093 Tel: 91-22 42254800 Fax: 91-22 42254880	6 Lad Colony Y.N Road Indore - 452003, M.P. Tel: 0731-4217100 Fax: 91-731 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri E
Tel. 022-42254800 Fax. 022-42254880

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Arihant Capital Markets Ltd.

1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800