BUY

CMP: **INR 671** Target Price: **INR 900** ▲ 34%

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09 March 2026

India | Equity Research | Initiating Coverage

HDB Financial Services

Financials

Diversified retail NBFC with proven execution track-record; proxy to India's growth story

HDB Financial Services (HDBFS) – a blue-chip heritage paired with a formidable low-cost borrowing moat. The combination bestows an inherent advantage upon the company to command sustainable, scalable and high-margin growth. Notably, HDBFS has been strategically firming up an asset franchise stronghold (>INR 1trn, as of FY25) in India's underserved hinterlands (~70% branches in tier-4+ locations). Separately, despite macroeconomic headwinds, it delivered a >20% AUM CAGR (FY14–25), bolstering its leading NBFC status. A decadal ~2% credit cost average is testament to HDBFS' cycle-tested underwriting and risk-management protocols. HDBFS' focus on direct customer sourcing - accounts for >80% of FY25 disbursements – facilitates customer quality and operational efficiency. These vantages should help HDBFS deliver ~18%/~25% AUM/PAT CAGRs over FY26–28E. We initiate coverage at **BUY** and a TP of INR 900, basis 3x Sep'27E BVPS.

Proven execution – surpassing >INR 1trn via product and geographical diversification

HDBFS stands out as one of the few Indian NBFCs with an asset franchise exceeding INR 1trn. By leveraging its HDFC Bank parentage and a deep-seated competitive moat, HDBFS has demonstrated superior execution across credit cycles. With a strategic focus on the low-to-middle income segments in tier-4+ markets and a proven underwriting framework—averaging 2% credit cost over the past decade—it delivered a 20% AUM CAGR (FY15–25). As the portfolio scaled, diversification remained a top priority – no single state accounts for >15% of AUM, and the offering has expanded to over 13 distinct loan products. While 9MFY26 YTD growth remained subdued at 7%, subsiding stress in unsecured BL (~10% of total loans) and a CV upcycle (new+used: ~24% of loans) are likely to drive 18–20% AUM CAGR over FY26–28E.

Journey towards 16-18% RoE in near term progressing well

HDBFS has strategically curated a balanced product portfolio, designed to navigate credit cycles with greater resilience, effectively calibrating growth in challenging segment while scaling others. Its decade-long track record reflects this strategic rigor – 15% average RoE over FY15–25. Although the Dec'25 RoE profile was low at 13% due to a 2.5% credit cost, we expect this headwind to ease, as early asset quality metrics show improvement. We see credit cost easing to ~2.2%, thus catalysing RoE to 16% in the near term.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Interest Income	72,804	86,521	100,552	118,428
PAT	21,755	24,368	30,866	37,967
EPS (INR)	27.3	30.6	38.8	47.7
BVPS (INR)	199	230	270	320
P/E (x)	24.5	21.9	17.3	14.1
P/BV (x)	3.4	2.9	2.5	2.1
Gross Stage - 3 (%)	2.3	2.8	2.7	2.6
RoA (%)	2.2	2.1	2.3	2.5
RoE (%)	14.7	14.3	15.5	16.2

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Market Data

Market Cap (INR)	557bn
Market Cap (USD)	6,072mn
Bloomberg Code	HDBFS IN
Reuters Code	HDBF.BO
52-week Range (INR)	892 /656
Free Float (%)	22.0
ADTV-3M (mn) (USD)	7.6

Price Performance (%)	3m	6m	12m
Absolute	(10.4)	(12.8)	0.0
Relative to Sensex	(2.5)	(10.5)	0.0

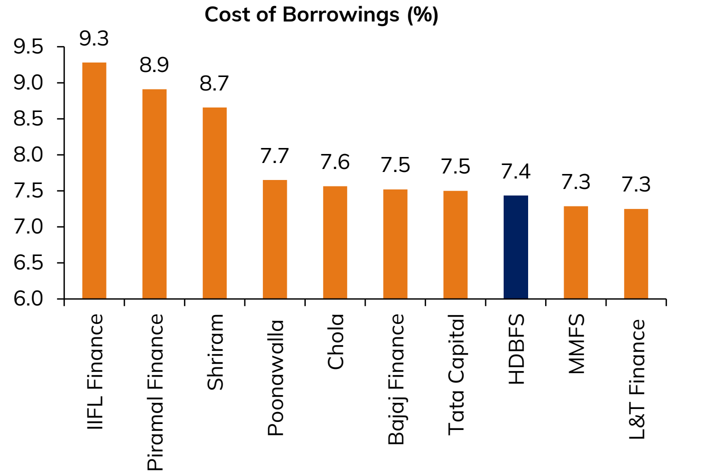
ESG Score	2024	2025	Change
ESG score	NA	**76.6**	NA
Environment	NA	55.6	NA
Social	NA	79.8	NA
Governance	NA	81.5	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-Sec research

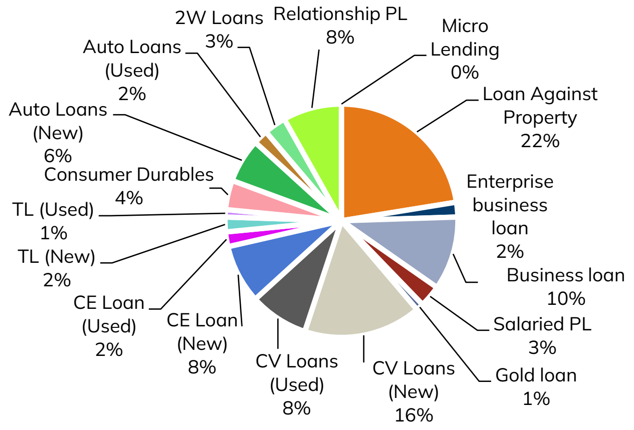
Story in Charts

Exhibit 1: One of the lowest cost of funds as on Dec'25...



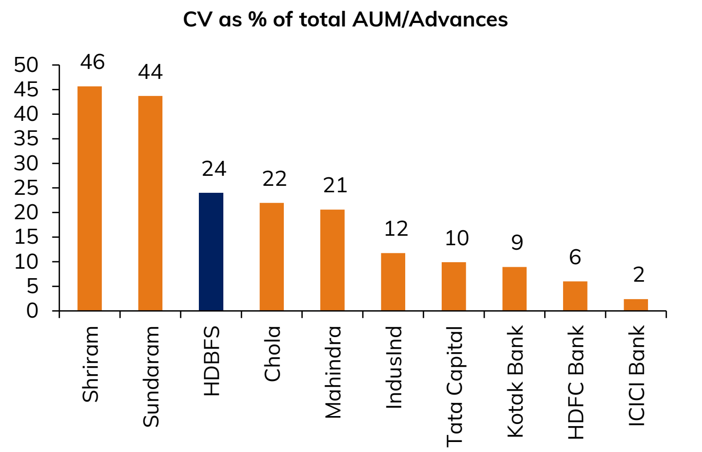
Source: Company data, I-Sec research

Exhibit 2: ...supported by diversified AUM mix to drive industry leading growth (Dec'25)



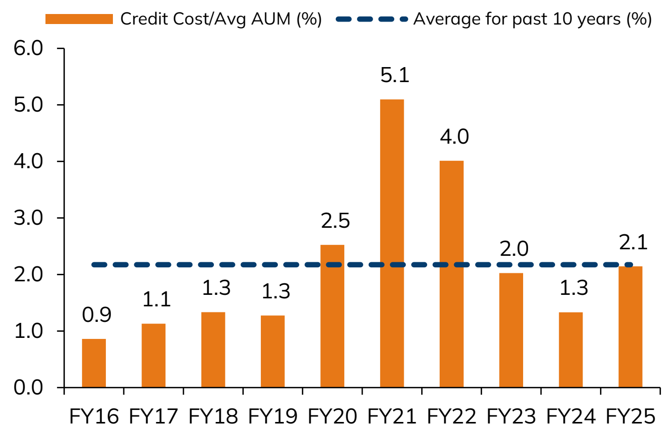
Source: Company data, I-Sec research

Exhibit 3: HDBFS will likely be one of the biggest beneficiaries of CV upcycle



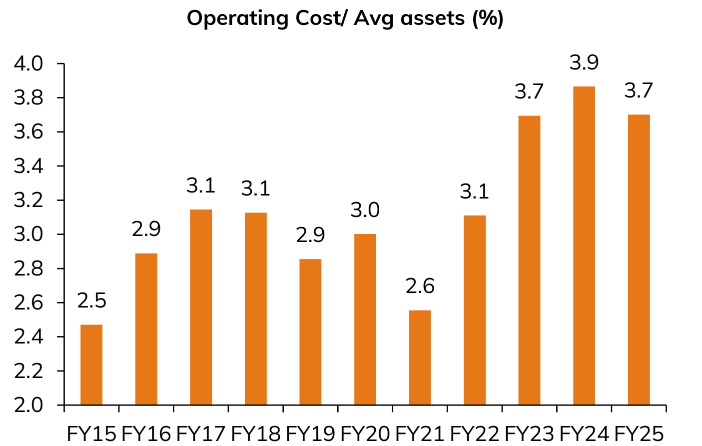
Source: Company data (Dec'25), I-Sec research

Exhibit 4: Cycle-tested credit underwriting & risk management reflects in ~2% credit cost over the decade



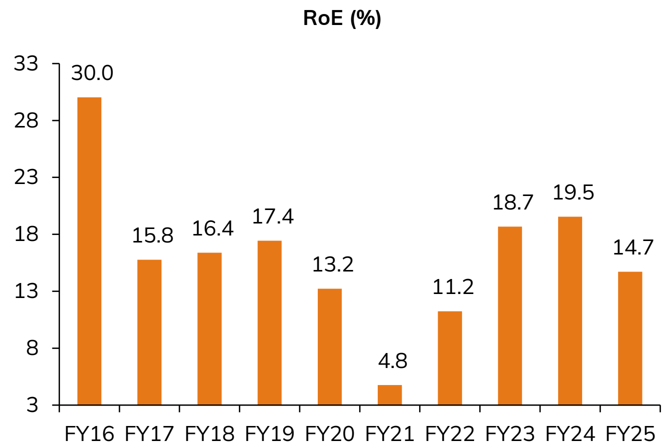
Source: Company data, I-Sec research

Exhibit 5: Investments towards franchise build-up coupled with increased share of CF led to higher opex



Source: Company data, Cost (ex BPO), CF – Consumer Finance, I-Sec research

Exhibit 6: Cross-cycle ~15% RoE reflects business resiliency and agility



Source: Company data, I-Sec research

Table of Contents

Our thesis in a nutshell

HDBFS has laid a formidable foundation by leveraging HDFC Bank's robust risk management framework and customer-centric culture. By inheriting both financial and human capital – specifically top leadership – from its parent, HDBFS has built a high-quality retail franchise.

To avoid direct competition and customer overlap with HDFC Bank, the company has strategically focused on tier-4+ markets and developed underwriting capabilities for the informal self-employed segment. This execution is evidenced by the fact that, as of Dec'25, ~70% disbursements are concentrated in tier-4+ towns and >70% are directed towards self-employed borrowers. With a granular customer base of ~22mn and emphasis on cross-selling, HDBFS maintains one of the lowest average ticket sizes of ~INR 164k among its retail NBFC peers, underscoring its unique market position.

HDBFS has strategically curated a balanced product portfolio – comprising 74% secured loans and 26% unsecured loans, as on Dec'25 – designed to navigate credit cycles with grater resilience. By effectively calibrating growth in challenging segments, HDBFS stands out as one of the few Indian NBFCs with an asset franchise exceeding INR 1trn. Leveraging its HDBC Bank parentage and deep-seated competitive moat, HDBFS has demonstrated superior execution across credit cycles.

We initiate coverage on HDBFS with a BUY rating and a TP of INR 900, valuing it at P/BV of 3x on Sep'27E BVPS. NBFCs with strong parentage and a proven execution track record—such as Bajaj Finance and Chola — typically trades at >3x P/BV (1Y fwd), reflecting their ability to maintain 18%-20% Return on Equity (RoE) across various market cycles. While we expect HDBFS to achieve a 16% RoE by FY28E, we have applied a 5–10% discount compared to Bajaj Finance and Chola to account for its historically lower cross-cycle RoE. This results in an implied 2.8x FY28 P/BV valuation.

Resilience through large-scale distribution and market depth

As one of the largest branch-distribution and diversified NBFCs in India, HDBFS is well positioned to demonstrate sustainable and scalable growth. The company has built a strong network of 1,744 branches spread across 31 states and 1,165 towns/cities, with ~80% of its presence located outside India's 20 largest cities and >70% located in tier-4+ towns.

Unlike its peers, which have maintained a regional concentration for extended periods (primarily in south India), HDBFS has focused on building a pan-India distribution network. Its regional footprint is well balanced across the country – North:31%; East: 16%; South: 27%; and West:26%. In addition to its deep distribution reach, the company has developed a product portfolio of more than 13 loan segments to cater to maximum market segments. HDBFS's industry-leading >20% AUM CAGR over FY15–25, despite macroeconomic headwinds, serves as testament to its inherent business resilience.

Key beneficiary of CV upcycle and subsiding stress in unsecured BL

While AUM growth remained strong, at 18% in FY25, performance decelerated in YTD FY26 (7% growth). This slowdown was primarily driven by the company's two largest portfolios – unsecured BL, accounts for 10% of loans; and the commercial vehicle/construction equipment portfolio, which makes up 34% of its total loan book (new+used). The new-CV/CE portfolio grew by only 5% during YTD FY26, while unsecured BL segment contracted by 9% during the same period.

These segments dragged overall AUM growth down to 7% YTD; however, when adjusted for these specific products, growth stood at 14% YTD. With new CV sales now improving (as disclosed by most OEMs) and stress in unsecured BL beginning to subside, we believe HDBFS is well positioned to benefit the most from trend reversals in these two key segments.

The strategic edge – low funding cost supported by strong parentage

HDBFS has effectively leveraged its initial capital position to build a well-diversified liability franchise. Supported by a AAA stable credit rating by CRISIL and CARE, it maintains a premier standing among Indian NBFCs.

A primary competitive edge for HDBFS is its industry-leading CoF. As of Dec'25, the company maintains a superior CoF profile relative to its peers, at ~7.4% vs. ~7.6% for Chola vs. ~7.5% for Bajaj Finance vs ~7.5% for Tata Capital and ~8.7% for Shriram Finance. Among the 10 NBFCs (we have covered in Exhibit 31), only three currently maintain CoF below the 7.5% threshold. Its superior funding profile provides HDB with significant pricing power

Proven at scale – 10-year all-weather track record

India's retail credit landscape is highly competitive and captured by strong incumbents. To effectively challenge the incumbents and establish a scalable, sustainable retail lending franchise, steady access to funds and robust risk-management practices are paramount. The strategic backing by promoter (HDFC Bank) was instrumental in HDBFS securing a AAA credit rating as early as 2011.

The highest credit rating and the 'HDFC' brand equity, have served as a dual catalyst for: 1) capital accretion – it facilitates the access to both debt and equity at highly competitive rates; and 2) operational resilience – it ensures liquidity remains available even during periods of macroeconomics volatility.

By maintaining a consistent market presence and uninterrupted customer service even through economic downturns, HDBFS has solidified its reputation as a 'true all-weather' financier in India's retail lending market. It delivered 20% AUM CAGR over FY15-25 with average RoE at 15%.

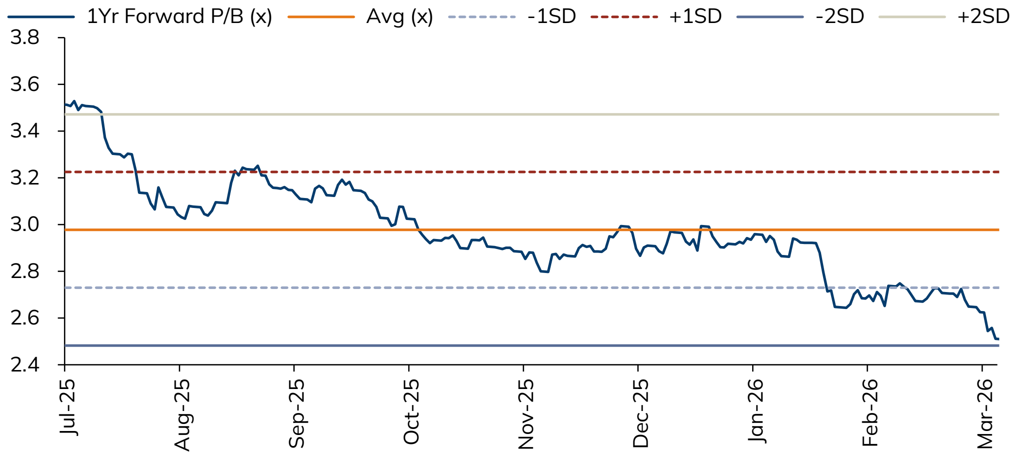
Valuation overview

HDBFS stands out as among the few NBFCs to have successfully scaled its asset base to >INR 1trn, driven by its diversified asset mix and robust pan-India distribution. Notably, it has never incurred an annual loss, with its only significant RoE dip (5% in FY21) occurring during the Covid-19 pandemic, with only one year of single-digit RoE (during Covid-19). Before that, since FY14, it has never incurred a loss on an annual basis. While peer NBFCs with similar size and profitability maintain a trading P/BV multiple at ~2x, HDBFS traded at a premium to 3x P/BV during H1FY26, a reflection of market factoring in its consistently strong operating performance.

However, decelerating AUM growth of 13%, as of Dec'25 (18% YoY in Mar'25) and elevated credit cost at 2.5%, led to recent valuation de-rating. This slowdown was primarily tied to stress in unsecured BL (10% of loans) and the commercial vehicle/construction equipment portfolio (34% of loans). But both the segments are set to improve as the external environment improves. Leveraging a cyclical upswing in CV and stabilising stress in unsecured BL, the company is strategically shifting towards high-yielding products to drive ~17% AUM and ~25% PAT CAGR over FY26–28E. Profitability is likely to benefit from a 25bps repo rate cut in Dec'25 and a peaking of credit costs, which are anticipated to moderate towards 2% over the medium term.

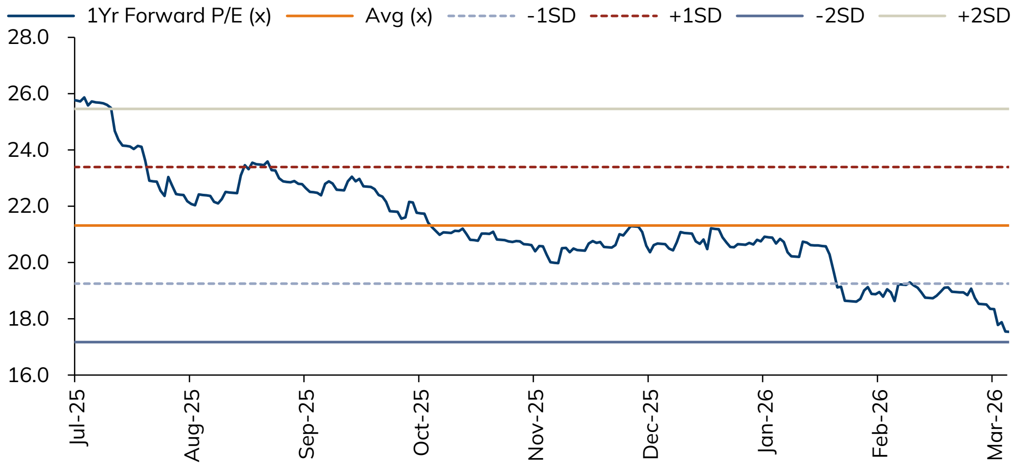
Overall, we project RoA/RoE to expand to ~2.5%/16.2% by FY28E, from 2.2%/13.1% in Dec'25. Driven by a superior execution track record, an improving sector outlook, and strong leadership and committed promoter, we remain confident in the company's ability to deliver long-term shareholder value.

Exhibit 7: Trading at ~2.5x valuation 1-year forward



Source: Company data, Bloomberg, I-Sec research

Exhibit 8: On P/E, it is trading at ~18x 1-year forward



Source: Company data, Bloomberg, I-Sec research

Exhibit 9: Valuation vs. peers

Company	CMP	P/E (x)				P/BV (x)				EPS (INR)			
	(INR)	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
CHOLAFIN	1,626	32	27	21	16	5.8	4.8	3.9	3.1	51	61	78	104
M&MFIN	364	19	19	17	15	2.3	2.0	1.8	1.7	19	19	21	25
SHRIRAMFIN	1,008	21	20	18	14	3.4	2.9	2.1	1.8	47	51	56	71
HDBFS	**671**	**25**	**22**	**17**	**14**	**3.4**	**2.9**	**2.5**	**2.1**	**27**	**31**	**39**	**48**
ABCAPITAL	327	26	20	15	11	2.8	2.5	2.1	1.8	13	16	22	29
BAJFINANCE*	785	29	27	22	18	5.5	4.8	4.0	3.3	27	29	36	43
LTF	272	26	23	19	16	2.7	2.4	2.2	2.0	11	12	14	17
POONAWALLA	424	-333	73	25	18	4.0	3.4	3.0	2.5	-1	6	17	23

Company	BV (INR)				RoAA (%)				RoAE (%)			
	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
CHOLAFIN	281	341	418	520	2.4	2.4	2.6	2.8	20	19	21	22
M&MFIN	161	180	198	219	1.9	1.9	1.8	1.9	12	12	11	12
SHRIRAMFIN	299	342	490	550	3.7	3.0	3.6	3.8	19	16	12	13
HDBFS	**199**	**230**	**270**	**320**	**2.2**	**2.1**	**2.3**	**2.5**	**15**	**14**	**16**	**16**
ABCAPITAL	116	132	154	183	1.3	1.4	1.5	1.6	13	14	16	17
BAJFINANCE*	142	165	195	238	5.0	4.4	4.6	4.6	21	19	20	20
LTF	102	112	123	137	2.4	2.2	2.2	2.2	11	11	12	13
POONAWALLA	106	126	143	166	-0.3	1.0	2.0	2.0	-1	5	13	15

Source: Company data, Bloomberg, NSE, I-Sec research

Note: Price data as of 06TH Mar 2026 *Bajaj Finance Price is adjusted to reflect standalone data

HDBFS’ business model

Diversified retail-focused NBFC player

HDBFS is a diversified retail-focused upper-layer NBFC, primarily offering retail loans such as LAP, business loans, vehicle loans and consumer loans to the undeserved and underbanked customers in the low to middle income households with minimal or no credit history.

This is also evident from its geographical mix, wherein >80% of total branches located outside 20 largest cities in India and >70% branches located in tier-4+ towns, which also displays that the customer base HDBFS is targeting is different from the customer base its parent company HDFC Bank is targeting or catering to. HDFC Bank has geographical presence of ~50% in metro and urban regions, as of Dec’25. Some overlap may be possible in consumer finance. That said, HDBFS does not have an explicit agreement with HDFC Bank pertaining to the customer overlap.

HDBFS over the years has built a granular franchise of ~22mn customers, with increasing focus towards consumer finance (consumer finance in overall AUM mix has evolved from ~13% in FY22 to ~24%, as of Dec’25); thereby, having an average ticket size of ~INR 164k for overall entity, one of the lowest among retail NBFC peers as per CRISIL.

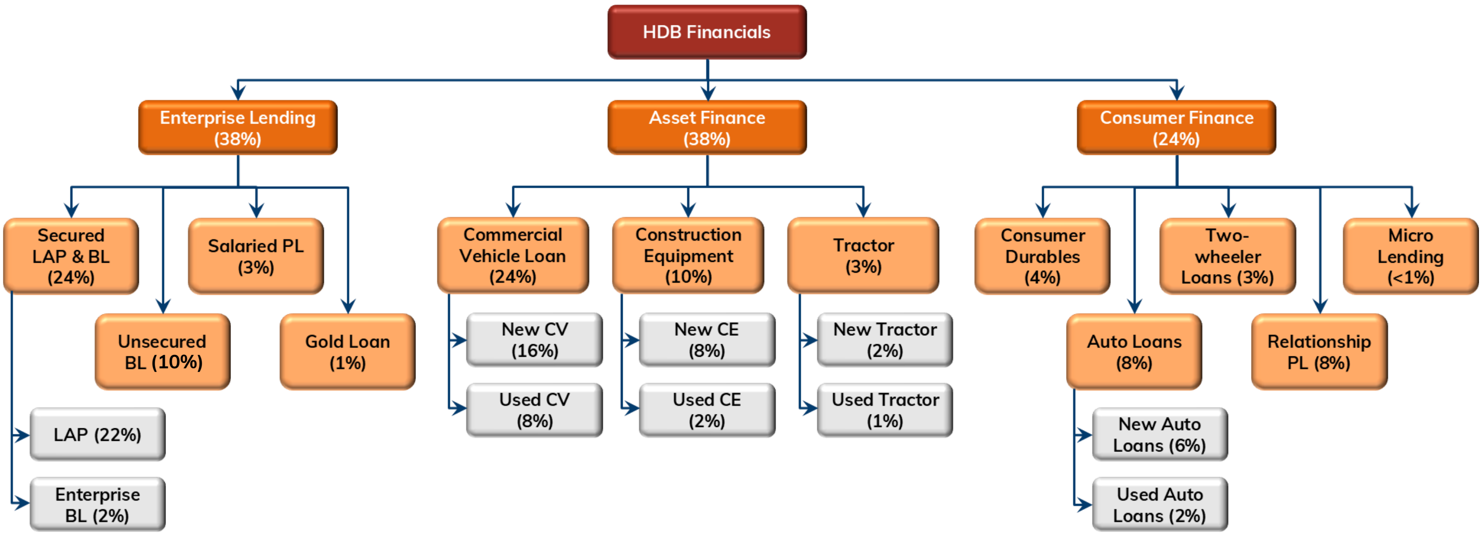
HDBFS primarily serves middle-class salaried individuals, self-employed professionals, small business owners, and entrepreneurs. Its core focus is on the under-banked yet creditworthy segment of India’s population or the mid-income affluent segment - an attractive market with strong profitability potential and relatively limited participation from banks.

HDBFS has categorised its segments into three main diversified verticals viz. enterprise lending (small and medium businesses lending), asset finance (CV/CE/Tractor) and consumer finance (auto, two-wheeler and short tenor consumption loans) as presented in Exhibit 10. HDBFS’ 13 lending products vary from secured LAP to unsecured PL to purchase of vehicles, among others.

Hence, this diversified bouquet of offerings supports increased cross-selling and up-selling opportunities; thereby, enabling the company to engage further with its existing customer base.

Apart from lending, HDBFS offers BPO services such as back-office support services, collection and sales support services to HDFC Bank, which is on a cost-plus model.

Exhibit 10: Catering to a wide range of retail products under three diversified verticals

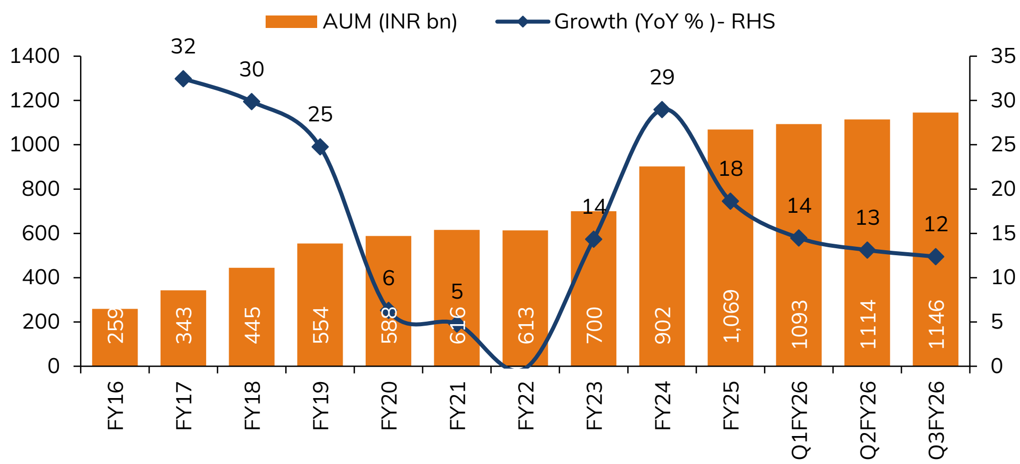


Source: Company data, I-Sec research

Notes:

- Product segments as disclosed in Investor Presentation as of Dec'25
- % numbers represent mix in total AUM of HDB Financials as of Dec'25 for each product

Exhibit 11: AUM growth moderates in 9MFY26 due to headwinds in CV and unsecured segments

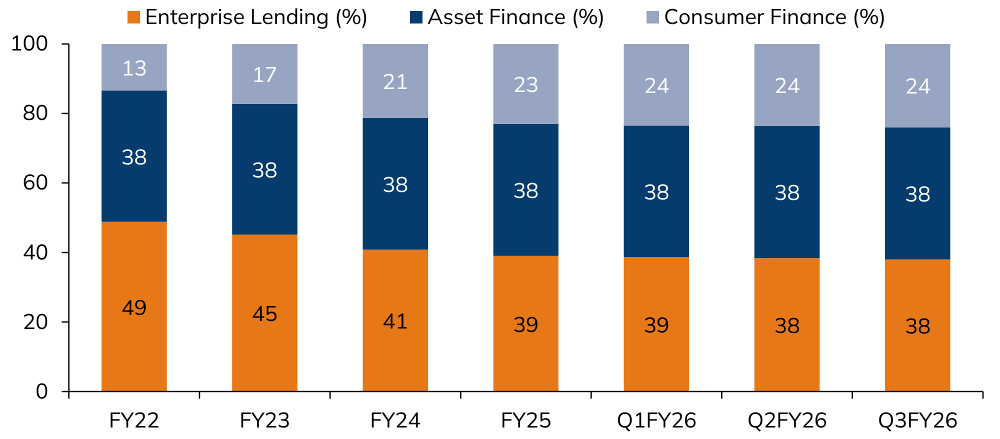


Source: Company data, I-Sec research

HDBFS' AUM growth trajectory reflects strong expansion till FY19, moderation during FY20–22, followed by a re-acceleration phase from FY23, with AUM rising from INR 613bn in FY22 to INR 902bn in FY24 and further to INR 1,146bn by Q3FY26. Covid-19 phase and balance sheet consolidation in FY20-22 disrupted growth momentum, which revived sharply in FY23–24 on the back of recovery in MSME, asset finance and consumer segments, supported by improved sourcing and underwriting.

AUM expanded at a CAGR of ~21% between FY22–24, indicating a strong cyclical upturn. Between FY24 and Q3FY26, AUM expanded at a CAGR of ~15% (INR 902bn to INR 1,146bn), reflecting moderation as the company prioritised asset quality and profitability over growth. Over the longer period from FY22 to Q3FY26, the loan book delivered a CAGR of ~18%, highlighting a structurally healthy growth profile with a shift from high-growth to more calibrated and sustainable expansion in FY26.

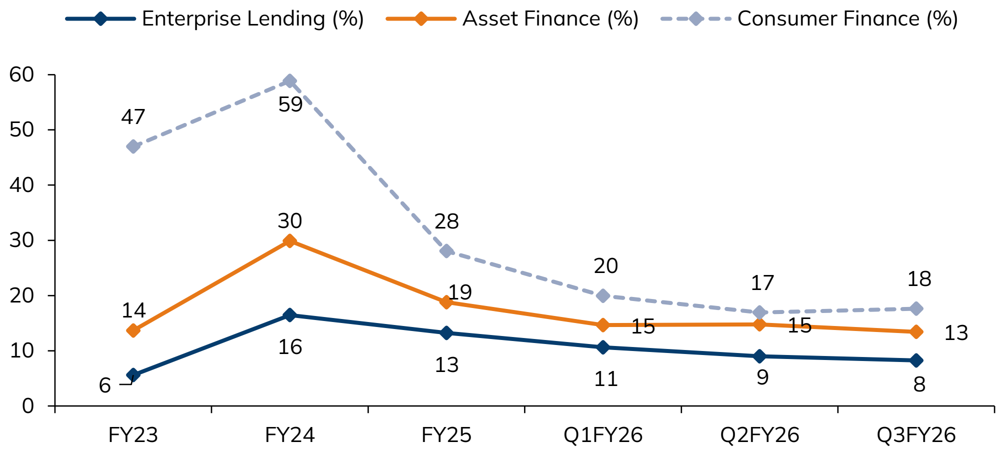
Exhibit 12: Diversified AUM mix with incrementally stronger focus towards high-yielding consumer financing



Source: Company data, I-Sec research

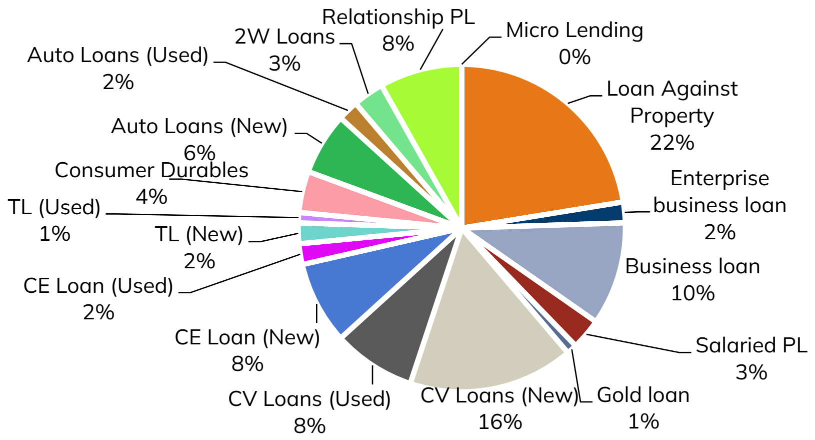
A structural shift has been observed in AUM mix. Enterprise lending (LAP, MSME/business loans, SPLs, gold loans, etc.) segment's share has seen a decline in the overall AUM mix, from ~49% in FY22 to <40%, as of Dec'25. This can largely be attributed to a relatively higher uptick in growth in the consumer finance segment (auto loans, relationship personal loans, consumer durables and micro lending), which doubled from its FY22 levels and to ~24% of overall AUM, as of Dec'25. Asset finance focuses on income-generating assets such as commercial vehicles, construction equipment and tractors, and is currently ~38% of total AUM mix. Overall, HDBFS remains constructive on the medium-term growth outlook, despite potential near-term moderation.

Exhibit 13: Growth has moderated from FY24 levels, but likely to regain momentum



Source: Company data, I-Sec research

Exhibit 14: Diversified product mix with only LAP and new CV loans >15%

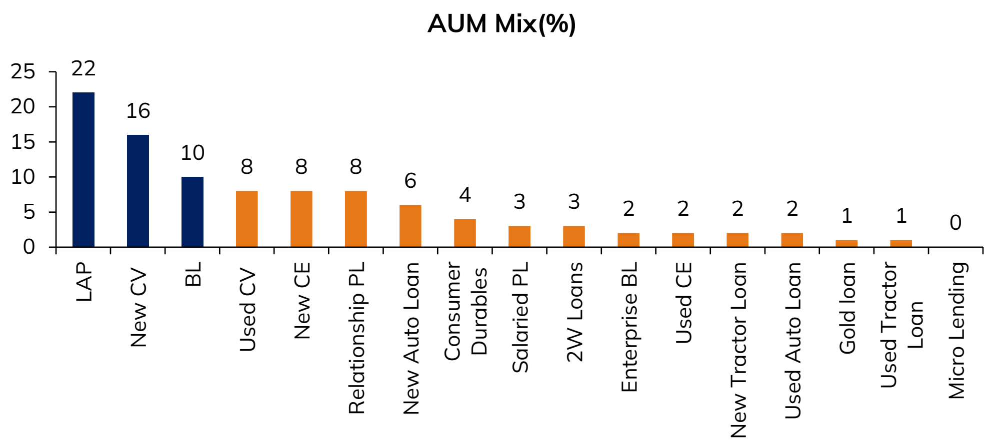


Source: Company data, I-Sec research

Note: AUM mix as of Dec'25

Out of ~17 products (new and used, if considered separately, as disclosed in Exhibit 15) in HDBFS' bucket, LAP, new CV and BL contribute ~48% of total AUM due to its strong presence in deeper markets, with steady demand and strong customer base. If we add 3 more products (used CV, new CE, relationship PL), then the total of these 6 products constitute ~70% of the total AUM. These are HDBFS' flagship products and the company expects growth momentum to improve in this segment. No product is >20% of the overall mix, except for LAP; this suggests that mix is diversified and product-specific risk is minimised.

Exhibit 15: LAP, new CV and BL contributing ~48% of total AUM for HDB



Source: Company data, I-Sec research;

Notes:

- AUM mix as of Dec '25
- BL is Business loan; PL is Personal Loan; CE is Construction Equipment

Exhibit 16: Overview of business segments

Segment	Segment Description	Loan Size (INR)	Tenor	Interest Rate	Secured	Underwriting	Locations	% of AUM
Enterprise Lending	Funding for small businesses (working capital/capex) Secured and unsecured loans	25K – 250mn	Up to 15 years	9–18% (Secured, Floating) 11–30% (Unsecured, Fixed)	Secured / Unsecured	Scorecards + branch-based as per policy	900+	38
Asset Finance	Loans for income-generating new/used vehicles & equipment For fleet owners, first-time users/buyers, captive buyers	100K – 250mn	Up to 6 years	9–18% Fixed	Secured	Scorecards + hub-based as per policy	900+	38
Consumer Finance	Loans for consumer durables, digital products, two-wheelers, auto, micro loans Personal/household loans	4K – 5mn	Up to 7 years	11–34% Fixed	Secured / Unsecured	Segment-specific scorecards using analytics	1,000+	24

Source: Company RHP, I-Sec research

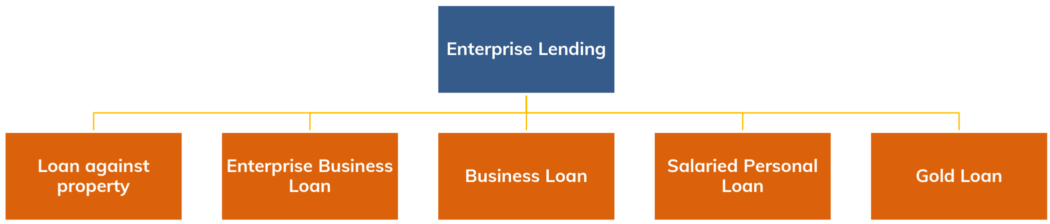
Note: AUM mix as of Dec'25

Enterprise lending - the first vertical started by HDBFS

The enterprise lending vertical was the first business vertical launched in 2008 by HDBFS. Currently, it offers LAP, business loans, salaried personal loans (SPL) and gold loans. It contributes 38% of the overall AUM mix as of Dec'25, and is designed to address varied working capital, liquidity requirements and business expansion needs of customers through a mix of secured and unsecured lending products, supported by a branch-led distribution model. The company also works with select channel partners to enhance its reach in local markets.

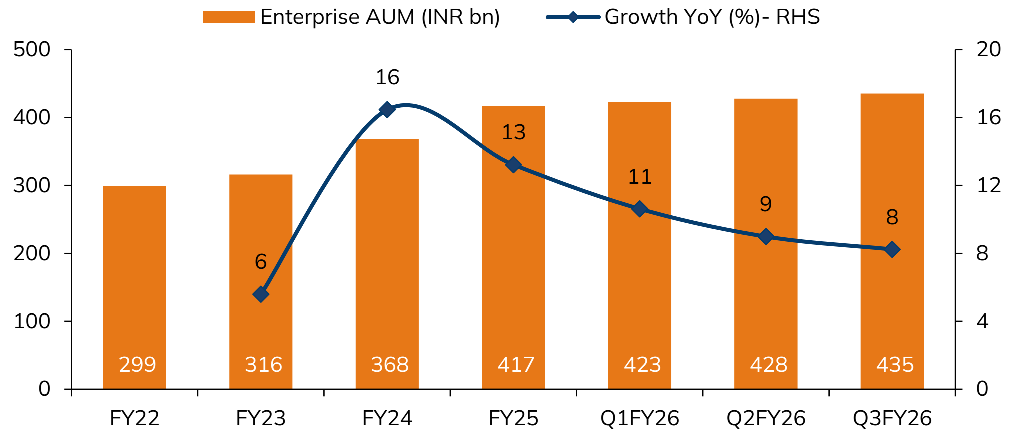
Loans are primarily offered to MSME customers (small businesses, run as proprietorship or as partnership firms) as well as certain types of salaried employees. Self-employed proprietors and small businesses accounted for ~85% of its customers in this segment as of Mar'25.

Exhibit 17: Enterprise lending – product segmentation



Source: Company data, I-Sec research

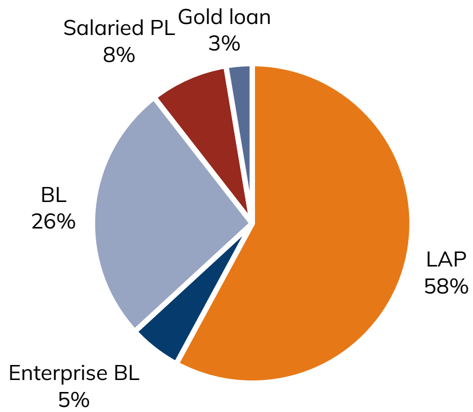
Exhibit 18: AUM growth decelerated in Enterprise vertical largely due to calibrated disbursements in Unsecured BL



Source: Company data, I-Sec research

This book has transitioned from a phase of asset quality normalisation to early recovery in FY26 so far. Growth has been moderated since its peak in FY24 as after witnessing elevated stress in unsecured MSME loans in FY25 and H1FY26, it adopted a conservative stance on fresh origination, prioritising portfolio cleanup and risk calibration over growth. Growth in secured products, especially gold loans, has provided incremental support to the segment, while LAP has continued to expand in-line with market trends. Management is now gradually re-entering selective unsecured lending with tighter underwriting - business loans and SPL. Going forward, we believe enterprise lending is expected to deliver moderate credit growth.

Exhibit 19: Breakup of enterprise lending products; LAP is >50% of total enterprise book



Source: Company data, I-Sec research

Note: Mix as of Dec'25

Loan Against Property (LAP) – only product with >20% share in overall AUM

LAP contributes ~58% of the total enterprise lending book and ~22% of total AUM mix, which makes it flagship product of the company. Besides, LAP is the only product with >20% share in overall AUM mix for the company, which makes it to be monitored closely. Through this segment, HDBFS offers secured loans, which can be utilised for various purposes, such as supporting new business initiatives, buying office premises, providing working capital, or expanding existing business ventures. These loans are backed by property as collateral. Going forward, HDBFS plans to scale LAP in a calibrated manner by leveraging its extensive branch network in semi-urban and rural markets, enhancing property due diligence and deepening relationships with existing MSME customers. LAP is structurally designed to support overall growth and moderating portfolio volatility. The primary customer sourcing channels for this product is through FOS (Field Sales Officers) in their branch network as well as through DSA. Average ticket size for LAP is INR 4.5mn with average tenure of 10 years.

Enterprise Business Loan (EBL)

EBL is a small part of enterprise lending. It is a variation of the LAP product and contributes ~5% of the total enterprise lending book, which translates into ~2% of total entity AUM. Self-employed customers (including professionals), private companies and partnership firms are eligible for EBLs, which aim to enhance their business activities in manufacturing, trading and services. The primary customer sourcing channel for this product is through FOS in branch network. EBLs are backed by property as collateral. The ATS for this product is ~INR1.3mn and its average tenure is ~9 years.

Unsecured Business Loans (UBL) – 10% of overall AUM

UBL is the second-largest segment with respect to size in the enterprise lending book and contributes ~26% of this book, which turns out to be ~10% of HDBFS' total loan book. HDBFS offers business loans without requiring collateral to assist small businesses in fulfilling their financial needs, which may include acquiring new equipment and inventory, working capital or renovating their outlets. The primary customer sourcing channel for this product is through FOS in the branch network. The ATS for this product is ~INR 295k and its average tenure is 4 years.

Salaried Personal Loans (SPL)

SPL contributes ~3% of total AUM mix and through this segment HDBFS offers personal loans to salaried employees. The key differentiator is the service that it provides, where customers are sourced through FOS and digital channels. The ATS for this product is ~INR 338k and its average tenor is around 5 years

Gold loans

Gold loans forming part of secured lending for HDBFS has emerged strongly in 2026. This product was launched in 2010; and through this product, it assists customers in fulfilling their urgent personal requirements by providing loans that are secured against gold jewellery. Sourcing primarily happens through branches. Recent changes in regulation/macro environment (increased LTV of ~85% and increase in price of gold) augur well for this segment. Gold loan saw strong~ 18% QoQ growth in Q3FY26 for HDBFS, suggests that this segment, although ~1% of total AUM for HDBFS, is expected to drive growth for Enterprise lending book going forward. The ATS for this product is ~ INR 236k and its average tenure is ~3 years. The strong growth in fully secured gold loans, aligns with HDBFS' broader strategy of increasing the secured mix to improve portfolio resilience.

Exhibit 20: Enterprise lending vertical - product segment characteristics

Loan segment	% of total AUM	Security	ATS (INR)	Tenure (years)	Sourcing	Target borrower
Enterprise lending	**38.0**	**Secured/Unsecured**				
LAP	22.0	Secured against property	4.5mn	10.0	FOS in its branches and DSA	New/existing Business customers
Business loans	10.0	Unsecured	295K	4.0	FOS in its branches	Small businesses
SPL	3.0	Unsecured	338k	5.0	FOS in its branches and digital channels	Salaried employees
EBL	2.0	Secured against property	1.30mn	9.0	FOS in its branches	Self-employed customers (including professionals), private companies and partnership firms
Gold loans	1.0	Secured against Gold	236k	3.0	Branch network	All types of customers

Source: I-Sec research, Company RHP

Note: Data as of Dec'25

Asset finance - Old is new normal

Asset finance contributes ~38% in overall AUM mix. It has seen a stable mix since FY22 despite various tailwinds and disruptions in the vehicle industry/macroeconomic cycles. HDBFS launched its asset finance vertical in 2010, initially starting with commercial vehicles. The following year, it started with auto loans and commercial equipment loans. Later, it expanded to tractor loans, which was launched in 2017; thus, now it is into the business of new and used vehicles for commercial vehicle, construction equipment and tractors, which are income generating assets for their customers.

While it operates in both new and used vehicle markets; it has employed different distribution approaches for each market. While the new vehicle market is more focused on OEM partnerships and their strong nationwide dealership network, the strong customer base for the used vehicle market has been built through its in-house sales teams, which is spread out across the country.

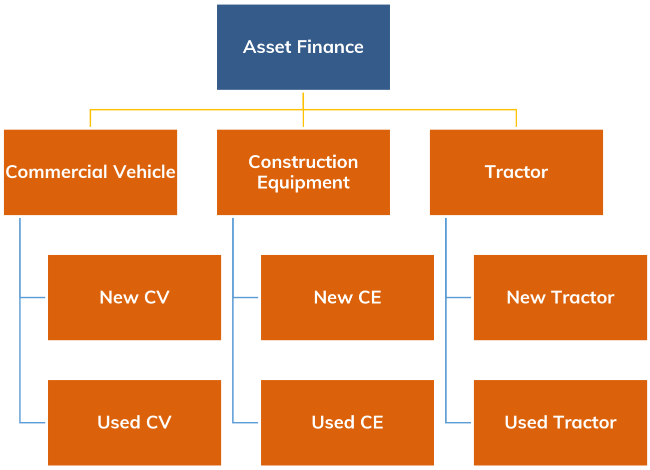
All asset finance loans are typically secured in nature and backed by underlying equipment – whether it be CV, CE or tractor. Owing to the relatively higher ticket size, sourcing is largely dependent on the company's strong on-ground presence. With dealer-led transactions on various occasions, localised business development and feet on street is crucial for business conversion and sustaining growth.

Both the new as well as the used vehicle segments hold strategic significance for HDBFS; wherein, the used vehicle segment delivers higher yields and profitability, while the new vehicle segment aids HDBFS build a portfolio of high-quality customers.

CV and CE portfolio witnessed significant elevated stress in the later part of FY25 and early FY26, primarily due to excessive monsoon, prolonged road closures in parts of North and East India that led to higher-than-normal vehicle idling and adversely impacted borrower's cash flow. We expect a gradual recovery in the CV portfolio aided by infra spending, GST-related reduction in prices and improving rural activity leading to more stable asset quality and calibrated growth over the medium term.

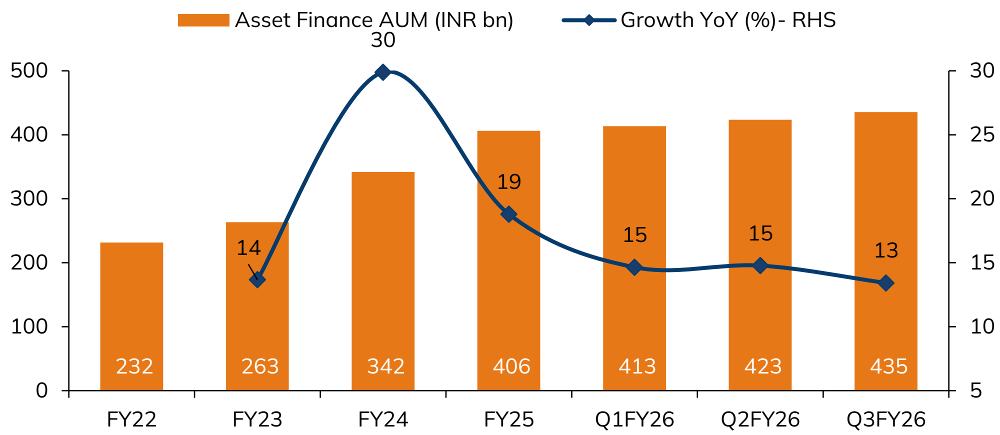
The current mix of New: Used is 70:30 in asset finance, which HDBFS plans to bring to 50:50 (over the medium term), as yields in used vehicles are higher by ~300–350bps; and, even factoring in credit costs and operating expenses of ~50–100bps each, used vehicle is still able to generate a higher RoA, by 150-200bps, when compared with new vehicles. We expect this shift in product mix to drive RoA going forward.

Exhibit 21: Asset finance product segmentation



Source: I-Sec research, Company data

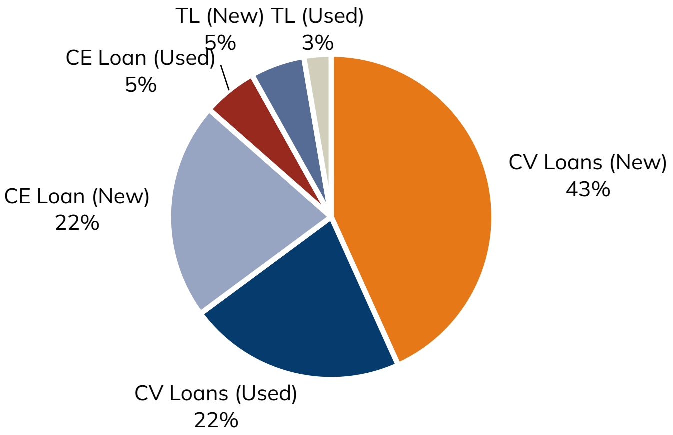
Exhibit 22: Asset finance grew in the range of 13-15% in 9MFY26 vs. 19% in FY25, due to asset quality headwinds in CV portfolio



Source: I-Sec research, Company data

After accelerating sharply in FY24, with YoY growth of 30%, momentum moderated to 19% in FY25 and further to 15% in the first half of FY26 and 13% in Q3FY26. Furthermore, the company has diversified its product offerings to de-risk from cyclicality. As an example, in certain drought-prone regions of Maharashtra, it identified a profitable opportunity for a niche equipment, wherein certain specialised equipment promoted by a few OEMs could be used for ground water harvesting. HDBFS was able to partner with these OEMs and provide financing for the purchase of the equipment to enable farmers to generate higher income. This helped create a new segment of equipment hirers who own and operate such specialised equipment. Asset finance products are backed by the relevant assets acquired, i.e., commercial vehicles, construction equipment or tractors. This vertical, which involves relatively larger ticket sizes, leverages physical footprint.

Exhibit 23: Blend of new and used products under asset finance, with CV dominating the asset finance book



Source: I-Sec research, Company data

Note: Data as of Dec'25

Commercial vehicle loans

Commercial vehicle is one of HDBFS' largest segments, with new + used CV contributing ~24% in overall AUM mix. Current mix is skewed towards new CV, which is ~16% in the overall AUM mix, the second largest contributor in loan book after LAP which is ~22%. HDBFS offers financing solutions for acquiring commercial vehicles, whether new or used. It also provides the option of refinancing existing vehicles. The company caters to diverse customers, such as fleet owners, first-time users, first-time buyers and captive users. The primary customer sourcing channels for this product is through FOS in the branches and through in partnerships with OEMs and dealers. The ATS for this product is approximately INR895k and its average tenure is ~4 years.

Construction equipment (CE) loans

CE loans contribute ~10% of total AUM mix with its current portfolio skewed towards new CE. It offers financing options for the acquisition of new and used construction equipment, as well the refinancing of such equipment. The primary customer sourcing channels for this product is through FOS in the branches and via partnerships with OEMs and dealers. The different types of equipment that it provides loans for include earthmoving, mining, material handling, concrete and other allied construction equipment. The ATS for this product is ~INR 2mn and its average tenure is ~4 years.

Tractor loans

Tractor loans are among the newly launched products, launched in 2017, contributing ~3% of total AUM mix, as of Dec'25. It provides personalised financing solutions for individuals seeking to acquire tractors or tractor-related equipment (new as well as used) for agricultural or commercial purposes. The primary customer sourcing channels for this product is via FOS in their branches and partnerships with OEMs and dealers. The ATS for this product is ~ INR 309k and its average tenor is ~4 years.

Exhibit 24: Asset finance vertical - product segment characteristics

Loan segment	% of total AUM	Security	ATS (INR)	Tenure (years)	Sourcing	Target borrower
Asset Finance	**38.0**	**Secured**				
Commercial Vehicle Loans	24.0	Secured	895k	4.0	FOS in its branches and through in partnerships with OEMs and dealers	Fleet owners, first-time users, first time buyers and captive users
Construction Equipment Loans	10.0	Secured	2mn	4.0	FOS in its branches and through in partnerships with OEMs and dealers	Individuals and small operators
Tractor Loans	3.0	Secured	309k	4.0	FOS in its branches and through in partnerships with OEMs and dealers	Individuals

Source: I-Sec research, Company data

Note: Data as of Dec'25

Consumer finance – an evolving story

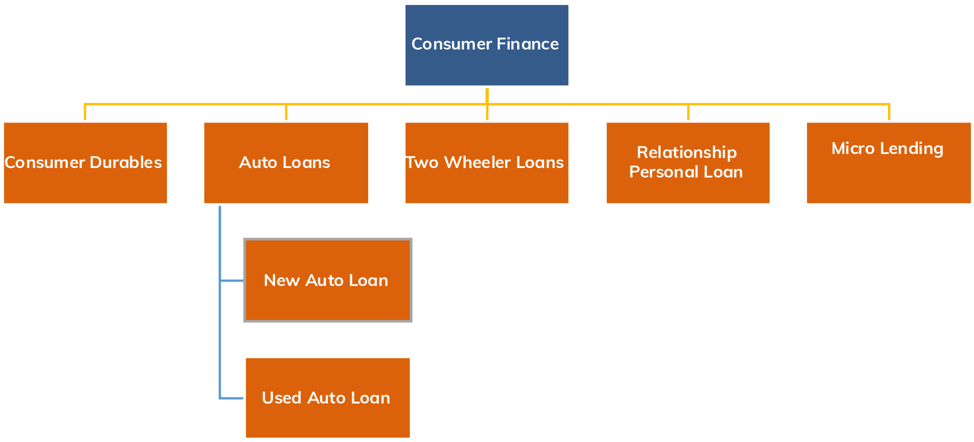
The consumer finance segment caters to individuals seeking to fulfil their personal or household needs through consumer durable loans, digital product loans, two-wheeler loans, micro finance, lifestyle loans, etc. All these products were launched post 2016, gaining traction in overall AUM mix. This now contributes ~24% of total AUM mix, as of Dec'25 – almost doubled vs. FY22 levels, where the mix was just ~13% of the overall loan portfolio, reflecting that primarily growth has come from this book.

Consumer loans are provided to individuals for personal or household purposes to meet their short to medium-term requirements. Its typical customer profile in this segment includes salaried persons and self-employed individuals looking for financing to purchase household assets, luxury goods or similar such lifestyle choices.

Two-wheelers and auto-loans are the only consumer finance products that are secured while the others are unsecured. HDBFS employs an omni-channel digital-first approach to distribution in this vertical with a focus on dealers and partnerships. Its branches serve as a local hub from which their tele-calling teams can operate and get an understanding of the local micro-market, while enabling better portfolio monitoring. Strong partnerships with marquee brands and OEMs and their respective retail networks and dealers have been key been growth drivers for consumer finance.

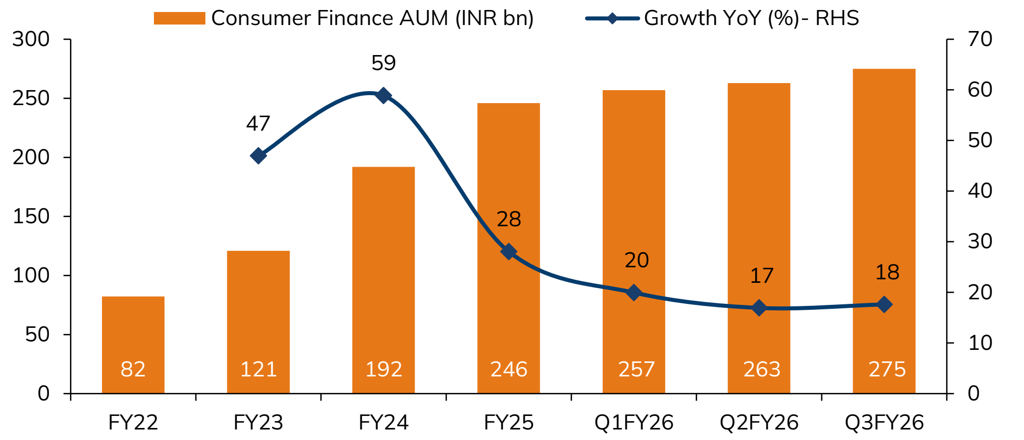
Under consumer durable financing, HDBFS could see some customer overlap with its parent, though HDBFS doesn't do via credit card, while HDFC Bank does consumer durable financing via credit cord. Moreover, there is no agreement of any sort with HDFC Bank for customer overlap.

Exhibit 25: Consumer finance products



Source: Company data, I-Sec research

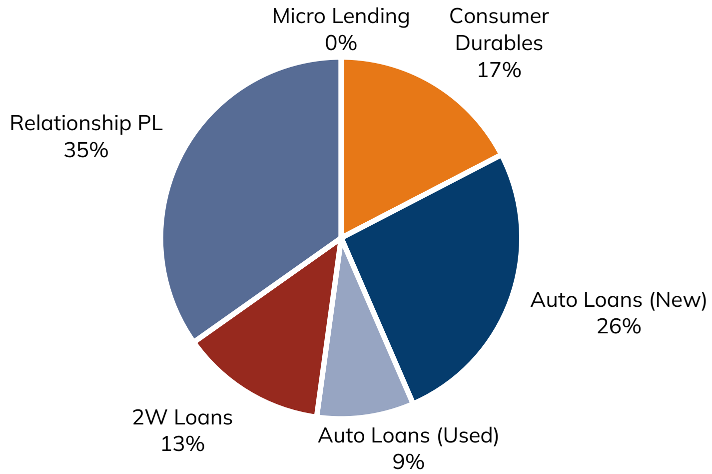
Exhibit 26: Consumer finance growth relatively faster vs. other segments



Source: Company data, I-Sec research

Consumer finance has emerged as a key growth driver for HDBFS. It has been growing at a sustainable pace of 18–20% YoY in the last few quarters. AUM, as of Dec'25, stood at INR 275bn, which saw ~18% YoY growth – stronger than the other two segments (EL saw 8% YoY growth while asset finance grew 13% YoY for the same period), reflecting that primarily this segment is driving growth for overall entity. Consumer finance products generally have small ticket sizes and short tenors, resulting in churning of the loan book at rapid pace. This enables the company to widen its customer funnel by onboarding and underwriting a larger base of customers in a relatively short period of time. This allows them to cross-sell and up-sell multiple products to an expanded base of customers across different uses, thus increasing customer life-time value. For example, the consumer durable loan product is a mass product that serves as a primary sourcing channel for retail customers. Continuous monitoring of credit behaviour helps HDBFS identify the customers the company can cross-sell and up-sell its wider suite of consumer finance products to – such as lifestyle loans, unsecured personal loans and vehicle loans.

Exhibit 27: Relationship PL and new auto loans – key pillars of consumer finance



Source: Company data, I-Sec research

Note: AUM mix as of Dec'25

Consumer durable/digital product/lifestyle product loans

HDBFS provides financing options to customers to buy: 1) household appliances and durable goods, such as televisions, refrigerators, washing machines and air conditioners; 2) digital products such as mobile phones, laptops, tablets and cameras; and 3) lifestyle products – for which, its loans are designed to help customers purchase premium lifestyle items to elevate their standard of living such as furniture and high-end cooking ranges. The primary customer sourcing channels for this product are its tele-calling teams and partnerships with OEMs and dealers. As of Mar'25 it had partnerships with over 80 OEMs and over 140k retailers and dealer touchpoints in this product category. The ATS for this product is ~INR 15k and its average tenor is ~1 year.

Auto loans

HDBFS provides financing to customers interested in purchasing new or used cars through its secured auto loans product. The primary customer sourcing channel for this product is through FOS and partnerships with OEMs and dealers. As of Mar'25, it had partnerships with 6 OEMs and over 4k retailers and dealer touchpoints in this product category. The ATS for this product is ~INR 437k and its average tenor is ~4 years.

Two-wheeler loans

Two-wheeler is 13% of total AUM mix and constitutes ~3% of total HDBFS loan book. The primary customer sourcing channel for this product is through FOS and partnerships with OEMs and dealers. As of Mar'25, it had partnerships with 13 OEMs and over 13k retailers and dealer touchpoints in this products category. The ATS for this product is ~INR 54k and its average tenor is around 3 years.

Relationship personal loans

To leverage its existing customer franchise and drive cross-sell, HDBFS has developed a product called 'Relationship Personal Loans'. It provides relationship-based PL only to its existing customer base – those who have demonstrated steady repayment track-record and income profiles capable of repaying another short-tenor loan. Given unsecured PL is only offered to existing quality customers, it is less risky; thus, does not pose a risk to asset quality. Customer sourcing for PL is through its tele-calling teams, with leads generated via its in-house data science and analytics. The average ticket size for this product stood at ~INR 54k and average tenor is ~2 years. These loans are unsecured in nature.

Micro lending

This is among the newly launched product, started in 2020, with the aim of promoting financial inclusion and empowering underprivileged segments of society; thereby, providing micro loans to customers through the JLG framework. HDBFS is fairly new in this segment; thus, it is looking to see how this business turns out for them and would expand accordingly. The customer journey is fully digital on the mobile phone of the loan officer. The ATS for this product is ~ INR 25,000 and its average tenor is ~2 years. As of Mar'25, this product had a loan book of INR 6.1 bn and as of Dec'25 AUM mix for MFI book is <1%.

Exhibit 28: Consumer finance vertical - product segment characteristics

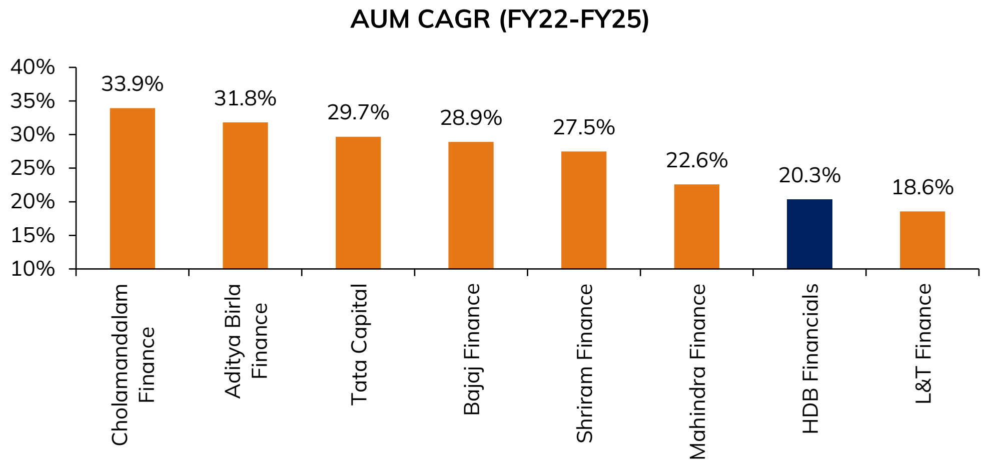
Loan segment	% of total AUM	Nature of security	ATS	Tenure (years)	Sourcing	Target borrower
Consumer Finance	**24.0**	**Secured/ Unsecured**				
Auto loans	8.0	Secured by vehicle	437k	4.0	FOS and partnerships with 6 OEMs and >4k retailers and dealer touchpoints	Individuals
Relationship personal loan	8.0	Unsecured	54k	2.0	Tele-calling teams, with leads generated via its in-house data science and analytics	Cross-selling from existing retail loan customer base
Consumer durables loans	4.0	Unsecured	15k	1.0	Tele-calling teams and partnerships with 80 OEMs and 140k retailers and dealer touchpoints	Individuals
Two-wheeler loans	3.0	Secured by 2W	54k	3.0	FOS and partnerships with 13 OEMs and >13k retailers and dealer touchpoints	Individuals
Micro lending	<1%	Unsecured	25k	2.0	Customer journey is fully digital on the mobile phone of the loan officer	JLG borrowers

Source: I-Sec research, Company data;

Note: Data as of Dec'25

Peer Comparison

Exhibit 29: HDB has relatively grown at a slow pace vs. peers over the past 3 years



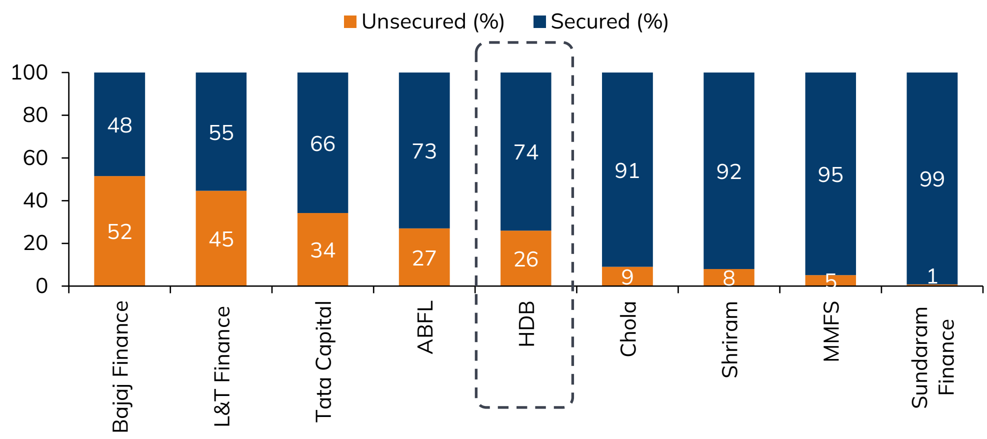
Source: Company data, I-Sec research

Note:

- Aditya Birla Finance AUM for NBFC (Lending business) only
- Bajaj Finance AUM for standalone entity
- Tata Capital AUM for FY25 is considered excluding Motor Finance for comparison purpose with previous periods

While AUM CAGR for HDBFS remained healthy at ~20% during FY22–25; the same is one of the lowest compared to peers. This underperformance was primarily due to industry-wide headwinds affecting two of its largest segments: Unsecured Business Loans (BL) and Commercial Vehicles (CV).

Exhibit 30: Perfect blend of secured and unsecured mix



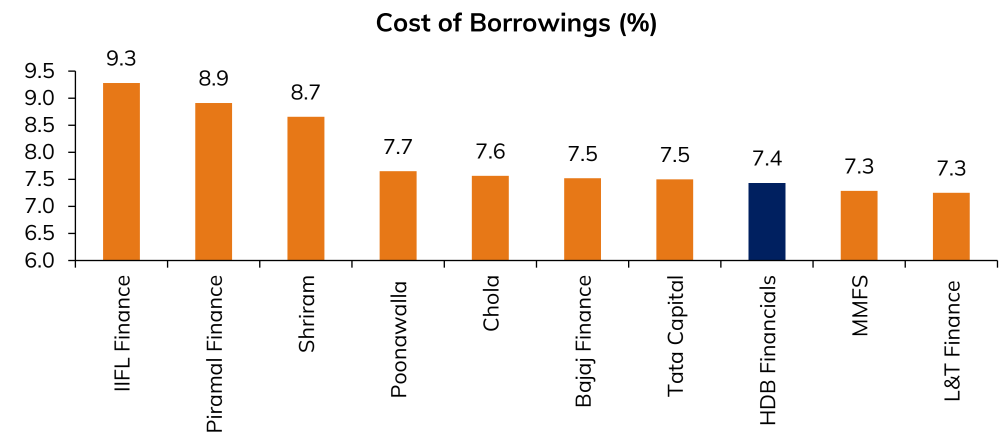
Source: Company data, I-Sec research

Notes:

- Secured Mix as disclosed in Company RHP of HDBFS for all peers
- L&T Finance and Mahindra Finance secured mix as of FY25 while for rest of the entities it is for FY24
- HDB & ABFL secured mix as of Dec'25

HDBFS has a perfect blend of secured vs. unsecured mix, with secured mix's share reaching ~74%, as of Dec'25. As disclosed in Exhibit 30, HDBFS falls in the middle of the block, where towards the left are diversified lending NBFCs that have lower secured mix compared to HDBFS; towards the right of HDBFS are primarily vehicle financing NBFCs, with secured mix of >90%, which are largely secured by commercial vehicles, construction equipment and passenger vehicles.

Exhibit 31: HDB has one of the lowest cost of borrowings among peers (Dec'25)

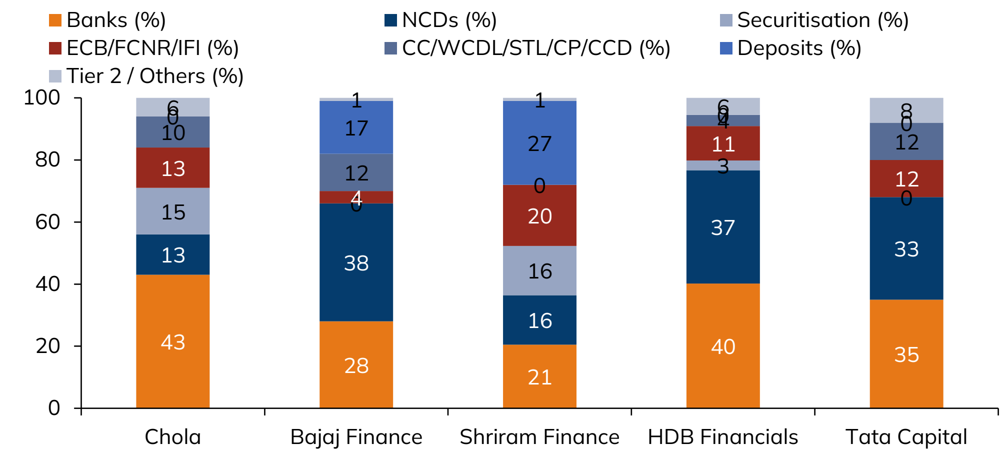


Source: Company data, I-Sec research

Notes:

- Cost of borrowings is latest reported for all entities except for Chola, Shriram, HDBFS & Mahindra Finance where it is calculated as Interest exp/Avg Borrowings
- Bajaj Finance Cost of borrowings is reported for Standalone entity while Tata Capital is reported for Consol entity

Exhibit 32: Borrowing mix is well diversified for most of the peers



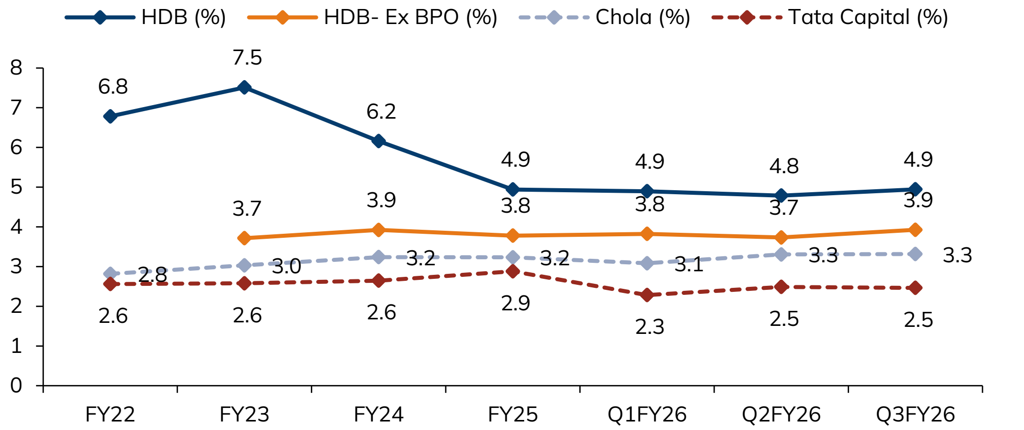
Source: Company data, I-Sec research

Notes:

- Borrowing mix as of Dec'25
- Bajaj Finance and Tata Capital borrowing mix on Consol level

A primary competitive edge for HDBFS is its industry-leading CoB. As of Dec'25, the company maintains a superior CoB profile relative to its peers, at ~7.4% vs. ~7.6% for Chola vs. ~7.5% for Bajaj Finance vs ~7.5% for Tata Capital and ~8.7% for Shriram Finance. Among the 10 NBFCs (we have covered in Exhibit 30), only three currently maintain CoB below the 7.5% threshold. Its superior funding profile provides the company with significant pricing power.

Exhibit 33: Operating expenses/avg. AUM higher vs. peers given its branch-led model

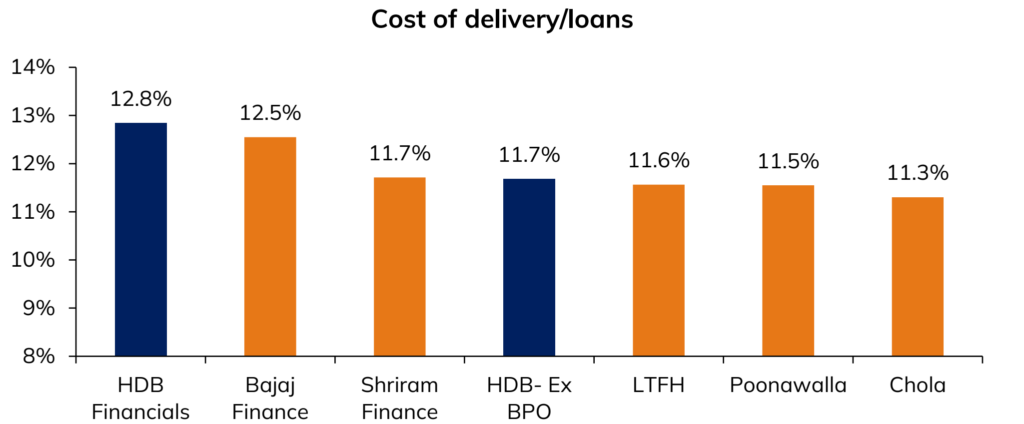


Source: Company data, I-Sec research

Notes:

- Tata Capital data is for Consol entity while Chola data is for standalone entity
- Ratio is calculated as operating expenses/ Avg AUM
- HDBFS BPO Operating expenses for FY23 to FY25 are calculated based RHP segmental data for BPO revenue and PBT

Exhibit 34: Cost of delivery however comparable vs. peers



Source: Company data (Mar'25), I-Sec research

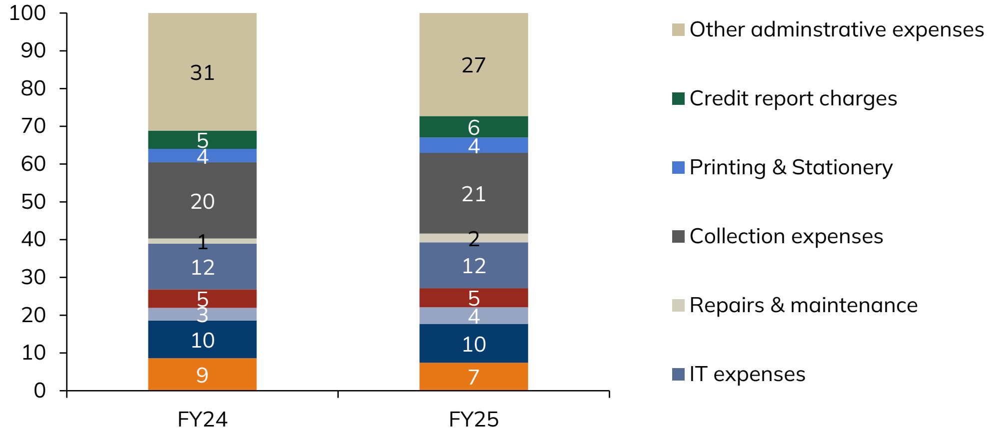
Notes:

- Cost of delivery is calculated as Borrowing cost+ Employee cost+ Other operating cost for FY25
- Borrowing cost is calculated as Interest cost/Average borrowings
- Employee cost and other operating cost calculated on Average AUM
- BPO cost is reduced from overall operating expenses to arrive at Cost of delivery for HDB-Ex BPO business
- Bajaj Finance data is for standalone entity

HDBFS' operating costs have structurally been higher than peers due to its branch-led and manpower-led business model and sourcing. HDBFS is looking to improve branch productivity and increase per square foot area of existing branches; thus, being able to cater to more customers at same locations/branches and thereby improve productivity per branch.

While opex ratios remain meaningfully higher than peers such as Chola (~3.1–3.3%) and Tata Capital (~2.3–2.6%), we believe that going ahead, better operating leverage, benefits from scale and productivity gains, and increasing contribution from digital and external sourcing channels could partly offset the cost impact of HDBFS' extensive physical branch network.

Exhibit 35: Other expenses share higher for HDB vs. peers

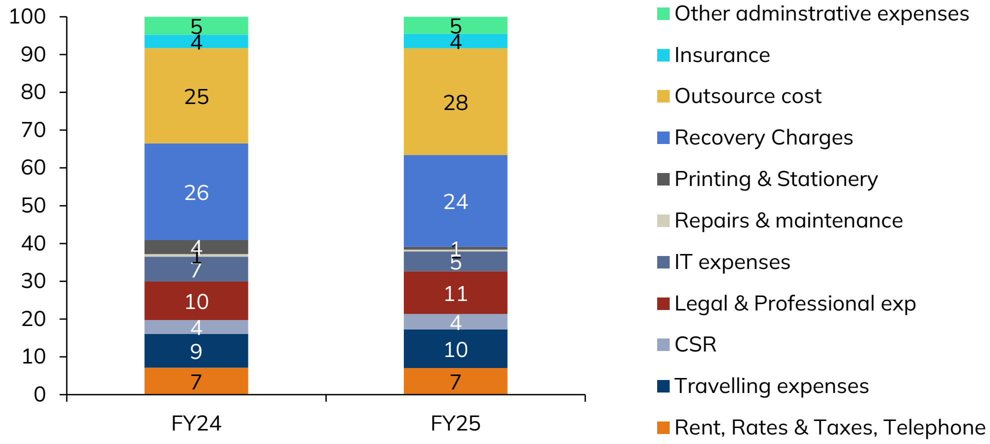


Source: Company data, I-Sec research

Notes:

- Operating expenses breakup as disclosed in Annual report for consolidated entity
- These expenses are excluding employee cost
- Other administrative expenses include BPO service cost which is expected to be in the range of ~5% of total operating expenses

Exhibit 36: Breakup of other operating expenses for Chola

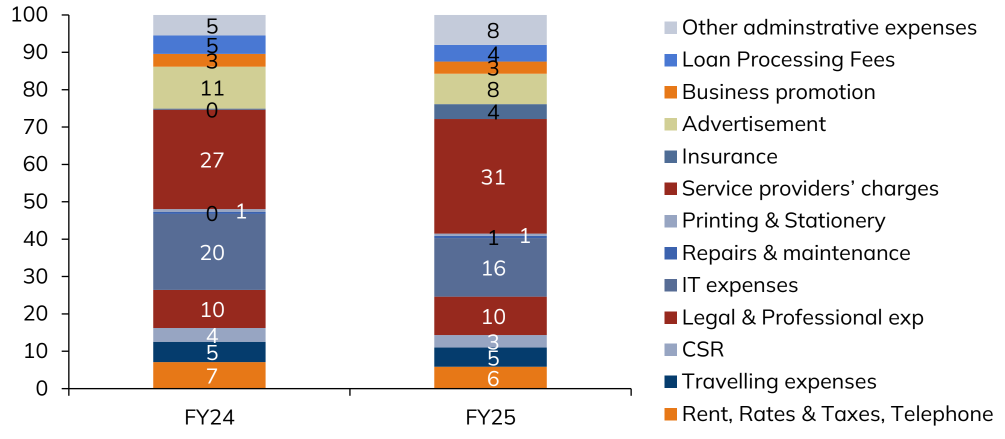


Source: Company data, I-Sec research

Notes:

- Operating expenses breakup as disclosed in Annual report;
- These expenses are excluding employee cost

Exhibit 37: Breakup of other operating expenses for Tata Capital

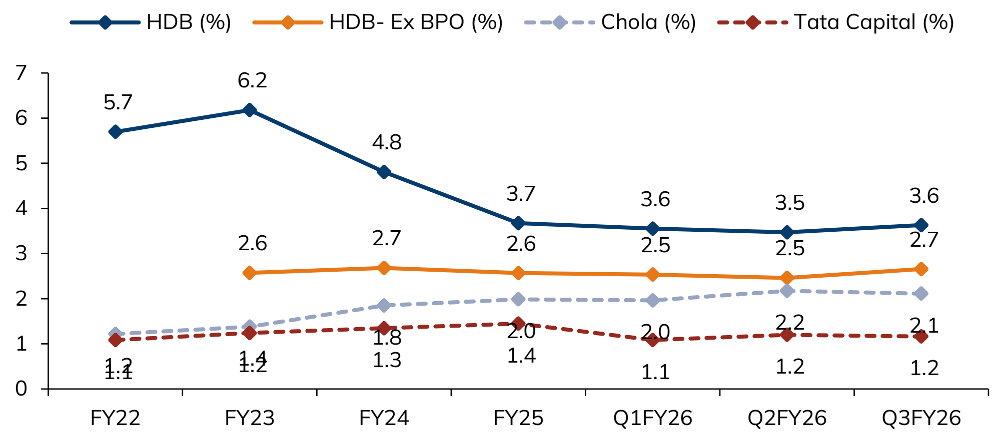


Source: Company data, I-Sec research

Notes:

- Operating expenses breakup as disclosed in Annual report for consolidated entity
- These expenses are excluding employee cost

Exhibit 38: Employee cost even after adjusting for BPO is higher for HDB vs. peers due to its higher physical presence

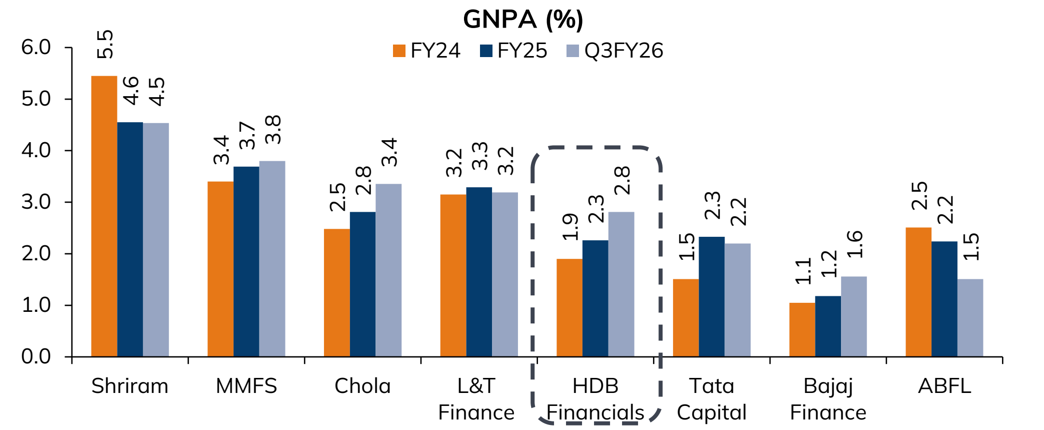


Source: Company data, I-Sec research

Notes:

- Tata Capital data is for Consol entity while Chola data is for standalone entity
- Ratio is calculated as Employee cost / Avg AUM
- HDBFS BPO employee cost is assumed to be ~90% of total revenue

Exhibit 39: GNPA for HDBFS inching up due to stress in MSME and CV segment

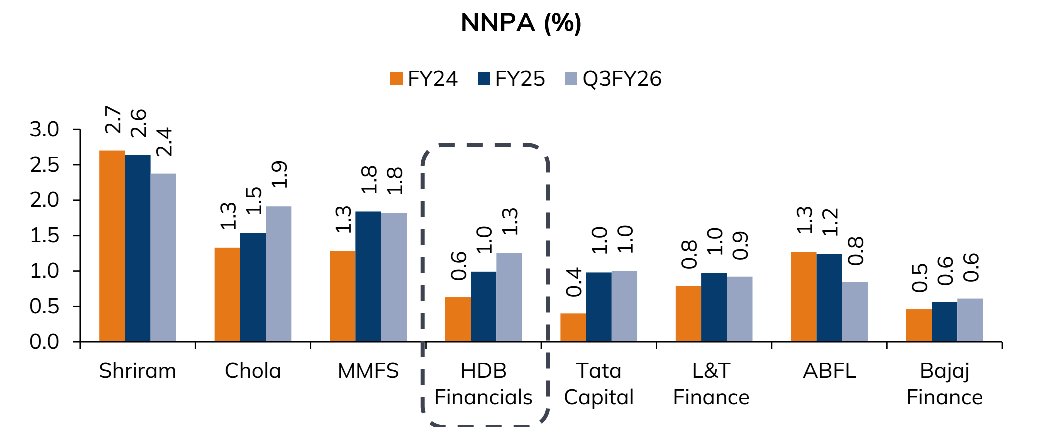


Source: Company data, I-Sec research

Notes:

- ABFL GNPA is for its NBFC only
- Bajaj Finance GNPA is for Standalone entity

Exhibit 40: NNPA inching up, but trend similar across most of the peers

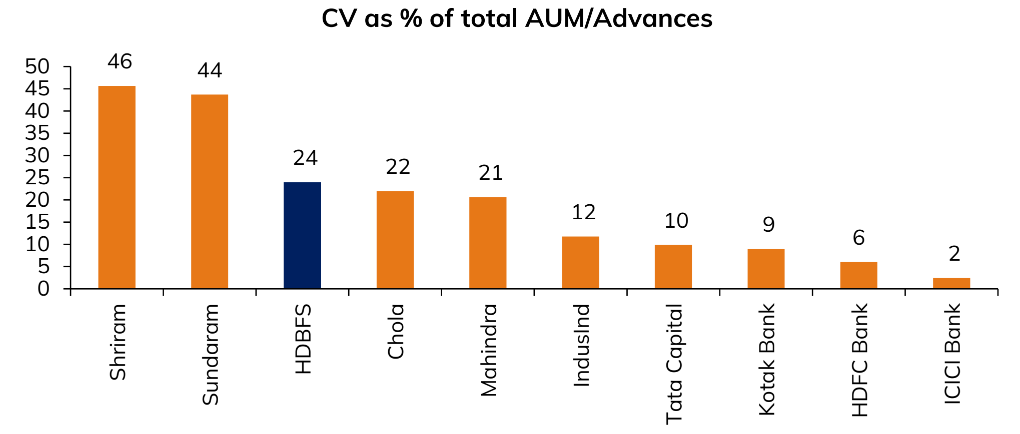


Source: Company data, I-Sec research

Notes:

- ABFL NNPA is for its NBFC business only
- Bajaj Finance NNPA is for Standalone entity

Exhibit 41: HDBFs likely to be one of the biggest beneficiaries in CV upcycle



Source: Company data, I-Sec research

Notes:

- Shriram mix as reported for CV and Sundaram mix for MHCV and Retail CV
- HDBFS mix reported for New and Used CV both
- Chola mix is calculated using product mix of Mini LCV, MUV, LCV and HCV
- Mahindra Finance data includes CV and CE both
- IndusInd data is for MHCV and LCV
- Tata Capital CV mix is reported as % of net AUM
- Kotak Bank/ICICI Bank data includes CV and equipment
- HDFC Bank data is for Commercial transportation
- Data is as of Dec'25

Investment rationale

A diversified retail NBFC with presence across product segments/ customer segments/geographies

HDBFS stands strong within the Indian retail financial ecosystem, leveraging a pan-India distribution and a highly diversified product suite. HDBFS' strategic focus on deep geographical penetration and its granular credit approach position it to capture high-growth segments in the NBFC space. Parent's risk management practise and governance standards have also helped it build a strong foundation for sustainable and scalable franchise.

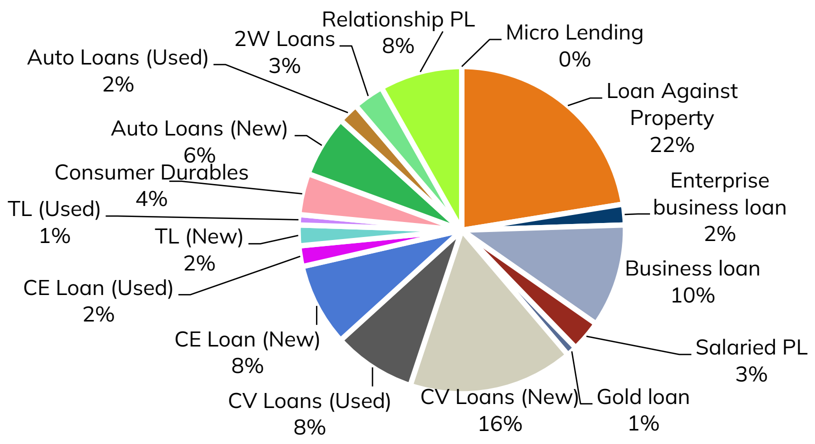
Over the years, HDBFS has built strong product offering portfolios – ranging from salaried to self-employed and combination of high-yield retail products with preference for secured lending. This would enable resilience across economic cycles.

- **Extensive reach and scalable infrastructure:** HDBFS has built a robust presence across 31 states/UT deep distribution, supported by 1,744 branches across 1,165 cities/towns. This provides a significant moat for customer acquisition and localised underwriting.

- **Granular and secured loan book:** HDBFS' asset mix is characterised by high granularity with ticket sizes ranging from INR 25k to INR 250mn. Notably, ~2/3rd of its product portfolio has ATS below ~INR 1mn, which reflects granularity and reduces concentration risk. Furthermore, ~74% of gross loans are secured, providing a strong buffer against credit cycles.

- **Strong in-house sourcing:** In order to maintain superior control on customer quality and product life-cycle management and improve product per customers, HDBFS has strategically focused on in-house sourcing. For Mar'25, ~82% of its total AUM was sourced direct. Since inception, HDBFS has served over 22mn customers up to Dec'25.

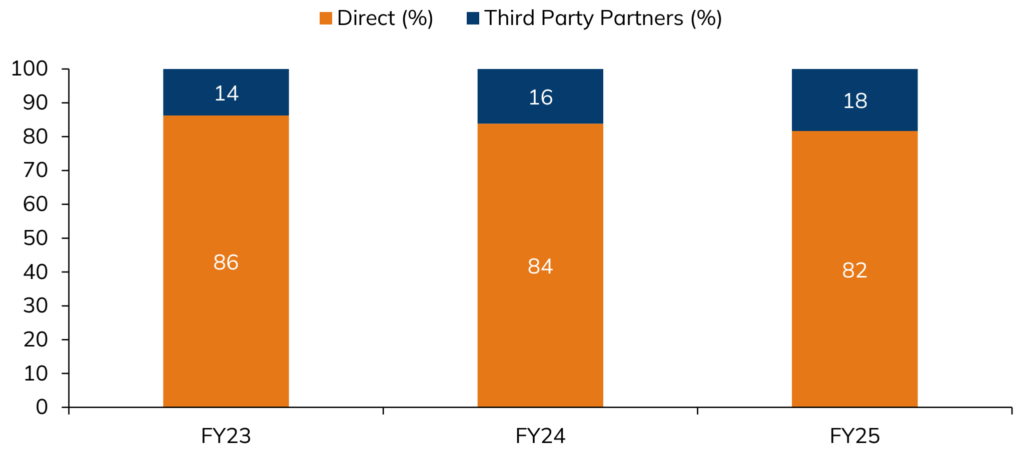
Exhibit 42: Diversified product mix; only LAP forms >20%



Source: Company data, I-Sec research;

Note: AUM mix as of Dec'25

Exhibit 43: Sourcing mix largely in-house with ~80% direct share



Source: Company RHP, I-Sec research;

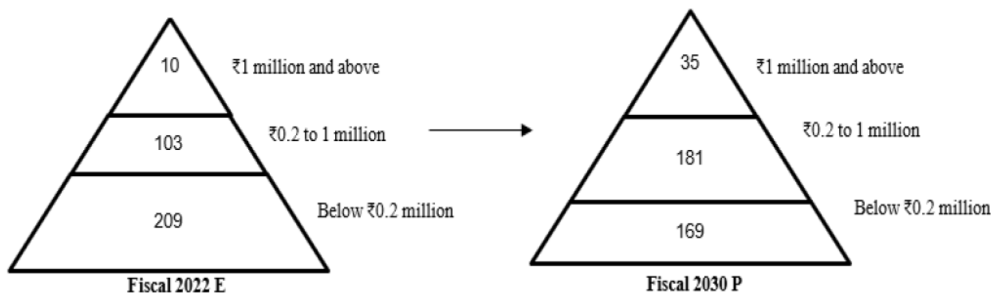
Note:

- Third Party partners include car dealers, DSA, etc
- We have assumed that other than third party partner sourcing, everything is sourced directly via branches/digitally
- % Share is on disbursements

Well positioned to serve large TAM – strong parentage and diversified product offering are key enablers

HDBFS laid its foundation in 2007 on a similar ethos of its parent HDFC Bank – build a sustainable, scalable and profitable franchise. While it benefits from the strong brand and bank parentage, to avoid direct competition and conflict of interest, even at a large scale, it focused on new-to-credit customers and serving markets beyond tier-4 towns.

Exhibit 44: Middle India households projected to witness CAGR of 9% between FY22-30 – HDBFS is well placed to capture largest pie

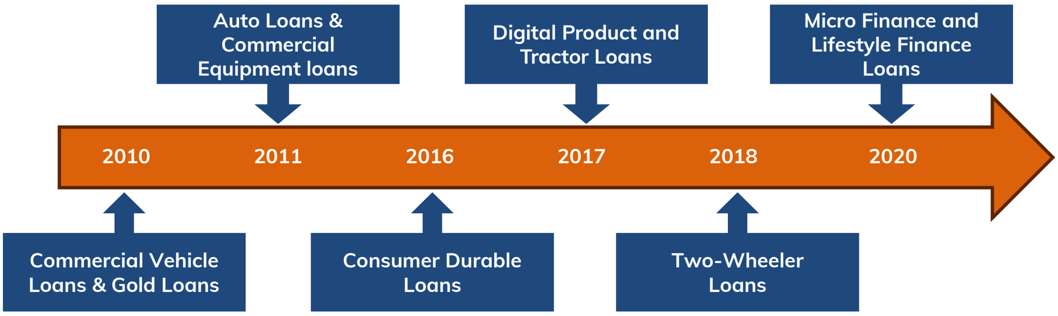


Source: Company RHP, I-Sec research, CRISIL Intelligence

Note: Middle Income group is categorised as INR 0.2mn to 1mn annual household Income

Unlike its peers, HDBFS choose a difficult but long-term path of building a retail-focused lending franchise, rather than fast-tracking its balance sheet expansion by venturing into structured finance, project loans, real estate funding etc. The company started its lending journey by entering commercial vehicle and gold loans. Over the years, it built ~17 lending products – every 1.5–2-years, HDBFS has launched products to remain ahead of the curve and maximise customer wallet share.

Exhibit 45: Evolution of product portfolio since 2010



Source: I-Sec research, Company data;

Note: Products launched as disclosed in PPT

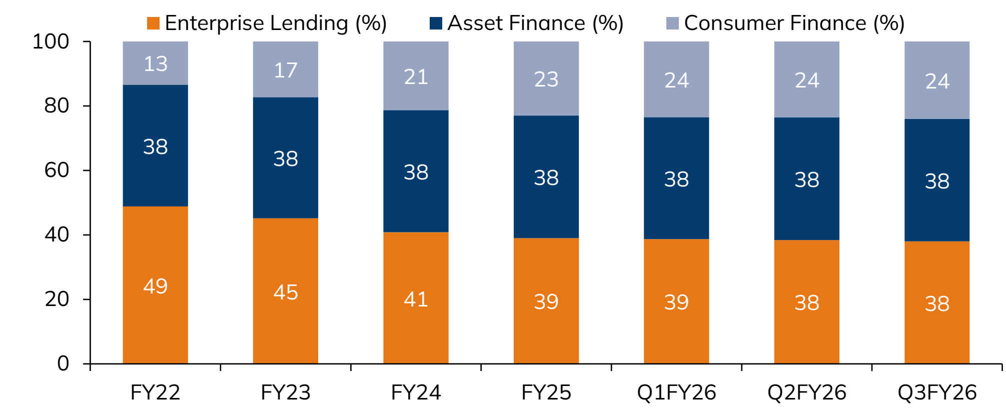
Exhibit 46: HDBFS holds a 1–8% market share across most products; however its share in Gold, MFI, and Personal loans is just 0.5%, suggesting low base provides significant headroom for growth going ahead

HDBFS' products	Corresponding industry products	Market size (INR trn)	HDBFS' market share
Enterprise Lending			
BL	Working Capital Finance Portfolio	12.7	1.0%
LAP, Enterprise BL	Secured MSME	12.8	1.9%
Salaried PL	Overall Personal Loan	14.6	0.2%
Gold Loans	Gold Loan	12.4	0.1%
Asset Finance			
New CV	CV Portfolio	5.8	3.0%
CE	CE Portfolio	1.4	8.1%
Tractor	Tractor Portfolio	1.3	2.3%
Consumer Finance			
CD/Digital/Lifestyle	CD Finance	0.8	4.8%
Relationship PL	Overall Personal Loan	14.6	0.6%
Auto Loans	New PV Portfolio	8.2	1.0%
Two-wheeler	Two-wheeler	1.7	1.9%
Micro Lending	MFI Portfolio	3.8	0.2%

Source: Company data, I-Sec research, CRISIL report, HDBFS RHP

Note: Market share for HDBFS is derived basis market size as per CRISIL report as of Mar'25 and AUM for respective products as of Mar'25

Exhibit 47: Consumer finance's share gradually increasing



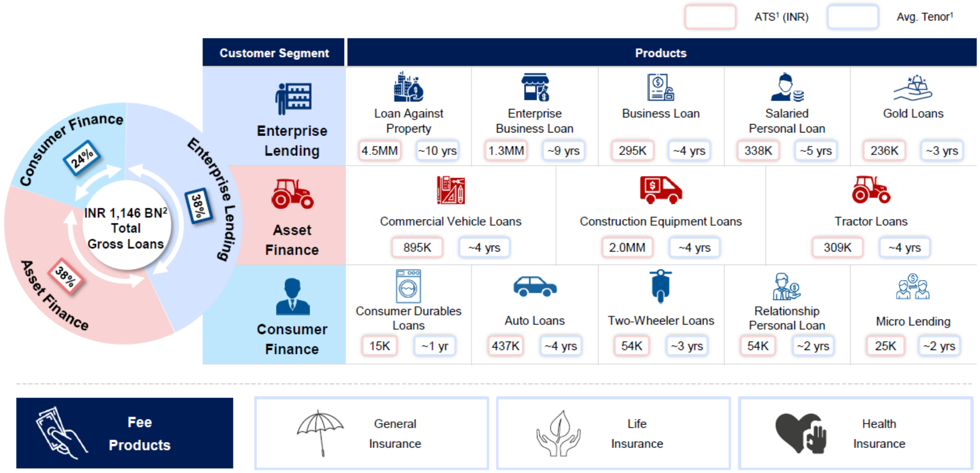
Source: Company data, I-Sec research;

Exhibit 48: Granular loan book with low customer concentration

Source: Company data, I-Sec research

Note: Data as of Dec'25

Exhibit 49: HDBFS' product portfolio



Source: Company data, I-Sec research;

Note: Product portfolio as disclosed in Investor PPT

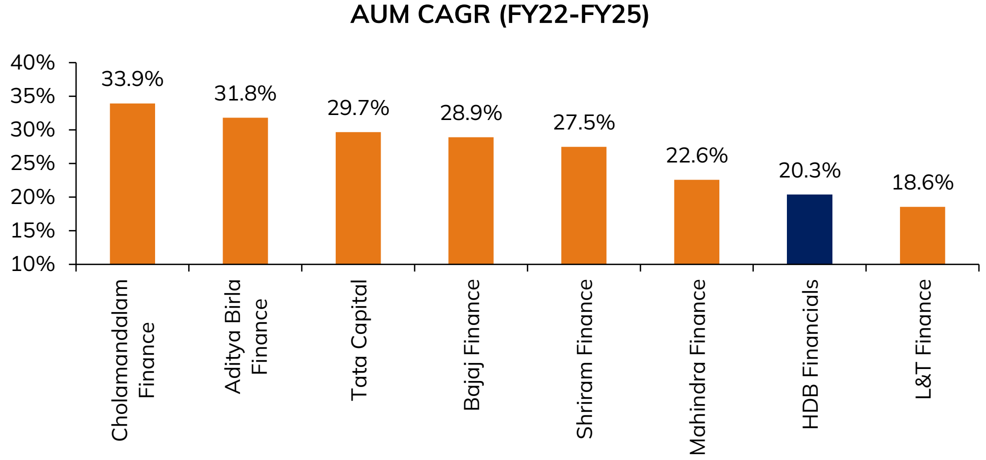
Exhibit 50: Product-wise average ATS and average tenor

Product features	ATS (INR)	Avg. tenor (years)
Enterprise Lending		
LAP	4.5mn	10
EBL	1.3mn	9
Business Loan	295K	4
SPL	338k	5
Gold Loans	236k	3
Asset Finance		
Commercial Vehicle Loans	895k	4
Construction Equipment Loans	2mn	4
Tractor Loans	309k	4
Consumer Finance		
Consumer Durables Loans	15k	1
Auto Loans	437k	4
Two- Wheeler Loans	54k	3
Relationship Personal Loan	54k	2
Micro lending	25k	2

Source: Company data, I-Sec research;

Note: mn is millions and K is thousands: ATS and tenure is for Dec'25

Exhibit 51: HDB has relatively grown at a slow pace vs. peers over the past 3 years



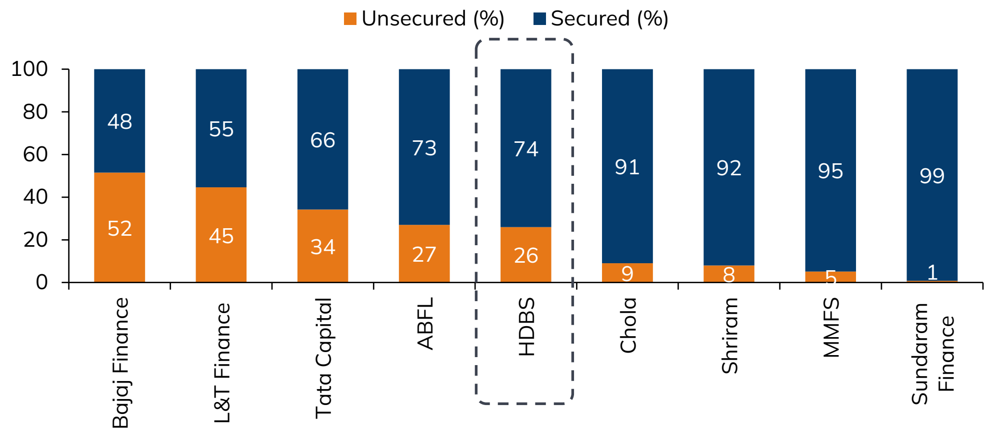
Source: Company data, I-Sec research

Note: Aditya Birla Finance AUM for NBFC (Lending business) only

Bajaj Finance AUM for standalone entity

Tata Capital AUM for FY25 is considered excluding Motor Finance for comparison purpose with previous periods

Exhibit 52: Perfect blend of secured and unsecured mix



Source: Company data, I-Sec research

Notes:

- Secured Mix as disclosed in Company RHP of HDBFS for all peers
- L&T Finance and Mahindra Finance secured mix as of FY25 while for rest of the entities it is for FY24
- HDB & ABFL secured mix as of Dec'25

Penetrating deeper into tier-4+ cities; focus on serving 90% of serviceable pin-codes

HDBFS has a clear business strategy – centred on maximising customer wallet share through a diversified suite of financial product – lending, payment and Investment. By aligning its offering with evolving market demand, HDBFS has established itself as one of the India's most diversified NBFCs. It also maintains a highly granular asset book, evidenced by an average ticket size of INR 0.165mn, which mitigates concentration risk. In addition to the well-diversified AUM mix, HDBFS maintains significant geographical de-risking with no single state accounting for >15% of the company's total AUM.

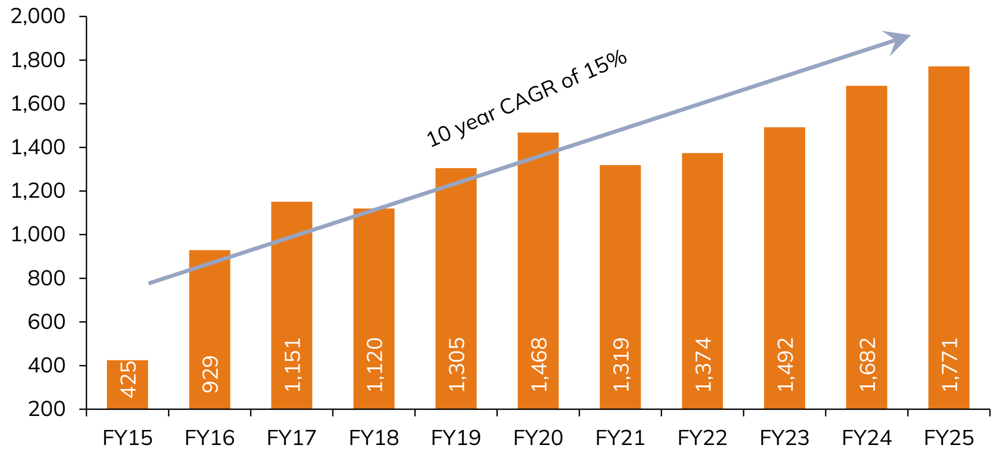
Omni channel ‘Phygital’ strategy: HDBFS has built well-entrenched omni-channel ‘phygital’ distribution; thereby, allowing it to leverage a robust physical infrastructure alongside digital touchpoints. These include –

- Physical presence: A pan-India branch network of 1744 branches spread across 31 states and UTs in more than 1,150 towns/cities.
- Alternative channels: A network of over 150,000 retailer and dealer touchpoints catering to 22mn customers.
- Internal capabilities: Dedicated in-house tele-calling teams and diverse sourcing channels.

Strategic rural penetration: HDBFS’ distribution is heavily weighted toward underserved markets, enhancing its competitive moat in rural and semi-urban India. The company’s rural reach is characterised by –

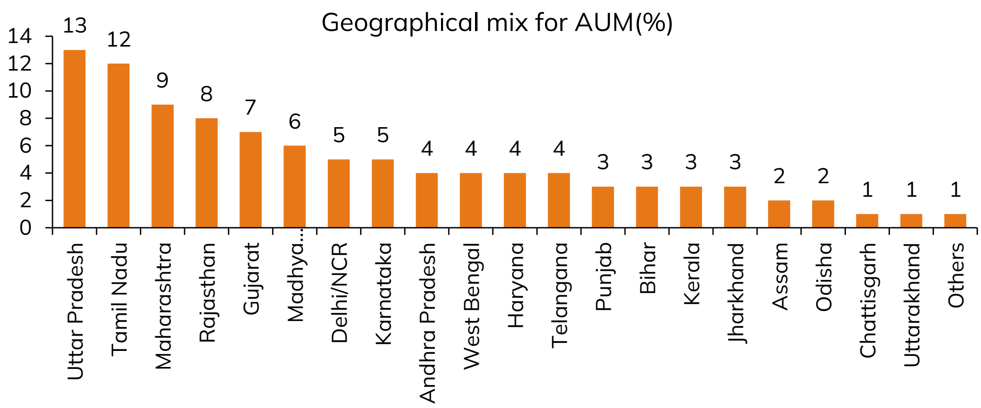
- Regional diversity: 80% of its branches are outside of the 20 largest cities in India. Further, no region accounts for >35% of branches ensuring resiliency and its strategic focus on building granular asset book.
- Deep rural reach: ~71% of its branch network is strategically located in tier-4+ towns, positioning HDBFS to capture growth in less competitive markets.

Exhibit 53: Number of branches grew at a 10-year CAGR of ~15%



Source: Company data, I-Sec research

Exhibit 54: No single state’s exposure is >15% of AUM



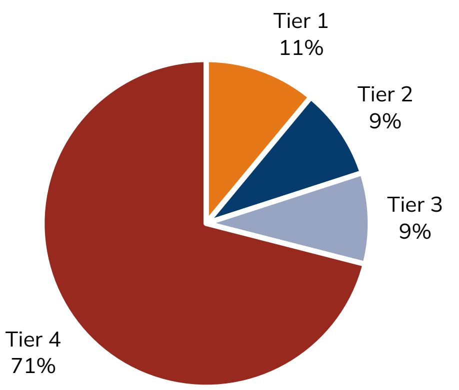
Source: Company data, I-Sec research

Note: Geographical exposure as of Dec’25

HDBFS leverages its physical footprint – one of India's most expansive – to dominate the retail lending landscape, particularly in underserved regions. As of Dec'25, HDBFS' total branch network stands at 1,744 vs. 1,757 for Chola vs 4,039 for Bajaj vs. 549 for L&T Finance and 470 for AB Capital. By establishing a significant physical presence in tier-4 and rural areas, where traditional banks are often absent, HDBFS gains a first-mover advantage, allowing it to sustain high growth despite stiff competition.

This extensive branch network is central to HDBFS' 'Phygital' model, blending localised human engagement with digital infrastructure to optimise credit delivery to the last time. These branches function as strategic hubs for a strong field force of 38,000 personnel, managing the full customer lifecycle – from lead generation to high-touch relationship management. This physical proximity to the end-user serves as a competitive moat, driving disbursement volumes and providing the essential last-mile connectivity required to scale retail assets sustainably across India's diverse socio-economic landscape

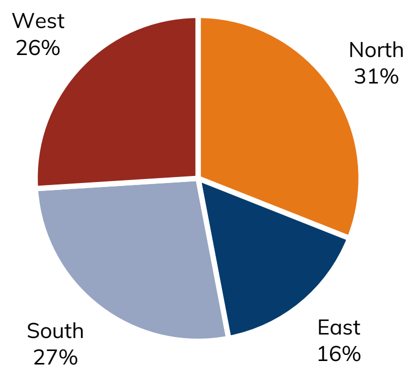
Exhibit 55: >71% branches in tier-4+ towns



Source: I-Sec research, Company data;

Note: Data as of Dec'25

Exhibit 56: Presence in each region of the country to better cater to customer needs



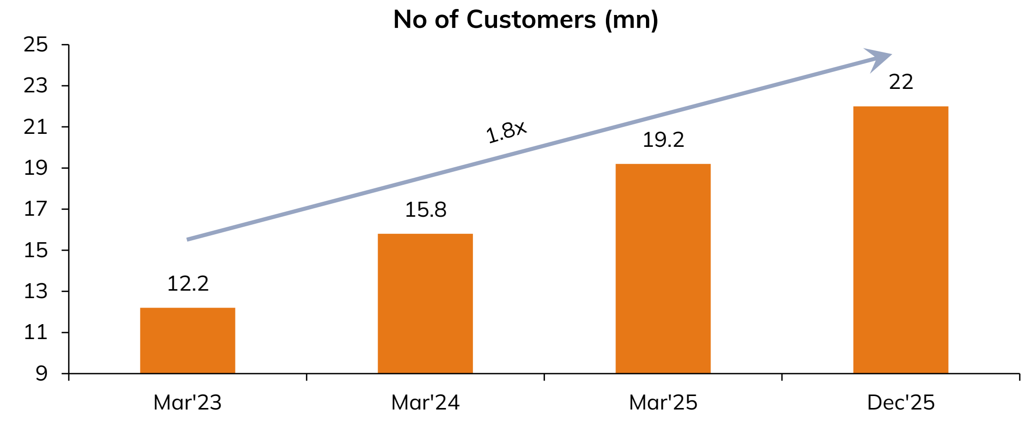
Source: I-Sec research, Company data;

Note: Data as of Dec'25

Customer acquisitions: HDBFS stands as one of the largest and most rapidly expanding customer franchises amongst NBFC peers. As of Mar'25, the company has served 19.2mn customers, reflecting a robust CAGR of 25% between FY23–25. The company primarily focuses on middle-class salaried and self-employed individuals, as well as small business owners and entrepreneurs. A cornerstone of the company's strategy is targeting the 'underbanked but bankable' population of India. This segment is characterised by favourable customer behaviour and profitable unit economics and HDBFS is committed in establishing a moat in this segment.

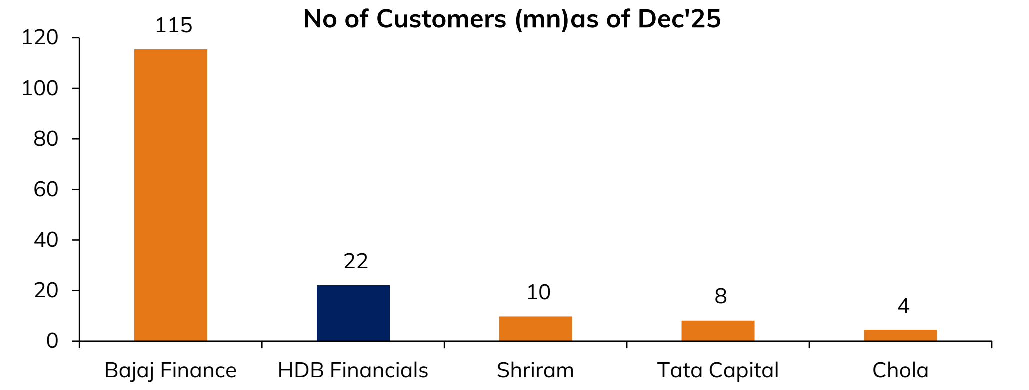
Departing from the traditional branch-led sourcing models typical of many NBFCs, HDBFS has developed a diversified product portfolio accessible through multiple touchpoints – branch, auto dealer, retailers, connectors, digital channels, point of sale etc. Despite this digital-first lean, HDBFS maintains a substantial physical footprint (total branch network stood at >1,740, as on Dec'25), to source and serve its diverse customer segments.

Exhibit 57: Number of customers almost doubled between Mar'23 and Dec'25



Source: Company data, I-Sec research

Exhibit 58: Number of customers for HDBFS vs. peers



Source: Company data, I-Sec research

Digital capabilities: With the lending landscape evolving and customer preferences shifting towards seamless, 'human-less' digital journeys, NBFCs have prioritised the development of digital capabilities to maintain a competitive edge and building strategic moats. HDBFS has remained at the forefront of this transformation by integrating robust digital solutions that complement its strong physical presence. Powered by fintech collaborations, a user-friendly mobile app and a comprehensive website, HDBFS effectively serves a broad spectrum of customer segments nationwide. This digital-first approach reinforces its position as an inclusive and accessible financial services provider, streamlining every stage of customer lifecycle – from sourcing, onboarding, underwriting as well as operations and collections.

As at Mar'25, over 95% of its customers were onboarded digitally with assistance from sales team or channel partners. FOS, OEMs, dealers and DSAs are equipped with digitally assisted sales tools designed to enhance decision making and deepen customer engagement. This helps it streamline operations, improve TAT and drive operating efficiencies.

HDBFS has built a unified loan platform called 'On The Go' – which provides customers with seamless access to the most of its financial products. The platform has garnered ~12.8mn downloads, maintaining digital-active-userbase of 0.357mn, as on Dec'25. The superior UI-UX and greater acceptance of the platform have led to a notable rise in resolutions of customer queries, from 224,123 queries in FY23 to 287,274 in FY25.

Exhibit 59: Unified loan platform – HDB On The Go

Source: I-Sec research, Company data

Exhibit 60: Customer journey in consumer segment

Source: I-Sec research, Company data

Exhibit 61: Digital sales, customer support and collections

Source: I-Sec research, Company data

Strong liability franchise – a necessary ingredient to establish as an 'all weather' financier in rural India

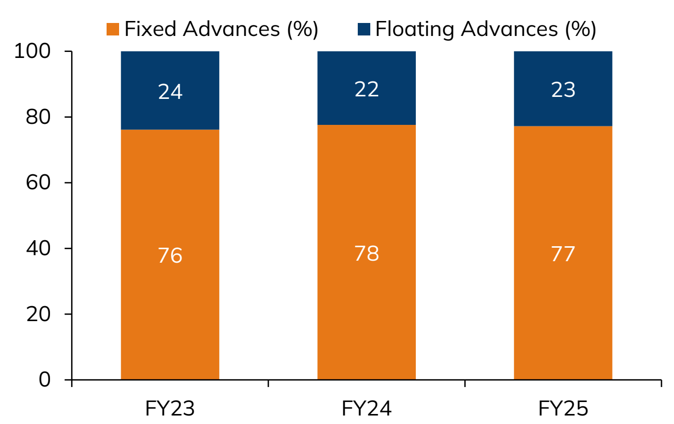
India's retail credit landscape, particularly in non-metro and tier-3+ segment, is currently dominated by NBFCs. To effectively challenge incumbents and establish a scalable, sustainable retail lending franchise, securing consistent access to low-cost capital across various economic cycles is paramount.

A primary competitive moat for HDBFS is its strong parentage. This strategic backing was instrumental in HDBFS securing an AAA credit rating as early as 2011. Highest credit rating and "HDFC" brand equity have served as a dual catalyst for: 1) **capital accretion** – it facilitates access to both debt and equity at highly competitive rates; and 2) **operational resilience** – it ensures liquidity remains available even during periods of macroeconomics volatility.

By maintaining consistent market presence and uninterrupted customer service even through economic downturns, HDBFS has solidified its reputation as a 'true all-weather' financier in India's retail lending market.

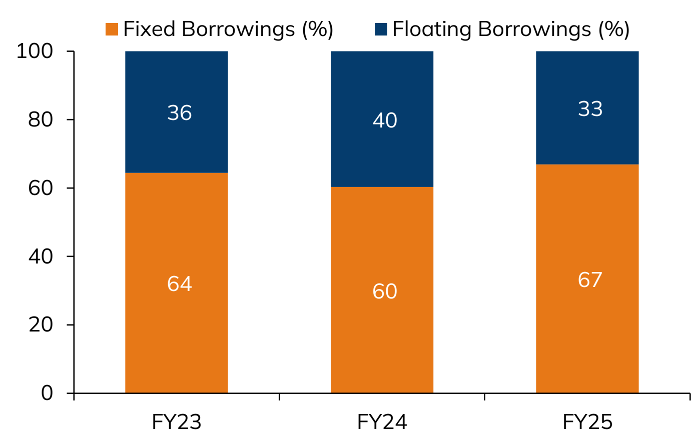
HDBFS has effectively leveraged its initial capital position to build a well-diversified liability franchise. Management has strategically built a liability franchise to serve as a natural hedge against its diverse asset base. By optimising the mix of floating and fixed rate liability, it maintains structural alignment with asset portfolio yielding 9–20% across a 1–10-year maturity spectrum. Management remains focused on maintaining an interest-neutral ALM profile, as evidenced in the 33% of liabilities broadly matching the 23% of assets currently held at floating rates, mitigating interest rate volatility.

Exhibit 62: Lending mix



Source: I-Sec research, Company data

Exhibit 63: Borrowing mix



Source: I-Sec research, Company data

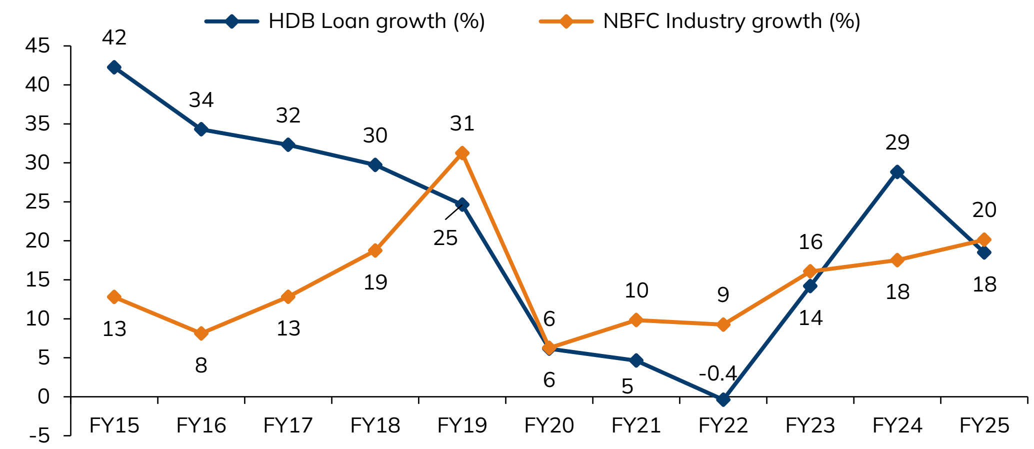
HDBFS maintains a strategic focus on diversifying its funding base to mitigate concentration risk and avoid over-reliance on any single financial instrument. Its diversified mix of sources includes public sector, private sector, foreign banks, mutual funds, insurance companies, pension funds and financial institutions.

It has established a robust track-record of accessing capital through a mix of debt-instruments such as term loans, non-convertible debentures (NCD), subordinated bonds, perpetual bonds and commercial papers instruments. This multi-channel sourcing strategy is designed to optimise CoF while ensuring a sustainable maturity profile and structural stability to its borrowing profile.

A primary competitive edge for HDBFS is its industry-leading CoF. As of Dec'25, the company maintains a superior CoF profile relative to its peers, at ~7.4% vs. ~7.6% for Chola vs. ~7.5% for Bajaj Finance vs ~7.5% for Tata Capital and ~8.7% for Shriram Finance. Among the 10 NBFCs (we have covered in Exhibit 66), only three currently maintain CoF below the 7.5% threshold. Its superior funding profile provides the company with significant pricing power. This low-cost advantage enables the following:

- **Competitive agility**: The ability to compete aggressively on rates without compromising on NIMs.
- **Market share expansion**: Positioned to consistently outpace broader industry growth.
- **Resilience**: Strong structural defence against interest rate volatility compared with peers with higher borrowing cost.

Exhibit 64: HDB growth has been in-line or above system growth for most of the years in the past decade

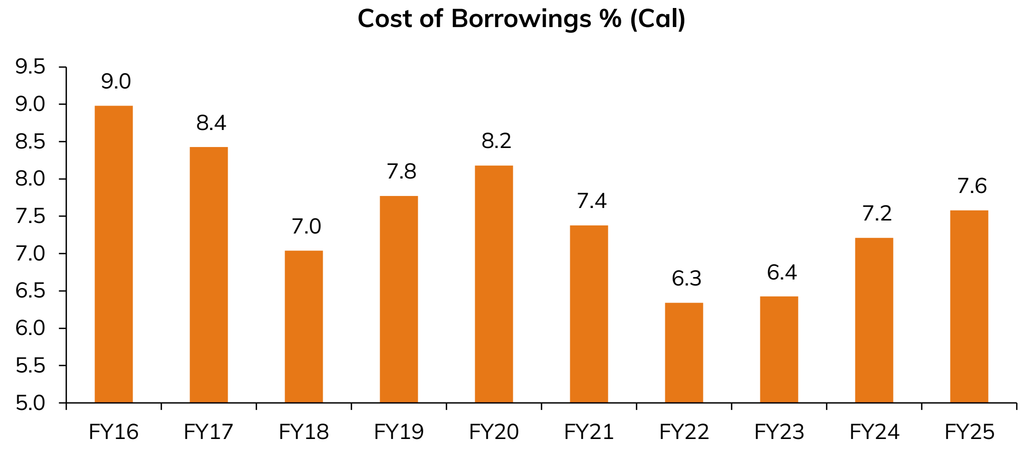


Source: Company data, RBI data I-Sec research

Note:

- HDBFS Loan growth on AUM
- NBFC Industry growth as per trend & progress loans & advances for NBFCs

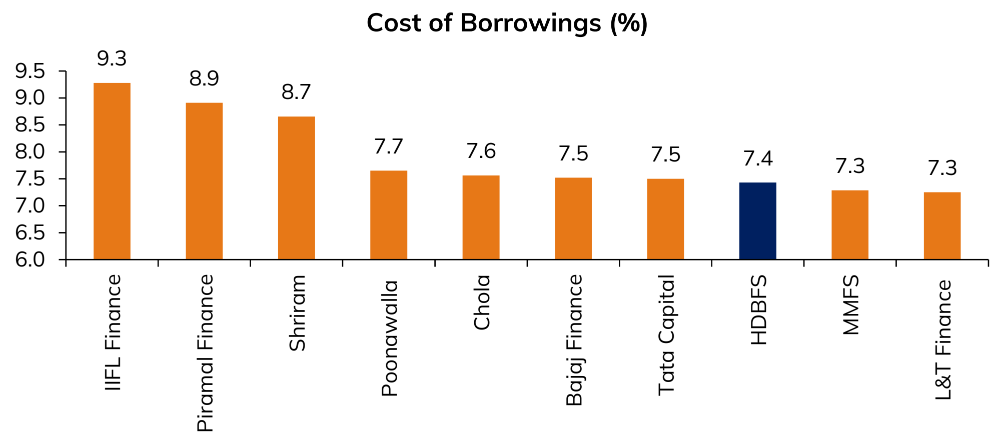
Exhibit 65: Cost of borrowings has inched up from trough…



Source: Company data, I-Sec research

Note: Cost of borrowings is calculated on avg borrowings

Exhibit 66: …but still HDB has one of lowest cost of borrowings among peers

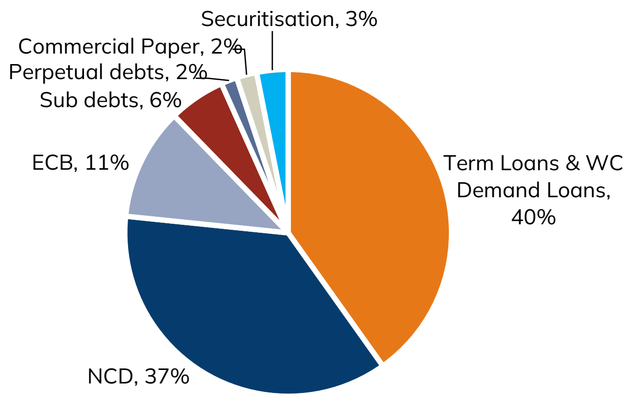


Source: Company data, I-Sec research

Notes:

- Cost of borrowings is latest reported for all entities except for Chola, Shriram, HDBFS & Mahindra Finance where it is calculated as Interest exp/Avg Borrowings
- Bajaj Finance Cost of borrowings is reported for Standalone entity while Tata Capital is reported for Consol entity

Exhibit 67: Well-diversified borrowing mix for HDBFS with >35% in NCDs



Source: Company data, I-Sec research

Note: Borrowing Mix as of Q3FY26

Exhibit 68: Highest-rated among NBFCs by all the rating agencies

Credit Ratings	Dec'25
CRISIL	AAA/Stable
CARE	AAA/Stable

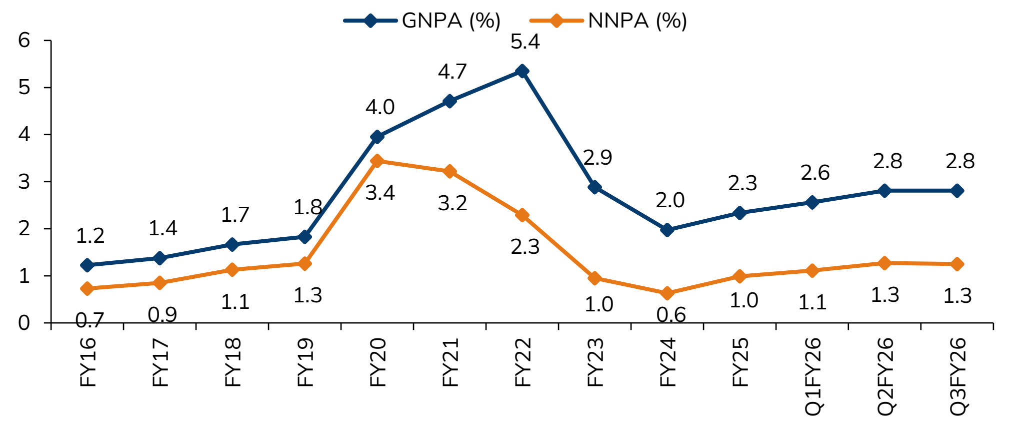
Source: Company data, I-Sec research

Crisis tested, cycle proven – decade of resilience: Maintaining pristine asset quality through every credit cycle

Since its inception, HDBFS has strictly adhered to its parent's foundational philosophy of 'Credit First'. As one of the few NBFCs boasting an operational track record of over 15 years, the company leverages its extensive experience to maintain an optimal balance between aggressive growth and asset quality. The company's business resilience is evidenced by its stable credit cost (average 2%), throughout FY15–25.

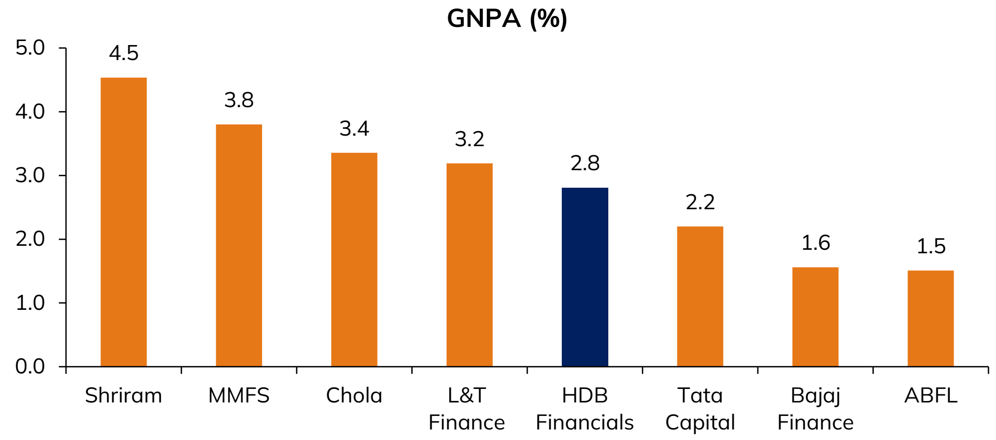
Despite systemic challenges – including demonetisation, the IL&FS liquidity crisis, Covid-19 pandemic and recent headwinds in the unsecured lending segment – HDBFS has maintained a robust portfolio quality. Notably, despite a significant presence in the unsecured segment (~26% of loans as on Dec'25), credit cost remained well-contained below 3% through 9MFY26. GNPA ratio has consistently remained below 3% threshold, except during Covid-19's peak, where it reached 5%.

Exhibit 69: GNPA as well as NNPA have inched up due to headwinds in CV and unsecured BL



Source: Company data, I-Sec research

Exhibit 70: HDBFS' GNPA in mid-range vs. peers and <3%

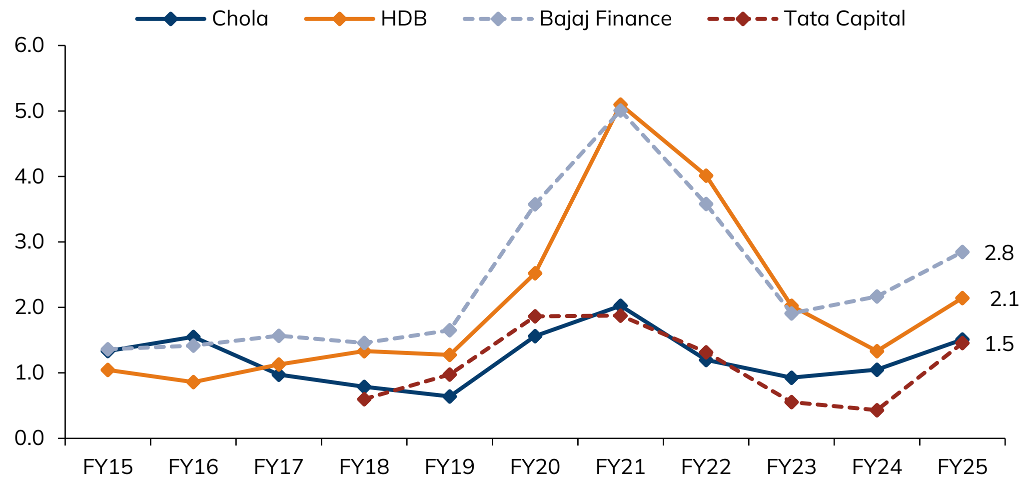


Source: Company data, I-Sec research

Note:

- GNPA as of Dec 25
- Tata Capital GNPA is for Consol entity;
- Bajaj Finance GNPA is for standalone entity
- ABFL GNPA is for Lending (NBFC) business

Exhibit 71: Credit cost trend for HDB is largely similar to peers



Source: I-Sec research, Company data

Note:

- Credit cost calculated on average AUM;
- Reported Credit cost for Tata Capital for FY18 and FY19
- Bajaj Finance credit cost for standalone entity

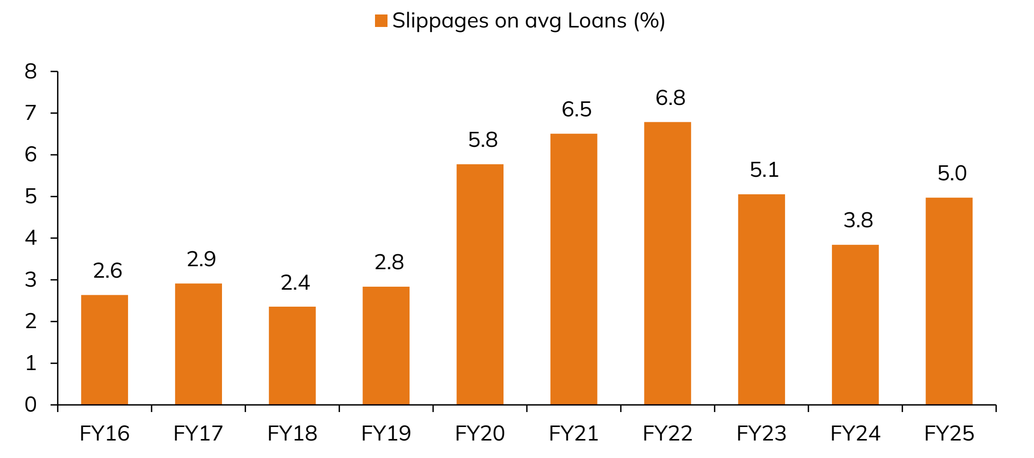
Dedicated sales and credit/underwriting verticals – enables independence

To build a sustainable and scalable lending franchise, establishing strong credit underwriting, risk-management and collection mechanism is paramount. HDBFS has institutionalised this by developing an in-house, dedicated underwriting team of over 4,500 members as on Mar'25. Crucially, this team operates independently of the sales division, ensuring a strict segregation of duties with no overlap in targets, responsibilities and outcomes. This is designed to maintain credit discipline and mitigate the inherent conflicts of interest between volume-driven sales and risk-focused underwriting.

HDBFS effectively caters to India's fragmented borrower market by employing a hybrid credit underwriting model tailored to diverse ticket sizes and tenures. The company's dual underwriting approach is – 1) centralised credit underwriting for consumer finance products (where ticket size is small and tenure is short); and 2) decentralised regional and branch-level credit underwriting – to benefit from nuanced local context and 'touch and feel' credit assessment.

For enterprise lending and asset finance products – characterised by higher ticket size and longer tenure – while maintaining physical oversight, HDBFS is rapidly digitising its operations. As of Mar'25, over 95% of its loans were digitally underwritten, reflecting an end-to-end digital onboarding process aimed at minimising human error and enhancing scalability.

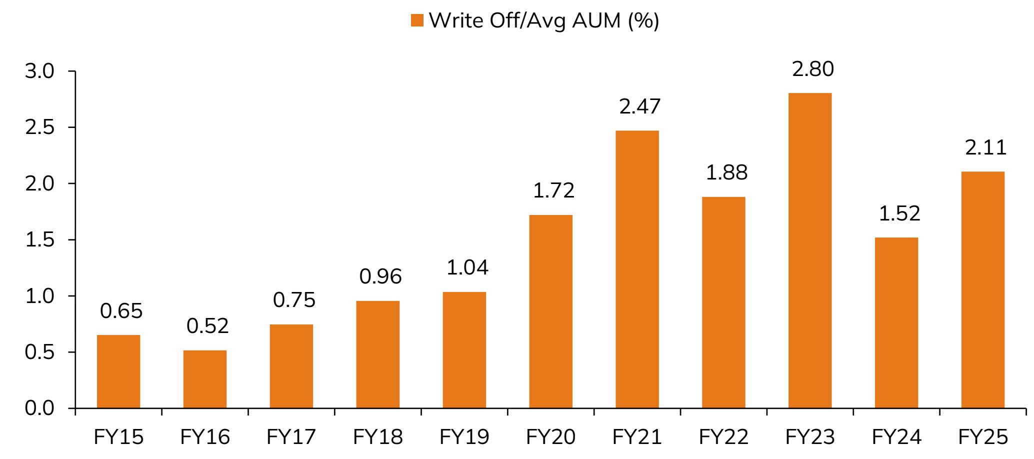
Exhibit 72: Slippages have inched up due to elevated stress in CV



Source: Company data, I-Sec research

Note: Slippages calculated based on additions to GNPA as disclosed in annual report

Exhibit 73: Write-offs have been ~40% of slippages since the past 2 years



Source: Company data, I-Sec research

Predictive collection model

To maintain superior asset quality within its high-yielding portfolio – characterised by 26% unsecured loan mix and significant concentration of informal borrowers – HDBFS has built a rigorous, cycle-tested monitoring framework. Its risk-management is anchored by a predictive asset quality dashboard that evaluates: 1) early-bucket delinquencies – measured on bounce rates at 30, 60 and 90 DPD; and 2) portfolio performance – basis bureau, state and regional composition.

This is augmented by a tech-enabled collection infrastructure, featuring a proprietary mobile application that optimises field-staff productivity via automated case allocation, and instant SMS-based verification enables operational transparency and builds long-term franchise sustainability. Over 95% of collections are through digital and banking channels.

To mitigate risks associated with its unsecured loan book (~26%) and informal segment borrowers, HDBFS utilises a multi-tiered collection infrastructure focused on both field presence and legal rigor, which also helps maintain a robust collection infrastructure. The company's collection strategy is anchored by a massive field force of over 12,500+ personnel for field-collection collections and monitoring. The collection team further supplemented by a specialised in-house legal team of 170 experts who manage recovery and enforcement for high-risk accounts exceeding 90 DPD. The collection vertical is further supported by a digital-first approach using 3,700+ tele-callers to manage early bucket delinquencies and payment bounces.

The collection team is segregated into three zone – central, regional and branch levels – to ensure robustness of collections with low delinquencies. While the company prioritises an in-house model to maintain quality control and better supervision, it selectively employs vetted external agencies for consumer finance segment. Operationally, HDBFS leverages the National Automated Clearing House (NACH) for the bulk of its repayments, ensuring that manual intervention by the tele-calling and field team is reserved primarily for exceptions and hard-buckets.

Exhibit 74: Tailor-made underwriting/collection practices; varies as per segment characteristics

	Credit	Collection
Enterprise Lending	• Mix of scorecard driven and local credit assessment • Branch credit team reports to Area Credit Manager for all credit related issues	• Local in-house tele-calling with multiple scorecards to monitor collections across buckets
	Localized	Localized; Scorecard driven
Asset Finance	• Hub & Spoke (location specific) • Mix of scorecard driven and local credit assessment	• Digitized vehicle repossession, validation, collateral disposal and auction process • Local in-house tele-calling with multiple scorecards to monitor collections across buckets
	Hub & Spoke; Localized; Scorecard driven	Localized; Scorecard driven
Consumer Finance	• Scorecard driven underwriting	• Leverage external agencies for small ticket collections • Local in-house tele-calling with multiple scorecards to monitor collections across buckets
	Scorecard driven	Localized; Scorecard driven

Source: Company data, I-Sec research

Exhibit 75: ~63% workforce into sales and ~21% in collections

Business division	Employees
Sales	38,326
Collections	12,621
Credit	4,780
Operations	3,370
Technology and Analytics	140
Marketing & Products	88
Risk	25
KMP & SMP	13
Support	779
Others	290
Total	**60,432**

Source: I-Sec research, Company data

Note: Data as of Mar'25 for lending business

Leveraging in-depth insight on customer behaviour; building asset-light fee income stream

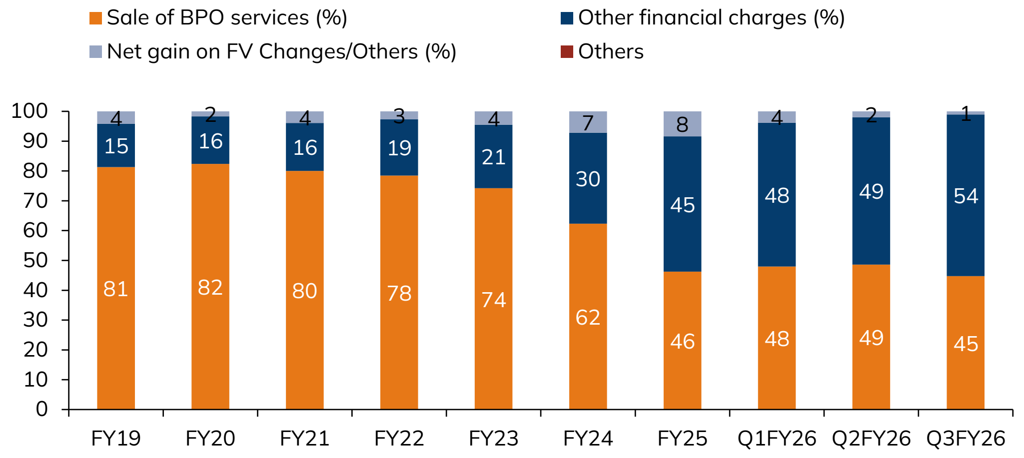
HDBFS has garnered deep insights on customer behaviour and regional nuances from its multi-year operating history – which has enabled it to experience multiple credit cycles – and an in-house collection model. These have helped the company in developing robust analytics and collection strategies across product life-cycles. In order to maximise its collection vertical's productivity and with the sizable credit portfolio of its parent, HDBFS also provides loan collection services to its parent.

HDBFS has strategically created a separate BPO division for better control and scale. Income from BPO services comprises sales support services, back office, operations, processing support, running collection call centres and collecting overdue amounts from borrowers. The same has helped HDBFS in creating a sustainable asset-light fee income stream, contributing to robust profitability.

Income from BPO services saw a 65% CAGR between FY16–23, and at its peak the contribution to total fee income was 80%. However, post FY23, HDBFS focused on de-risking its non-interest income streams; this resulted in income from BPO's share falling to 49% by FY25. Revenue from BPO services fell to INR 12bn in FY25, from INR 26bn in FY23. Management attributes slowdown to reduction in headcount.

BPO is purely a cost-plus model for HDBFS, wherein of the total revenue, ~90% is towards employee cost, ~5% is towards other operating expenses and the balance 5% is HDBFS' profitability.

Exhibit 76: Non-interest income mix over the last few years has inched up in favour of non-BPO income



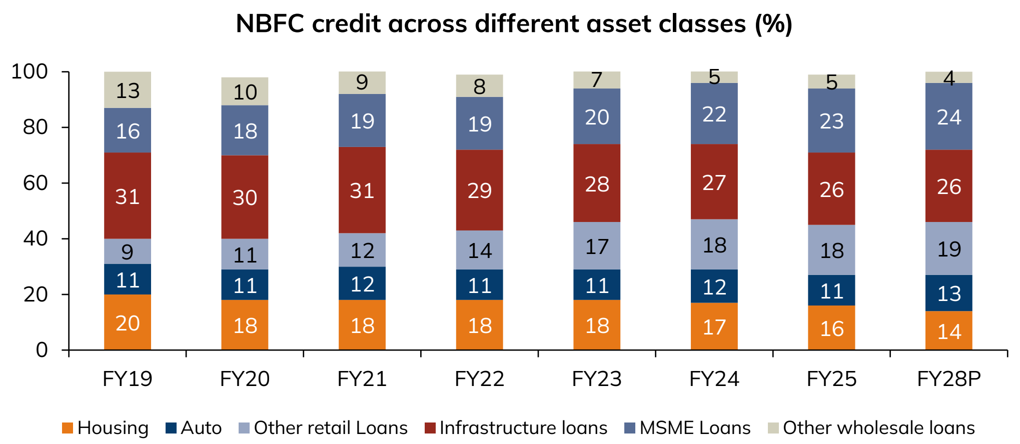
Source: Company data, I-Sec research

Exhibit 77: Projected growth for various asset classes for NBFCs

Asset Class (INR trn)	HDBFS' FY25E portfolio outstanding	Share of NBFCs/HFCs/ NBFC-MFIs	HDBFS' overall portfolio CAGR (FY20–25E)	NBFCs' portfolio CAGR (FY20–25E)	Growth (FY25–26E) for HDBFS' overall portfolio	Growth (FY25–26E) for NBFCs
MSME	42.3	27%	18.2%	19.6%	18-20%	27-29%
Housing	38.1	20%	13.1%	11.3%	13-14%	15-16%
Auto	12.0	46%	14.0%	14.0%	15-16%	16-17%
Personal	14.6	24%	21.0%	30.0%	16-18%	22-24%
Gold	12.4	11%	37.0%	54.0%	19-21%	17-18%
MFI	3.8	51%	10.0%	16.0%	8-10%	8-10%
Consumer Durables	0.8	68%	17.0%	21.0%	18-20%	20-22%

Source: RBI, NHB, MFIN, CRIF and CRISIL Intelligence estimates

Exhibit 78: Share of retail and MSME loans increasing; upward trajectory expected



Source: Company reports, CRISIL Intelligence

Note: Other retail loans include gold loans, microfinance loans, personal loans, consumer durable loans, education loans, other wholesale loans include wholesale loan and construction equipment loan

Building cross-sell franchise

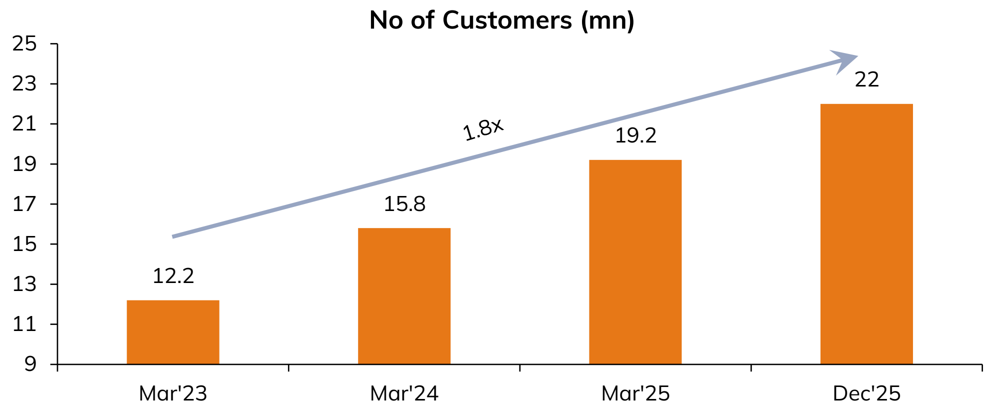
Total customer franchise stands at 22mn, as on Dec'25, and HDBFS has built data-analytics-driven cross-sell capabilities – to improve customer wallet share by maximising the lifetime value of customers with minimal customer retention cost. It has developed an automated pre-approved loans offering for existing customers, based on its deep understanding of customer behaviour across the borrowing lifecycle combined with data analytics repository.

It has provided pre-approved unsecured personal loans to its existing high-quality customers to improve customer wallet share. Such pre-approved offers are end-to-end digitally-enabled on its platform called do-it-yourself (DIY) journey. These capabilities have been a key driver of continued growth in its cross-sell and up-sell rates to its existing customer base.

To leverage its existing customer franchise and drive cross-selling, HDBFS has developed a product called 'Relationship Personal Loans'.

The overall outstanding personal loan portfolio for the industry stands at INR 14.6trn and HDBFS commands ~0.8% market share (I-sec estimates) for salaried PL and relationship PL combined as on Mar'25, with AUM at INR 91bn contributing ~8% of total AUM.

Exhibit 79: Customer base rising at a rapid pace



Source: Company data, I-Sec research

About HDBFS

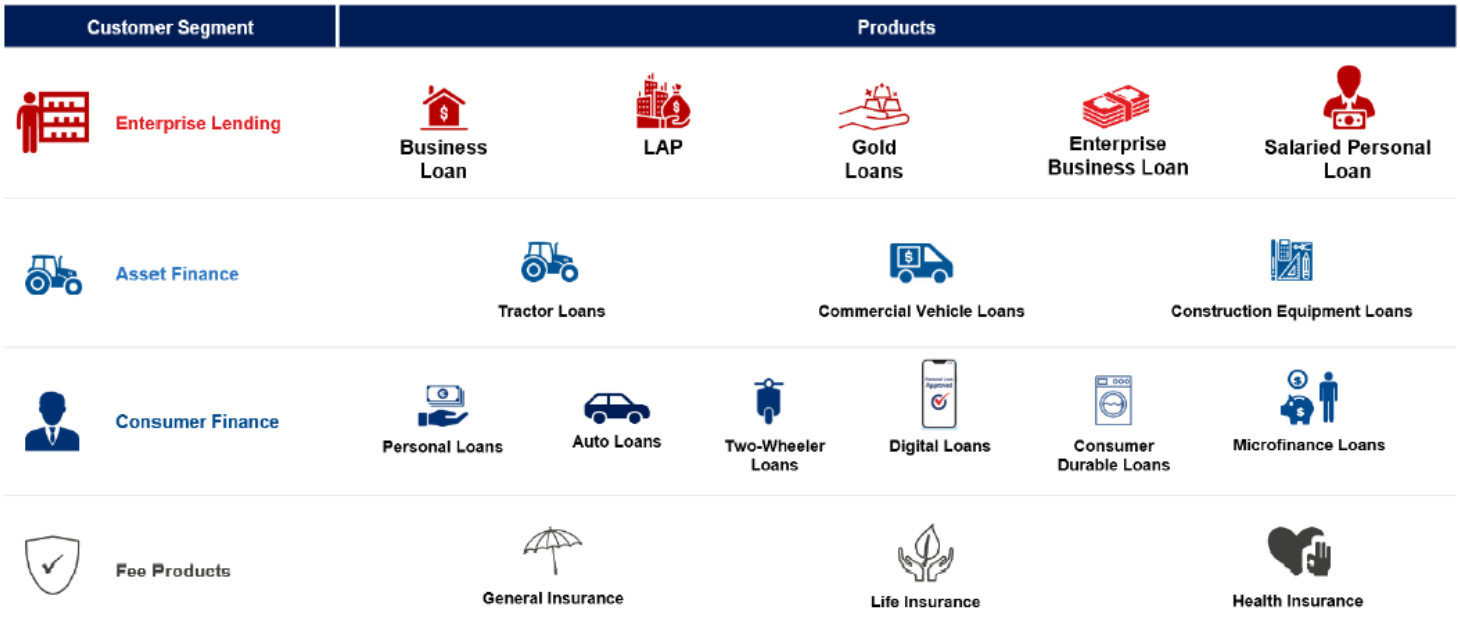
HDBFS is a subsidiary of HDFC Bank, with the latter having a shareholding of ~74.15% as on Dec'25. HDBFS is categorised as an Upper Layer NBFC by RBI. The company was incorporated in Jun'07 and commenced its lending operations in Mar'08. It offers products such as LAP, vehicle loans, consumer durables, gold loans and other lifestyle loans primarily catering to underserved and underbanked customers.

HDBFS has a strong network of 1,744 branches spread across 31 states and 1,165 towns/cities with ~80% of its branches located outside India's 20 largest cities and >70% are located in tier-4+ towns with even distribution in all regions (North: 31%; East: 16%; South: 27%; and West: 26%).

HDBFS has a lending AUM of INR 1,146bn, as of Dec'25, expanding at a 17% CAGR between FY16–25. HDBFS divides its business lines into three main segments categorised as enterprise lending, asset finance and consumer finance, which are further divided into sub products as shown in Exhibit 80.

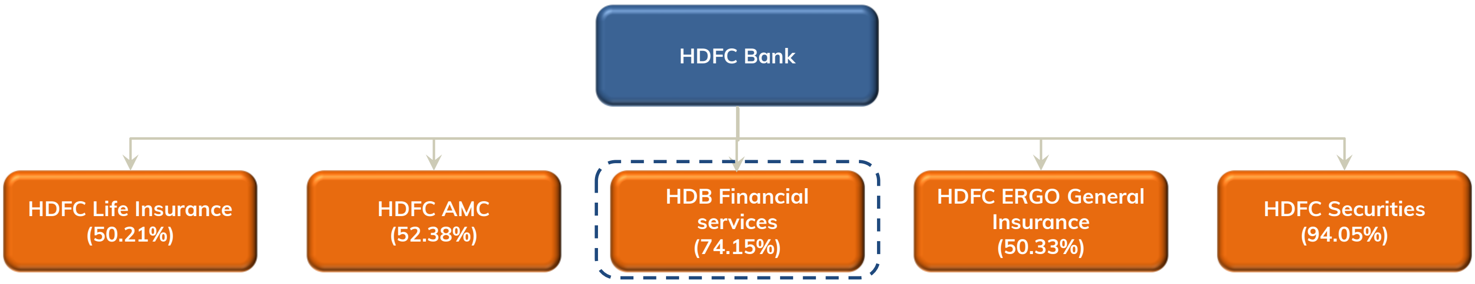
Loan mix for HDBFS is diversified with enterprise lending/asset finance/consumer finance contributing about 38%/38%/24%, as of Dec'25. HDBFS also generate fee income by cross-selling insurance products (general, life and health) and offering BPO services; thus, improving overall profitability.

Exhibit 80: HDBFS – customer segments and products offered



Source: Company DRHP, I-Sec research

Exhibit 81: HDFC Bank – group structure

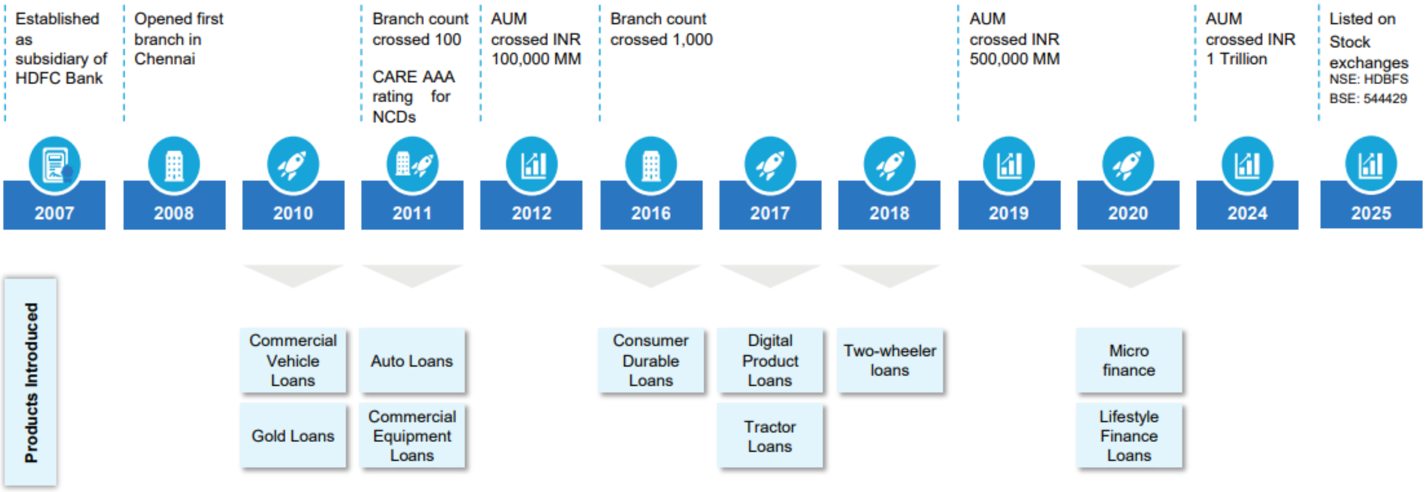


Source: Company data, I-Sec research

Note: Shareholding as of Dec'25

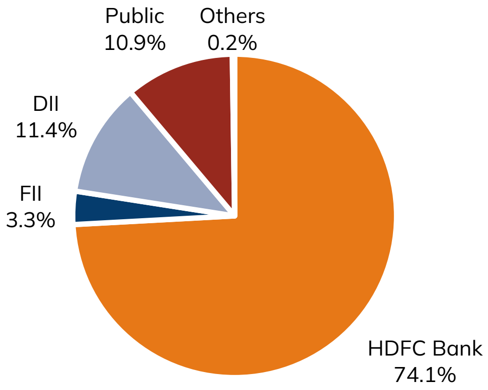
HDBFS added 10+ products post 2010. It now offers ~17 products (if we include new and used as separate products). In the last 10 years, HDBFS introduced consumer durable products and increased its exposure in consumer lending, with the share increasing from ~13% in FY22 to ~24%, as of Dec'25, in AUM mix.

Exhibit 82: Major milestones and product evolution for HDBFS



Source: Company data, I-Sec research

Exhibit 83: One of the highest promoters' holdings among NBFCs, with ~74% share owned by its parent, HDFC Bank



Source: Company data, I-Sec research

Note: Shareholding as of Dec'25

Exhibit 84: HDFC Bank' investments and shareholding in its subsidiaries

Entity	Investment Amount (₹ bn)	Total shares outstanding by entity (mn)	% Stake held by HDFC Bank	PAT of the company (FTQ) (₹ bn)	Book value per share (₹)	EPS (FTQ) (₹)
HDB Financial Services	29	830.0	74.15%	6.4	239.0	7.8
HDFC Life Insurance	56	2,157.6	50.21%	4.2	81.4	1.9
HDFC AMC	2	428.3	52.38%	7.7	200.2	18.0
HDFC ERGO General Insurance	28	725.8	50.33%	2.6	76.0	3.6
HDFC Securities Ltd	13	17.9	94.05%	2.2	1,999.0	122.9
All others	4			0.08		
Total	**132**					

Source: Company data, I-Sec research

Notes:

- Shareholding as of Dec'25
- PAT (profit after tax), Book value per share and EPS of the entities are in accordance with GAAP as applicable to the respective entities

Exhibit 85: HDBFS – senior management team

Source: Company data, I-Sec research

Note: Srinivasan Karthik has resigned on 2nd Mar'26 and his resignation will be effective from 31st Mar'26

Exhibit 86: Key management personnel

Name	Designation	Profile
Ramesh Ganesan	Managing Director and Chief Executive Officer	Ramesh Ganesan is the first employee associated with the Company since September 3, 2007 as Manager under the Companies Act 1956 and designated as Chief Operating Officer and currently the Managing Director and Chief Executive Officer of the Company. He holds a bachelor's degree in mechanical engineering from Annamalai University, Annamalainagar and completed his post-graduate diploma in management from Indian Institute of Management, Lucknow. He has also completed a course in international banking from the Bank of New York. He has over 32 years of experience in business development, banking, consumer finance and operations. He has in the past been associated with companies such as Countrywide Consumer Financial Services Limited and HDFC Bank Limited. He was also associated with Enam Asset Management Company Private Limited, Godrej & Boyce and Intelenet Global Services Private Limited. He was appointed as Chief Executive Officer of the Company on April 1, 2010 and then elevated to the role of Managing Director and Chief Executive Officer of the Company with effect from July 1, 2012, and further he was reappointed as Managing Director and Chief Executive Officer with effect from July 1, 2017 and July 1, 2022.
Jaykumar Shah	Chief Financial Officer	Jaykumar Pravinchandra Shah is the Chief Financial Officer of the Company. He has been associated with the Company since June 14, 2021. He holds a bachelor's degree in commerce from the University of Mumbai and is an associate of the institute of the Institute of Chartered Accountants of India. He has over 26 years of experience in the field of finance, investment management, accounting, taxation and auditing. Before his association with the Company, he has previously served with L&T Financial Services Limited, Royal Bank of Scotland, Sharp and Tannan, PricewaterhouseCoopers LLP across London, India and Singapore and N M Raiji and Co.
Dipti Khandelwal	Company Secretary and Legal Head	Dipti Jayesh Khandelwal is the Company Secretary and Head Legal of the Company. She has been associated with the Company since January 11, 2017 and has been the Company Secretary of the Company with effect from January 18, 2017. She holds a bachelor's degree in commerce and law degree from University of Mumbai and is a fellow member of the Institute of Company Secretaries of India. She has over 17 years of experience in the field of corporate secretarial, compliance, corporate governance, legal, securities law, advisory and mergers and acquisitions. She has previously served as the company secretary and compliance officer of Volkswagen Finance Private Limited and has also been associated with Aegis Limited and Pramod Shah & Associates
Srinivasan Karthik	Chief Business Officer	Srinivasan Karthik is the Chief Business Officer of the Company. He has been associated with the Company since November 30, 2015. He holds a bachelor's degree in technology in electrical engineering from Indian Institute of Technology, Delhi and a post graduate diploma in management from Indian Institute of Management, Bangalore. He has over 22 years of experience in the field of operations, business development as well as corporate strategy. Before his association with the Company, he has previously served with Mphasis Limited and Serco Global Services. He has also served as an executive director with Zeus System Private Limited. Srinivasan Karthik has resigned on 2nd Mar'26 and his resignation will be effective from 31st Mar'26.

Name	Designation	Profile
Sarabjeet Singh	Chief Business Officer-Enterprise Lending	Sarabjeet Singh is the Chief Business Officer of the Company managing Enterprise Lending Business. He has been associated with the Company since February 22, 2008. He holds a Bachelor's Degree in Science from University of Allahabad and a Post Graduate Diploma in Business Management from Institute of Management Technology, Ghaziabad. He has over 29 years of experience in retail lending and insurance distribution. Before his association with the Company, he has been associated with GE Money Financial Services Limited and Gujarat Lease Financing Limited.
Rohit Patwardhan	Chief Credit Officer	Rohit Sudhir Patwardhan is the Chief Credit Officer of the Company. He has been associated with the Company since December 10, 2007. He holds a Bachelor's Degree in Computer Science from Fergusson College, University of Pune and Post Graduate Diploma in Management from Symbiosis Institute of Management Studies, Pune. He has over 20 years of experience in the area of risk management, collections and collections strategy. Before his association with the Company, he has previously worked with Citi Bank Limited, GE Countrywide Financial Services Limited and Standard Chartered Bank in India.
Manish Tiwari	Head- CE and Micro Lending	Manish Tiwari is the Head- CE and Micro Lending of the Company. He has been associated with the Company since September 2, 2011. He holds a Diploma in Mechanical Engineering from Government Polytechnic, Seoni. He has experience in the field of business operations in finance, capital engineering goods and strategy planning. He has over 26 years of experience in financial service sector. He has previously served in infrastructure financing division with Kotak Mahindra Bank and has worked with Mait Middle East and Larsen & Toubro Limited.
Marupudi Swamy	Chief Digital and Marketing Officer	Marupudi Venkata Swamy is the Chief Digital and Marketing Officer of the Company. He has been associated with the Company since August 1, 2008. He holds a Bachelor's Degree in Engineering in Computer Science from Bharathivasan University, Tiruchirapalli and a post graduate diploma in management from Indian Institute of Management, Calcutta. He has over 20 years of experience in the field of digital marketing, product management, marketing strategy and data protection. He has previously been associated with ICICI Bank Limited as the assistant general manager.
Ashish Ghatnekar	Chief People and Operations	Ashish Vishwanath Ghatnekar is the Chief – People & Operations of the Company. He has been associated with the Company since December 01, 2008. He holds a Bachelor's Degree in Engineering in Electronics and Telecommunication from the University of Poona, and a Honours Diploma in Systems Management from National Institute of Information Technology, Pune. He has over 31 years of experience in the field of human resources and operation management. He has previously been associated with HDFC Bank, Datamatics Staffing Services and Fortis Financial Services.
Mathew Panat	Chief Technology Officer	Mathew Panat is the Chief Technology Officer of the Company. He has been associated with the Company since February 1, 2021. He holds a Bachelor's Degree in Electronic Engineering from University of Mumbai and has undertaken the one-year Executive Program in Business Management from Indian Institute of Management, Calcutta. He has over 30 years of experience in the field of application development, support and delivery, enterprise architecture, cyber security, and IT risk. Before his association with the Company, he has previously been associated with Tata Capital Financial Services Limited. He has also been associated with CapGemini (erstwhile Patni) Computer Systems Limited, IDFC First Bank Limited, and Oracle India Private Limited.
Harish Venugopal	Chief Risk Officer	Harish Kumar Venugopal is the Chief Risk Officer of the Company. He has been associated with the Company since February 1, 2011. He holds a Bachelors' Degree in Arts from Delhi University and a Post Graduate Diploma in Business Management from Institute of Management Technology, Ghaziabad. He has over 31 years of experience in risk management and mitigation, industry knowledge and decision making. He has previously been associated with Citibank, CitiCorp Finance India Limited, Foremost Factors Limited, RPG Itochu Finance Limited, SRF Finance Limited and Consortium Finance and Leasing Limited.
Premal Brahmbhatt	Head- Internal Audit	Premal Vasant Brahmbhatt is the Head-Internal Audit of the Company. He has been associated with the Company since January 18, 2016. He holds a Bachelor's Degree in Science from Maharaja Sayajirao University of Baroda and a Master's Degree in Business Administration from North Maharashtra University, Jalgaon. He is a Certified Internal Auditor from Institute of Internal Auditors (IIA), New York and a certified fraud examiner from Association of Certified Fraud Examiners, Texas. He has over 19 years of experience in the field of auditing, compliance, risk and control, training and coaching. He has previously been associated with AEON Credit Service India Private Limited, Swadhaar Finserve Private Limited, TATA AIA Life Insurance Company Limited, ABN AMRO Asia Equities India Limited and Haribhakti & Co Chartered Accountants.
Arjun Dutta	Chief Compliance Officer	Arjun Bikas Dutta is the Chief Compliance Officer of the Company. He has been associated with the Company since July 12, 2022. He holds a Master's Degree in Commerce from Kanpur University and holds a Masters of Business Administration from Sikkim Manipal University. He is a certified associate of the Indian Institute of Bankers (IIB) and is a Certified Banking Compliance Professional from Institute of Banking and Finance and has completed an executive certificate program in 'Financial Accounting and Auditing' from XLRI Jamshedpur. He has over 37 years of experience in the field of regulatory compliance, banking and finance. He has previously served with RBI
Vishal Patel	Head- Investor Relations	Vishal Navinchandra Patel is the Head – Investor Relations of the Company. He has been associated with the Company since January 2, 2015. He holds a Bachelor's Degree in Commerce from University of Mumbai and is an Associate Member of the Institute of Chartered Accountants of India. He has over 15 years of experience in the field of corporate finance, business and strategic planning and investor relations. Before his association with the Company, he has previously served with Mahindra & Mahindra Limited, Standard Chartered Bank and Reliance Industries Limited

Source: Company data, I-Sec research

Key risks

- **Delayed AUM growth recovery:** Management expects growth to exceed nominal GDP by 6–7% in near-term. While positive trends in CV volumes suggest that HDBFS is well-positioned to benefit from a CV upcycle, the company faces risks from market share loss and overall sluggishness in the CV segment. Furthermore, recent geopolitical developments could hinder nominal GDP growth, potentially disrupting HDBFS' AUM trajectory through FY26–28E.

- **Competitive pressure on yields**: HDBFS operates in highly competitive segments like LAP, CV and gold. Most of these segments are currently witnessing intense competition from banks. Competitive pressure on asset yields on some of its asset segments could result in lower disbursement yields and shrink overall spreads, if HDBFS fails to mitigate competitive intensity effectively.

- **AI disruption and over-leveraging at bottom-of-the pyramid:** AI disruption may lead to higher unemployment (especially in IT sector) and part of its consumer finance business is directly exposed to the salaried segment. While the over-leveraging situation at the bottom-of-the-pyramid is improving (evident in improved CE for MFI players), any disruption in collection efficiency (recent Bihal MFI bill may pose a risk to collections) could result in higher-than-expected credit cost for HDBFS in the near-term.

Financial outlook

Cost rationalization largely led by rescaling existing branches to drive operating efficiencies

HDBFS has made sizeable investments in building its physical infra, including a wide branch network and employee base, over the past few years. HDBFS' branch network has expanded rapidly from 1,371 in FY22 to 1,771 in FY25; thereby, growing at a 9% CAGR and has a pan-India network of 1,744 branches spread across 1,165 towns and cities. With a pan-India footprint and no single zone accounting for >31% of gross loans, HDBFS is well diversified geographically. It is strategically positioned beyond metros and targets India's vast underbanked population in tier-2/3, and rural markets.

Moreover, it has built fully digital and customised customer journeys across its product suite, especially within consumer finance and enterprise lending. This digital push has significantly accelerated customer acquisition, expanding HDBFS' customer base from 12.2m as of FY23 to 22mn as of Dec'25. As a result, HDBFS currently operates with relatively lower productivity and efficiency metrics compared to peers, largely due to the significant scale-up in its branch network and employee base over the past few years; which has, thereby, resulted in a touch and feel model.

These investments have contributed to elevated operating expense to average assets, which averaged at ~3.8% over the past 3 years ending-FY25. Hence, going ahead, in order to enhance operational efficiency, HDBFS has adopted a disciplined and targeted approach to re-scale existing branches and cross-sell products rather than adding new branches.

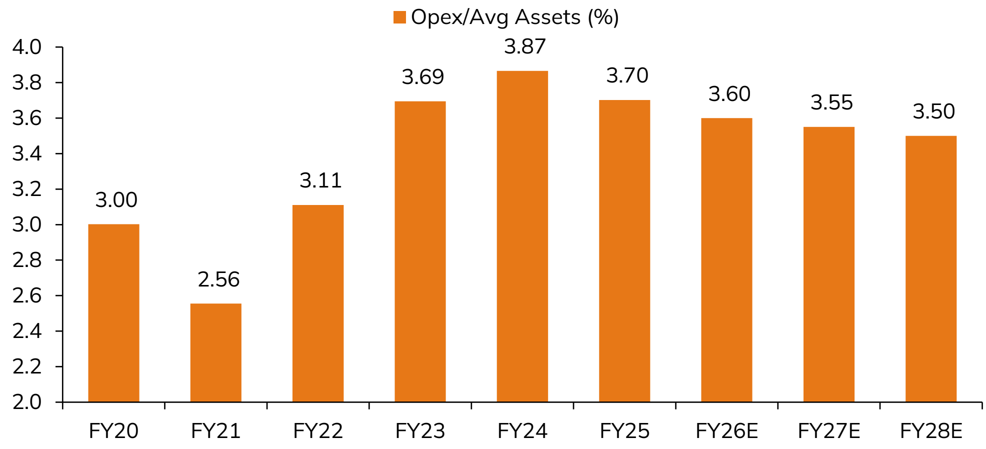
It has adopted a prudent strategy of re-scaling branches, rather than adding new branches. Hence, this will likely eliminate some of the common cost like IT infra cost, and admin cost, which would otherwise have been incurred in case of an entire new branch set-up. Moreover, re-scaling will enable HDBFS to enhance its product offerings to customers. In addition, it is looking to enhance pin code coverage in cost effective way via digital reach, collaboration with partners, etc.

With its physical distribution footprint now largely in place and business volumes expected to grow, operating leverage should improve meaningfully. This would be driven by process automation, productivity gains, and better operating spread across an expanding branch network. These efficiency gains will likely provide a structural boost to profitability.

Over the next two years, we anticipate a steady improvement in cost metrics, with the cost-to-income ratio expected to decline by 39% by FY28E vs. 43% in FY25 and opex to average assets improving by ~20bps over FY25–28E, aided by improving branch productivity, higher digital adoption and tighter cost controls.

In addition to its core lending operations, it provides BPO services to HDFC Bank, including sales support services, back office, operations, processing support and running collection call centres. PBT from BPO services was INR 710mn for FY25 (~2.5% of FY25 PBT) and INR 610mn for 9MFY26 (~2.5% of 9MFY26 PBT). However, PBT from BPO services was INR 1.35bn for FY22, which was ~10% of FY22 PBT. Hence, this clearly indicates that share of income from BPO in overall profitability has been declining over the years.

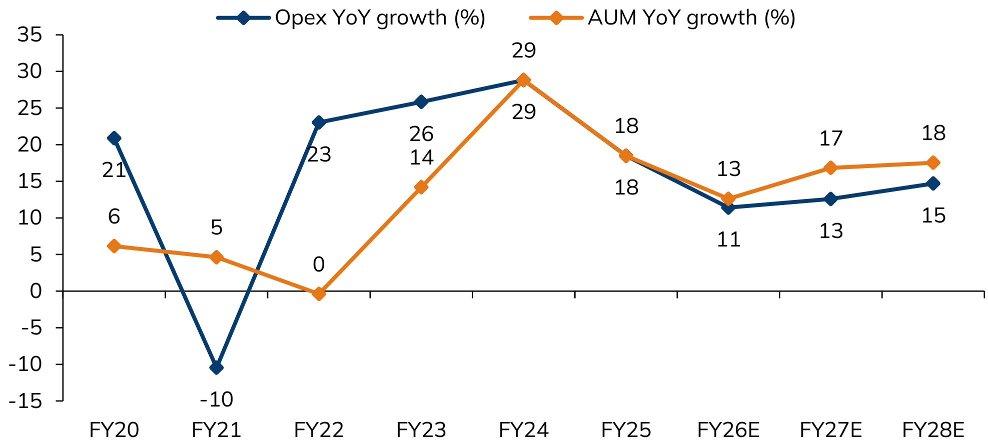
Exhibit 87: We expect 20bps moderation in cost/assets over FY25-28 driven by productivity gains and cross-functional synergies



Source: Company data, I-Sec research

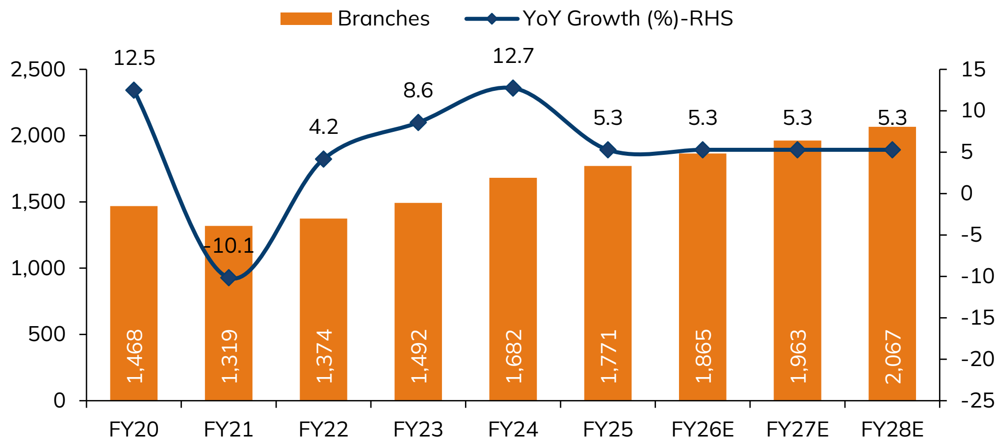
Note: Operating expenses are calculated excluding BPO expenses

Exhibit 88: Efficiency led expansion; AUM growth set to outrun operating expenses



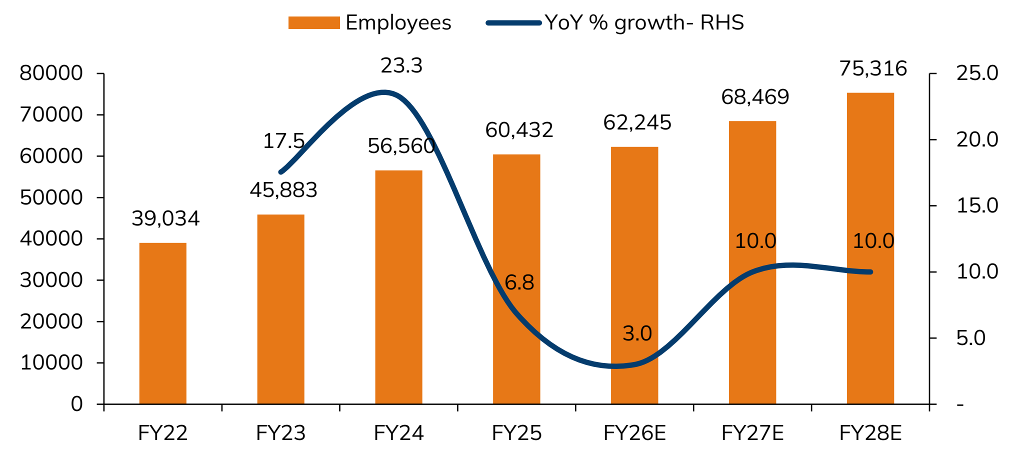
Source: Company data, I-Sec research

Exhibit 89: New branch addition likely to be calibrated with focus on sweating existing infrastructure



Source: Company data, I-Sec research

Exhibit 90: Employees in lending business expected to grow at ~10%



Source: Company data, I-Sec research

Note: Employees only for lending business

Product mix shift within segments to drive NIM expansion

HDBFS' yield profile remains well supported by its diversified product mix, with higher-yielding segments such as unsecured enterprise loans and select retail products balancing the lower-yield secured portfolio. On the asset side, ~77% of the loan book is on fixed rates as of Mar'25, which is largely not impacted in this declining rate cycle.

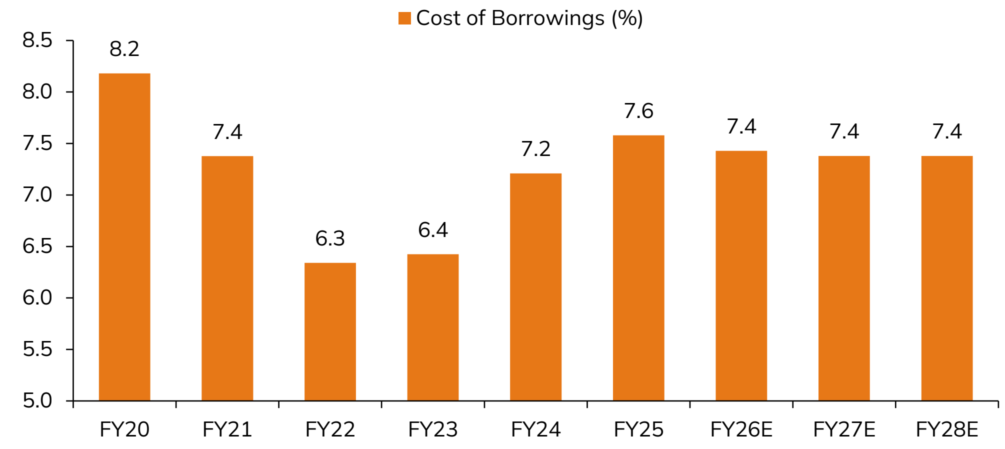
In terms of improvement in asset yield going ahead, HDBFS would look to shift portfolio mix within CV and CE towards used, from new, which should be yield accretive. Currently, CV/CE has new share of 70-80%, which it intends to bring down to 50%, viz. pre-Covid-19 levels. Moreover, consumer mix is likely to inch up in the overall AUM going ahead, which should further aid yield expansion. Overall, this will likely help HDBFS sustain yields, even if there is a shift in the rate cycle.

HDBFS has built a healthy and diversified liability franchise, supported by its solid credit profile, rated AAA (Stable) by both CRISIL and CARE and a strong parentage. This superior credit standing enables access to funding at competitive rates and tenors across both fixed and floating-rate debt instruments. The company continues to benefit from its strong credit ratings – which is AAA (Stable), from both CRISIL and CARE for its long-term borrowings, and A1+ for its short-term instruments – enabling access to diverse funding sources at competitive rates across tenors. In terms of borrowing mix, ~ 33% of HDBFS' liabilities are on floating rates as of Mar'25, within which 90-95% of its bank borrowings are linked to EBLR and have been repriced already in line with market/external benchmarks.

HDBFS' borrowings are financed through a well-diversified lender base, comprising public and private sector banks, foreign banks, mutual funds, insurance companies, pension funds, and other financial institutions. As of Dec'25, total borrowings stood at INR 929bn and no single funding source contributed more than ~40% of the total borrowings, reflecting prudent diversification. Its efforts in managing cost of borrowings is well reflected in its borrowing cost being at ~7.4s%, which is among the lowest in its peers.

Going ahead, it expects cost of borrowings to remains stable around current levels, while yields are expected to inch up due to inter-play in loan mix within segments. We expect margins to improve to ~7.7% by FY27E vs. 7.4% in FY25.

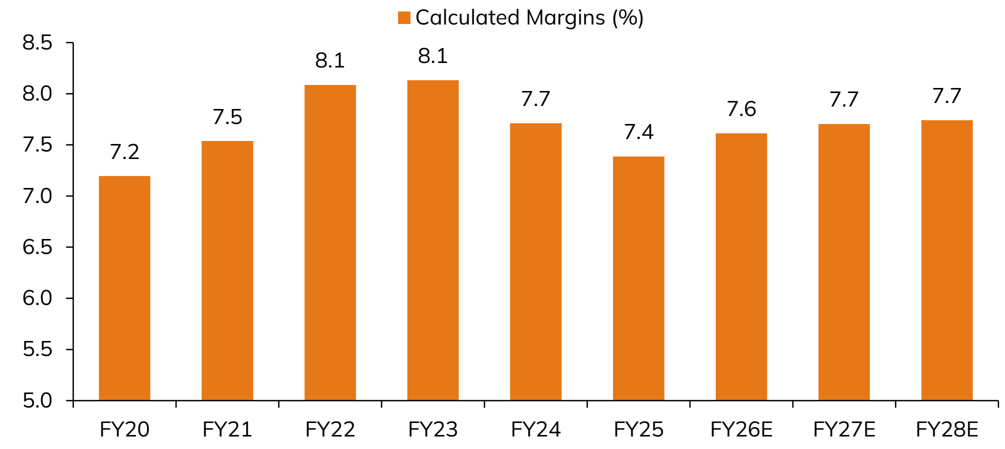
Exhibit 91: Strong parentage and superior execution driving cost of funds lower



Source: Company data, I-Sec research

Note: Cost of Borrowings is calculated as Interest cost/ Avg Borrowings

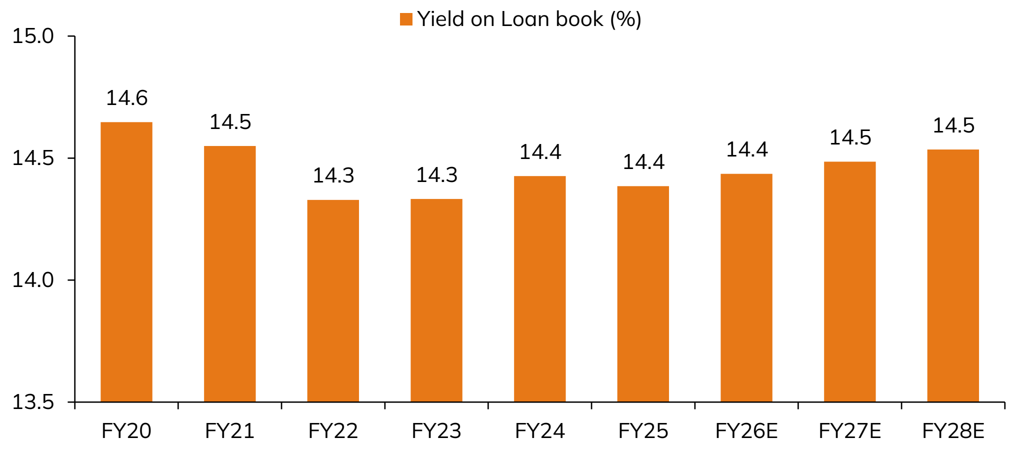
Exhibit 92: Asset yield expansion (focus on Used vehicles vs New) and falling borrowing cost to drive 30bps NIM expansion over FY25-28)



Source: Company data, I-Sec research

Note: Margins are calculated on Avg AUM

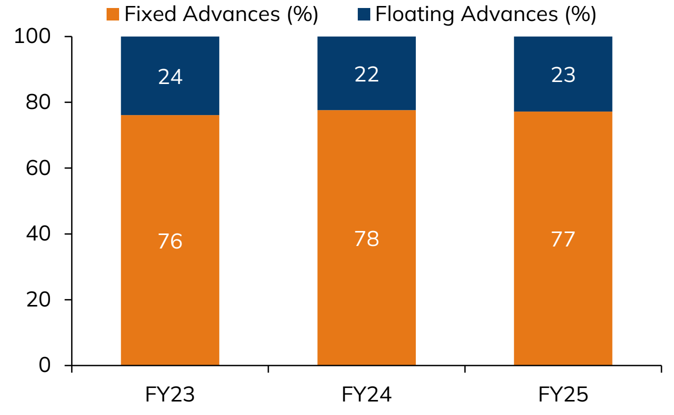
Exhibit 93: Calculated yields expected to inch up gradually



Source: Company data, I-Sec research

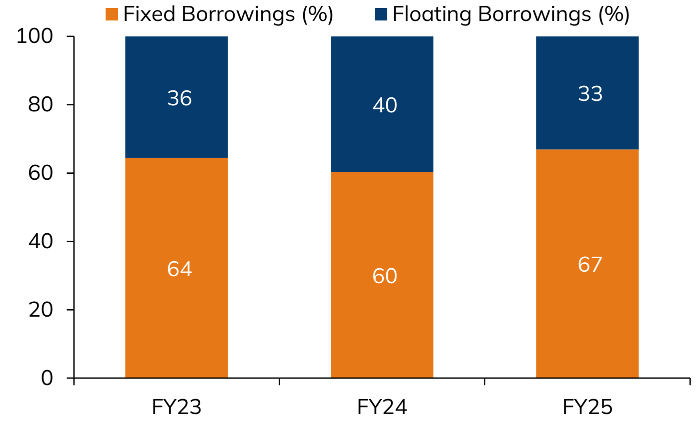
Notes: Yield are calculated on net advances

Exhibit 94: 77% of advances are on fixed rate…



Source: I-Sec research, Company data

Exhibit 95: …vs. 67% of borrowings



Source: I-Sec research, Company data

Credit cost likely to moderate as segment specific headwinds abate

HDBFS' lending strategy is reinforced by a focus on maintaining strong asset quality, supported by data-driven underwriting, rigorous portfolio monitoring, effective recovery processes and inheritance from its strong parentage. HDBFS has built a risk-calibrated and diversified loan portfolio, balancing growth with prudent underwriting.

While the company primarily serves the low- and middle-income segments, which inherently carry higher risk, it has maintained a conservative approach in customer selection. As of FY25, 11.57% of its total gross loans were to customers who were classified as new to credit, and the balance customers have a credit track record that helps anchor portfolio quality. As of Dec'25, ~74% of portfolio comprises secured loans backed by underlying collateral.

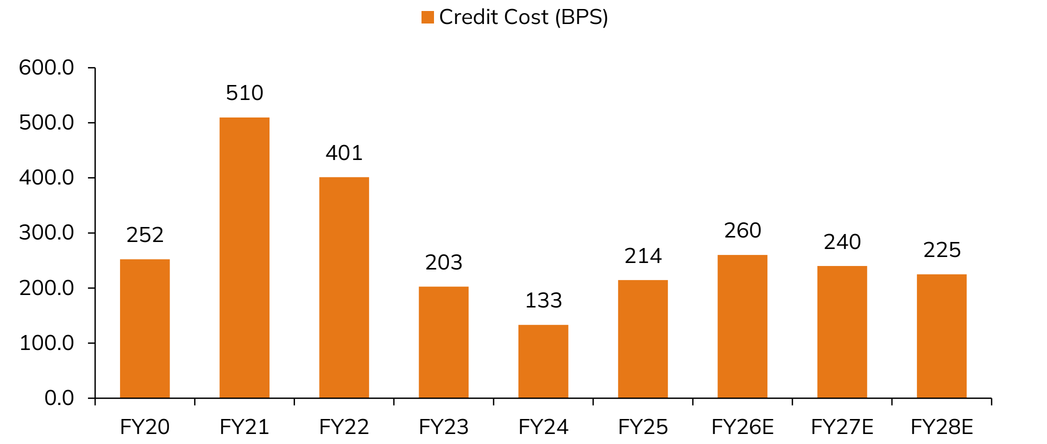
In terms of collection framework, HDBFS' collection function has been part of its operating model since inception, as the company has been providing collection services for its promoter, HDFC Bank since 2008. Collections are operated as an independent function under the oversight of its Chief Credit Officer with an in-house team of over 12,500 employees as at Mar'25 (~21% of lending business workforce). HDBFS has a sizable in-house collection infrastructure deployed across branch, regional, and national levels. It has dedicated legal and compliance employees as part of the collections team to provide support for each product. In addition, It also employs certain external collection agents for small ticket collections in certain consumer finance products and for limited collections in certain products of other verticals.

Over FY22-24, post-Covid-19, HDBFS saw a steep improvement in asset quality, with GNPA reducing sharply from a peak of 5.35% in FY22 to sub-2% as of FY24-end; thereby, reflecting prudent risk management and healthy collection mechanism for HDBFS. However, headwinds emerged in FY25, for its CV and unsecured business portfolio, which led to a rise in GNPA to 2.5%, as of Dec'25. HDBFS' credit cost in FY25 rose to 2.1% vs. 1.3% in FY24. This was due to moderation in borrower repayment capacity, especially in the low-to-mid-income segments, which led to an uptick in delinquencies, particularly in unsecured personal loans, consumer durable loans, and business loans. Also, slippages were elevated in CV/CE portfolio, Hence, credit cost was further elevated in H1FY26 as well at ~2.6%.

However, going ahead, management has highlighted in its most recent conference call that HDBFS has seen improvement in all 3 business verticals, largely in the form of reduction in forward flows. Also, the 1+ DPD portfolio has improved in Q3FY26 and unsecured MSME pain has started easing, which was a hindrance to asset quality since the past few quarters. Lastly, net slippages (ex-CV/CE) have fallen substantially in Q3; it expects net slippages in CV/CE also to normalise going ahead.

Overall, asset quality outlook for the near-term remains positive for HDBFS. Moreover, the loan mix remains favourable with 74% of the portfolio comprising secured loans backed by underlying collateral. Overall, we expect headline Gross Stage-3 to remain broadly in the range of 2.6-2.7% over FY27–28E, with credit costs gradually moderating to ~2.4% for FY27E and ~2.3% for FY28E vs. ~2.6% in FY26E.

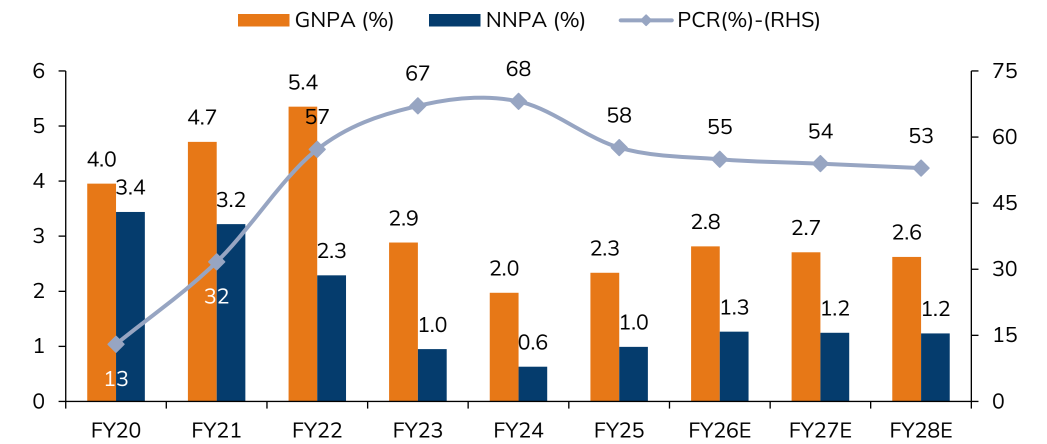
Exhibit 96: Credit cost (calculated) expected to moderate to ~225bps by FY28E



Source: Company data, I-Sec research

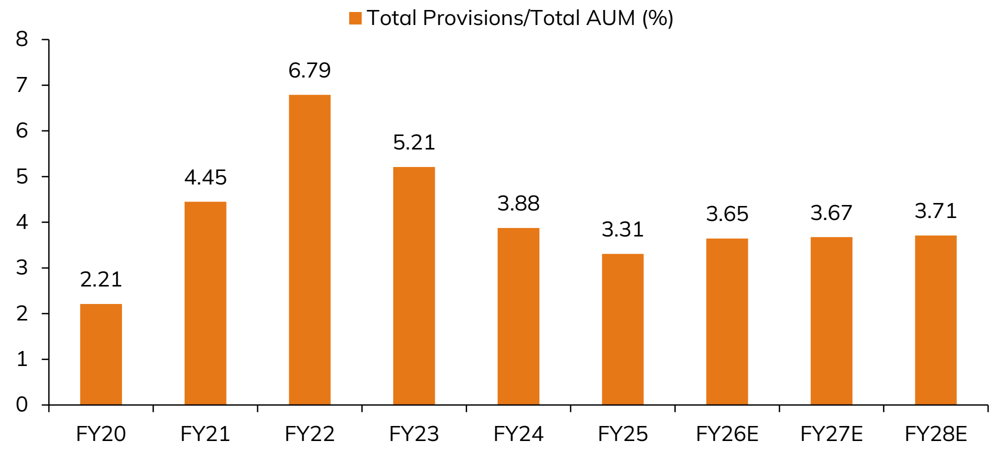
Note: Credit cost calculated on Avg AUM

Exhibit 97: GNPA <3% and NNPA <1.5% with comfortable PCR of >50% likely to sustain



Source: Company data, I-Sec research

Exhibit 98: Total provisions as a % of AUM to inch up in a gradual manner



Source: Company data, I-Sec research

Poised to deliver AUM CAGR of 17-18% over FY26E–28E

HDBFS has built one of India's most granular and credit-disciplined lending franchises, as it has an average ticket size of ~INR 164k for overall entity, one of the lowest among retail NBFC peers, as per CRISIL. HDBFS offers a play on India's high-growth, but currently under penetrated retail lending market. With an AUM of ~INR 1.15trn and ~22mn customer base, it has built a granular, largely secured loan portfolio (~74% secured) alongside building credit discipline. With strong governance, in-house collections, and a diversified sourcing model, HDBFS is placed on a strong footing with respect to growth.

Over FY22–25, HDBFS being a diversified and retail-focused NBFC has delivered a ~20% AUM CAGR with footprints spanning across the country. Ahead, with dedicated focus on underserved segments across tier-4 and beyond, backed by direct sourcing-led origination engine, HDBFS now seems to be entering a phase of scalable and profitable growth.

We believe, HDBFS is positioned to deliver 17-18% AUM CAGR (over FY26E-28E) with expanding RoAs (from 2.2% in FY25 to ~2.5% by FY28) - without compromising on asset quality or governance.

Given the rising share of formalisation in India's retail credit especially among the underserved middle-income and self-employed segments, HDBFS is well placed to capitalise on this momentum across its three segments, namely enterprise lending, consumer finance and asset finance.

On the disbursements front, we expect a CAGR of 18% over FY26E–28E, supported by scale-up in high-yielding products within segments and improved branch productivity.

This suggests that higher growth is likely to be complemented by improvement in profitability as well as asset quality metrics. Moreover, being an Upper Layer NBFC and with stricter governance, it is unlikely to show meaningful deviation on asset quality or governance.

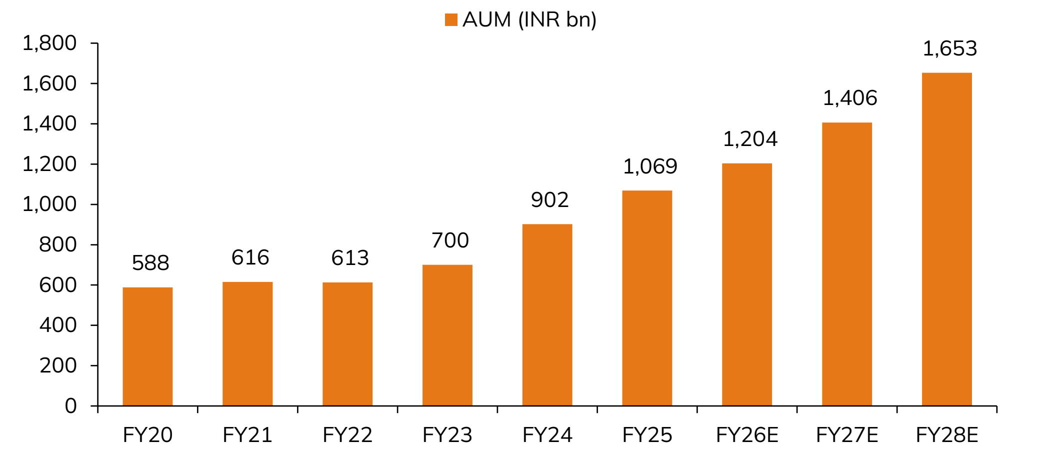
Exhibit 99: HDBFS' portfolio – most products have huge growth potential; could aid in delivering loan book CAGR of 17-18% over FY26–28E

HDBFS products	Corresponding industry product	Market size for industry (INR trn)	Estimated CAGR (FY25–28)
Enterprise Lending			
BL	Working Capital Finance Portfolio	12.7	15-17%
LAP, Enterprise BL	Secured MSME	12.8	17-19%
Salaried PL	Overall Personal Loan	14.6	18-20%
Gold Loans	Gold Loan	12.4	18-20%
Asset Finance			
New CV	CV Portfolio	5.8	11-13%
CE	CE Portfolio	1.4	12-14%
Tractor	Tractor Portfolio	1.3	11-13%
Consumer Finance			
CD/Digital/Lifestyle	CD Finance	0.8	18-20%
Relationship PL	Overall Personal Loan	14.6	18-20%
Auto Loans	New PV Portfolio	8.2	14-16%
Two-wheeler	Two-wheeler	1.7	18-20%
Micro Lending	MFI Portfolio	3.8	8-10%

Source: Company RHP, I-Sec research, CRISIL Intelligence

Note: Market size as of Mar'25

Exhibit 100: AUM CAGR of 17-18% expected over FY26E–28E



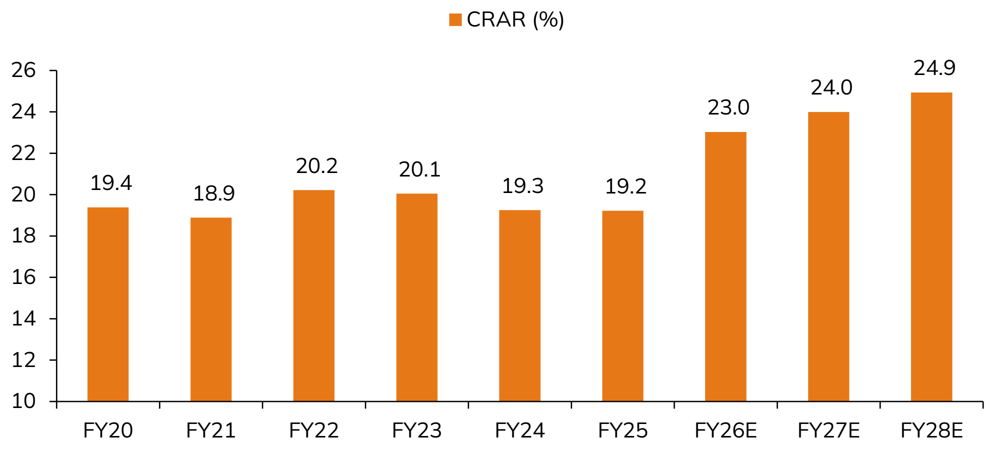
Source: Company data, I-Sec research

Well capitalised with CRAR of 21.8% post IPO; among the 15 NBFCs that are classified as upper layer

As of Q3FY26, HDBFS is well capitalised with CRAR of 21.8% as of Q3FY26, as against regulatory requirement of 15%, which reflects its disciplined and prudent capital management approach. The company raised INR 25bn via its IPO in Q1FY26, which has bolstered capital adequacy. Moreover, robust capital position provides a comfortable buffer to fund future growth and absorb potential credit or macro shocks, if any. We expect HDBFS' CRAR to improve to ~25% by FY28E.

HDBFS is among the 15 NBFCs that are classified under the Upper Layer category by RBI. Upper Layer NBFCs are a list of 15 NBFCs that are systemically significant NBFCs and specifically identified by RBI through a detailed analysis of certain quantitative and qualitative aspects. These entities are subject to higher prudential regulations and intensive supervision by the regulator (RBI in this case). They might be facing enhanced, bank-like, supervision and stringent capital requirements.

Exhibit 101: Healthy CRAR and this is likely to inch-up gradually



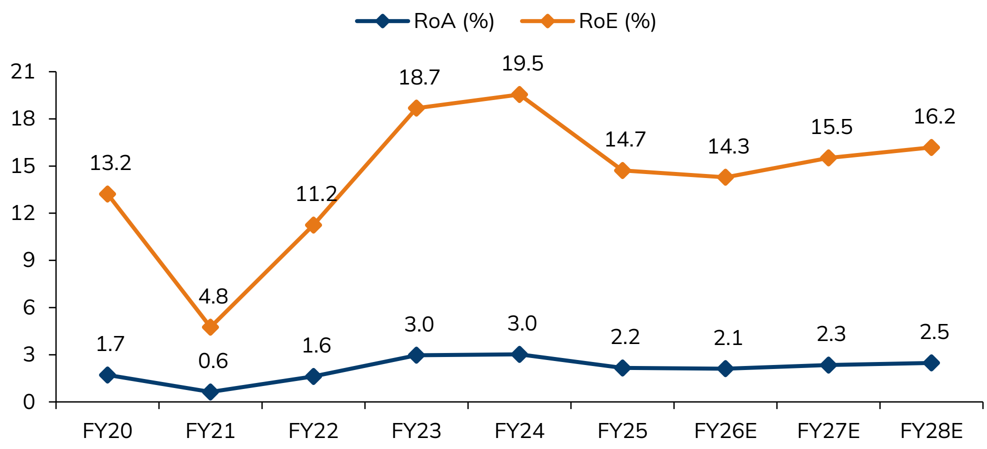
Source: Company data, I-Sec research

Likely to deliver PAT CAGR of ~25% over FY26E–28E; RoA expected to improve to ~2.5% by FY28E

HDBFS' AAA rating allows it to not only operate at lower borrowing costs, but also gives it the flexibility to have a higher leverage and generate higher RoE. Given the strong parentage and improvement in return ratios expected going ahead, along with a consistent AUM growth trajectory, we believe HDBFS seems well placed in terms of being able to deliver a steady PAT CAGR over the medium term.

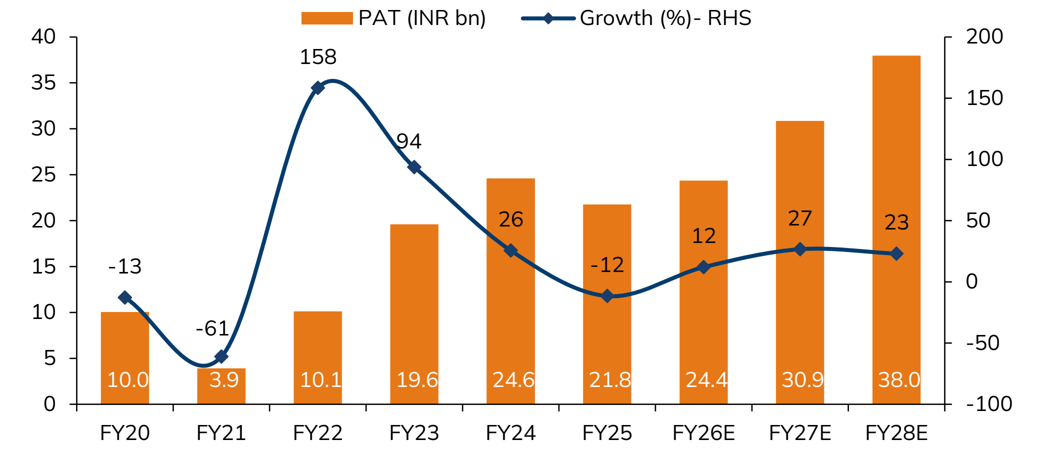
Furthermore, as HDBFS benefits from its operating leverage due to improved productivity and efficiency and as credit cost headwinds abate, we expect HDBFS to report better return ratios. We are expecting HDBFS to deliver PAT CAGR of ~25% over FY26E-FY28E. This will likely translate into RoA in the range of 2.3-2.5% over FY27–28E and RoE of ~16% for FY27E as well as FY28E. The stock is currently trading at ~2.5x P/B for FY27E and we have assigned a **BUY** rating with a TP of INR 900, valuing it at ~3.0x Sep'27E.

Exhibit 102: RoE to inch up to 16% and RoE to 2.5% by FY28E



Source: Company data, I-Sec research

Exhibit 103: PAT likely to grow at ~25% CAGR over FY26E–28E



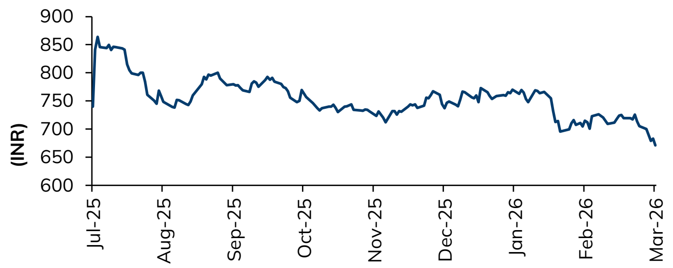
Source: Company data, I-Sec research

Exhibit 104: Shareholding pattern

%	Jun'25	Sep'25	Dec'25
Promoters	74.2	74.2	74.2
Institutional investors	9.3	14.0	14.7
MFs and other	3.6	10.1	10.5
Banks/ FIs	0.7	0.0	0.0
Insurance Cos.	0.8	0.7	0.8
FIIs	4.2	3.2	3.4
Others	16.5	11.8	11.1

Source: Bloomberg, I-Sec research

Exhibit 105: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 106: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Interest Income	136,705	158,294	181,683	212,654
Net gain on fair value changes	549	1,015	1,260	1,318
Interest Expenses	(63,902)	(71,772)	(81,131)	(94,226)
Net Interest Income (NII)	**72,804**	**86,521**	**100,552**	**118,428**
Other Income	14,131	16,672	18,457	20,181
Total Income (net of interest expenses)	**86,935**	**103,193**	**119,009**	**138,609**
Employee benefit expenses	(25,315)	(28,202)	(31,751)	(36,417)
Depreciation and amortization	(1,944)	(2,166)	(2,439)	(2,797)
Other operating expenses	(9,980)	(11,119)	(12,518)	(14,357)
Total Operating Expense	**(37,240)**	**(41,488)**	**(46,708)**	**(53,572)**
Pre Provisioning Profits (PPoP)	**49,695**	**61,705**	**72,300**	**85,037**
Provisions and write offs	(21,131)	(29,546)	(31,323)	(34,421)
Profit before tax (PBT)	**29,274**	**32,833**	**41,652**	**51,291**
Total tax expenses	(7,519)	(8,465)	(10,786)	(13,323)
Profit after tax (PAT)	**21,755**	**24,368**	**30,866**	**37,967**

Source Company data, I-Sec research

Exhibit 107: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Share capital	7,958	7,958	7,958	7,958
Reserves & surplus	150,240	174,983	206,882	246,394
Shareholders' funds	**158,198**	**182,940**	**214,839**	**254,352**
Borrowings	**913,419**	**1,018,801**	**1,180,175**	**1,373,724**
Deferred tax liabilities (net)	657	722	794	874
Current Liabilities and short-term provisions	14,360	15,796	17,376	19,114
Total Liabilities and Stakeholder's Equity	**1,086,633**	**1,218,260**	**1,413,185**	**1,648,064**
Cash and balance with RBI	9,843	10,827	11,910	13,101
Fixed assets	2,431	2,674	2,942	3,236
Loans	**1,033,430**	**1,159,737**	**1,348,810**	**1,577,251**
Investments	20,601	22,661	24,928	27,420
Other Assets	20,004	22,005	24,205	26,626
Total Assets	**1,086,633**	**1,218,260**	**1,413,185**	**1,648,064**

Source Company data, I-Sec research

Exhibit 108: Key Ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
AUM and Disbursements (INR mn)				
AUM	1,069,000	1,203,798	1,406,465	1,653,152
On-book Loans	1,033,430	1,159,737	1,348,810	1,577,251
Off-book Loans	35,570	44,060	57,656	75,900
Disbursements	661,080	720,450	850,131	1,003,154
Repayments	494,259	585,652	647,463	756,468
Growth (%):				
Total AUM (%)	18.5	12.6	16.8	17.5
Disbursements (%)	8.6	9.0	18.0	18.0
Repayments (%)	21.4	18.5	10.6	16.8
Loan book (on balance sheet) (%)	19.2	12.2	16.3	16.9
Total Assets (%)	17.4	12.1	16.0	16.6
Net Interest Income (NII) (%)	17.8	18.8	16.2	17.8
Non-interest income (%)	27.6	15.3	9.8	9.7
Total Income (net of interest expenses) (%)	18.2	18.7	15.3	16.5
Operating Expenses (%)	18.5	11.4	12.6	14.7
Employee Cost (%)	17.8	11.4	12.6	14.7
Non-Employee Cost (%)	17.5	11.4	12.6	14.7
Pre provisioning operating profits (PPoP) (%)	17.9	24.2	17.2	17.6
Provisions (%)	98.0	39.8	6.0	9.9
PBT (%)	(11.4)	12.2	26.9	23.1
PAT (%)	(11.6)	12.0	26.7	23.0
EPS (%)	(11.9)	12.0	26.7	23.0
Yields, interest costs and spreads (%)				
NIM on loan assets (%)	7.7	7.9	8.0	8.1
NIM on IEA (%)	7.3	7.5	7.6	7.7
NIM on AUM (%)	7.4	7.6	7.7	7.7
Yield on loan assets (%)	14.4	14.4	14.5	14.5
Yield on IEA (%)	13.8	13.8	13.8	13.8
Yield on AUM (%)	13.9	13.9	13.9	13.9
Cost of borrowings (%)	7.6	7.4	7.4	7.4
Interest Spreads (%)	6.8	7.0	7.1	7.2
Operating efficiencies				
Cost to income ratio	42.8	40.2	39.2	38.6
Op.costs/avg assets (%)	3.7	3.6	3.5	3.5
Op.costs/avg AUM (%)	3.8	3.7	3.6	3.5
No of employees (estimate) (x)	60,432	62,245	68,469	75,316
No of branches (x)	1,771	1,865	1,963	2,067
Salaries as % of non-interest costs (%)	68.0	68.0	68.0	68.0
NII /employee (INR mn)	1.2	1.4	1.5	1.6
AUM/employee (INR mn)	17.7	19.3	20.5	21.9
AUM/ branch (INR mn)	603.6	645.6	716.4	799.7
Capital Structure				
Average gearing ratio (x)	5.8	5.6	5.5	5.4
Leverage (x)	6.9	6.7	6.6	6.5
CAR (%)	19.2	23.0	24.0	24.9
Tier 1 CAR (%)	14.7	18.9	20.4	21.9
Tier 2 CAR (%)	4.6	4.2	3.6	3.0
RWA (estimate) - INR mn	1,032,301	1,169,530	1,370,789	1,615,103
RWA as a % of loan assets	99.9	100.8	101.6	102.4

Source Company data, I-Sec research

	FY25A	FY26E	FY27E	FY28E
Asset quality and provisioning				
GNPA (%)	2.3	2.8	2.7	2.6
NNPA (%)	1.0	1.3	1.2	1.2
GNPA (INR mn)	24,137	32,642	36,522	41,386
NNPA (INR mn)	10,631	14,704	16,817	19,470
Coverage ratio (%)	56.0	55.0	54.0	53.0
Credit Costs as a % of avg AUM (bps)	214	260	240	225
Credit Costs as a % of avg on book loans (bps)	222	269	250	235
Return ratios				
RoAA (%)	2.2	2.1	2.3	2.5
RoAE (%)	14.7	14.3	15.5	16.2
ROAAUM (%)	2.2	2.1	2.4	2.5
Valuation Ratios				
No of shares	796	796	796	796
No of shares (fully diluted)	796	796	796	796
EPS (INR)	27.3	30.6	38.8	47.7
EPS fully diluted (INR)	27.3	30.6	38.8	47.7
Price to Earnings (x)	24.5	21.9	17.3	14.1
Price to Earnings (fully diluted) (x)	24.5	21.9	17.3	14.1
Book Value (fully diluted)	199	230	270	320
Adjusted book value	189	216	254	301
Price to Book	3.4	2.9	2.5	2.1
Price to Adjusted Book	3.6	3.1	2.6	2.2
DPS (INR)	3.0	3.5	4.0	4.5
Dividend yield (%)	0.4	0.5	0.6	0.7

Source Company data, I-Sec research

Exhibit 109: Key Metrics

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
DuPont Analysis				
Average Assets (INR mn)	1,006,099	1,152,447	1,315,722	1,530,624
Average Loans (INR mn)	950,322	1,096,584	1,254,274	1,463,031
Average Equity (INR mn)	147,812	170,569	198,890	234,596
Interest earned (%)	13.6	13.7	13.8	13.9
Net gain on fair value changes (%)	0.1	0.1	0.1	0.1
Interest expended (%)	6.4	6.2	6.2	6.2
Gross Interest Spread (%)	**7.2**	**7.5**	**7.6**	**7.7**
Credit cost (%)	2.1	2.6	2.4	2.2
Net Interest Spread (%)	**5.1**	**4.9**	**5.3**	**5.5**
Operating cost (%)	3.7	3.6	3.5	3.5
Lending spread (%)	**1.4**	**1.3**	**1.7**	**2.0**
Non-interest income (%)	1.4	1.4	1.4	1.3
Operating Spread (%)	**2.9**	**2.8**	**3.1**	**3.3**
Tax rate (%)	25.7	25.8	25.9	26.0
ROAA (%)	**2.2**	**2.1**	**2.3**	**2.5**
Effective leverage (AA/ AE)	6.8	6.8	6.6	6.5
RoAE (%)	**14.7**	**14.3**	**15.5**	**16.2**

Source Company data, I-Sec research

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